Barclays PLC Full Year 2015 Results

Analyst and Investor Conference Call Speech

Jes Staley, Barclays Group Chief Executive

Tushar Morzaria, Barclays Group Finance Director

Slide 2: Jes Staley, Barclays Group Chief Executive

Good morning and welcome to Barclays. Earlier today, we published our 2015 results. They show a Core business, which is fundamentally strong, with franchises that position us well going forward. Before we focus on our plans for the future, Tushar will walk you through the detail of our 2015 results. Tushar.

Slide 3: Tushar Morzaria, Barclays Group Finance Director

Thank you. I’m going to run through our recent financial performance and some of the actions we’ve taken to accelerate returns, before handing back to Jes.

Slide 4: Summary Group Financials: Adjusted PBT of £5.4bn

I’m delighted with the progress we’ve made in 2015 in implementing our strategy, with improvements in profitability for all our core operating businesses, after adjusting for the currency effect in Africa.

Overall adjusted income fell 5% as a result of the active rundown of Non-Core, which finished 2015 with RWAs of £47 billion. We reduced operating expenses excluding CTA by 4% to £16.2 billion, below our guidance of £16.3 billion. Total costs were down by 6% delivering positive jaws. Non-Core losses increased to £1.5 billion, which led to a 2% fall in overall adjusted profits, or 8% on a statutory basis,
after taking account of adjusting items. This resulted in a statutory attributable loss of £394 million, due to the non-deductible nature of many of the adjusting items. Impairment improved a further 2%, resulting in a loan loss rate of 47 bps.

I’ll now take you through the main adjusting items: An additional £1.45 billion PPI provision in Q4 reflected our best estimate of the effect of a potential 2018 deadline and the Plevin ruling, taking the total for UK customer redress for the year to £2.8 billion. We took litigation provisions of £1.2 billion during the year, largely relating to FX settlements and various civil actions. We settled two civil RMBS claims with the NCUA, but the DoJ mortgage-related investigation remains outstanding. Losses on sale of European retail businesses increased to £580 million, with the Q4 announcement of the disposal of the branch-based business in Italy. Adjustments over the year totalled £3.3 billion, resulting in an adjusted PBT of £5.4 billion, and attributable profit of £2.7 billion.

We are paying a final dividend of 3.5 pence per share, making 6.5 pence for the year, and from now we will be paying dividends semi-annually. Going forward we will focus on Return on Tangible Equity rather than Return on Equity as our key returns metric, with 2015 RoTE finishing broadly flat on 2014 at 5.8%.

Turning now to our Core performance.

Slide 5: Core Performance: Profit growth across all operating businesses

We increased adjusted PBT in our Core businesses by 3% to £6.9 billion, with an RoTE of 10.9%, on an average tangible equity base that was 13% higher.

There was a standout performance from Barclaycard with profits up 22%, and the IB delivered a 17% increase in profits, despite a challenging market environment.

Adverse currency moves again affected the Africa Banking results.

The Head Office loss reflected a negative treasury result in the income line, and the initial structural reform implementation costs, which we flagged in Q3.
In future years structural reform costs will be borne in full by the businesses.

Core EPS was 25.7 pence.

Focusing now on each of the Core operating businesses.

Slide 6: PCB: PBT up 12% excluding US wealth business

First Personal and Corporate Banking, which reported a 12% increase in PBT excluding the effects of the US Wealth business disposal.

Corporate in particular performed well, with income up 5%, achieving above market growth in lending and cash management.

Income from Personal banking was down 3%, as a result of lower fee income and some mortgage margin pressure, partially offset by increased deposit income and Wealth income reduced by 2%, excluding the impact of the US business sale.

Taken together, PCB income would have been flat on 2014 without the impact of Barclays Wealth Americas. The mortgage market remains highly competitive: we aren’t chasing market share, but have nevertheless maintained a share of around 10% in the last few months.

Net Interest Margin for 2015 remained healthy at around 300 bps.

Impairment reduced by 22%, giving a loan loss rate of 17 bps, despite an uptick in Q4, which principally related to some single name charges in Oil & Gas.

And with total operating costs down by a further 4%, we delivered positive jaws, resulting in a Cost: Income ratio of 60%, which we will drive down further, as we continue to digitise the business.

Overall this drove an increase in RoTE to 16.2%.
Slide 7: Digital is Barclays biggest branch

This slide shows the traction we are getting as we continue to expand our digital business.

We originated £1.6 billion of unsecured lending digitally in 2015, roughly 50% up on last year. This exceeded the amount originated via the branch network, at a cost income ratio in the low 20’s.

Turning now to Barclaycard which delivered PBT growth of 22%.

Slide 8: Barclaycard: PBT UP 22% and RoTE of 22.3%

Income grew by 13% to £4.9 billion, mainly driven by the US business.

NIM was 913 bps for the year; going forward we expect it to be in the high 800’s, as we continue to grow the business internationally.

Non-interest income which grew by 7% in 2015 will continue to experience some pressure, as the European interchange caps have a full year effect in 2016.

Impairment increased by 6% but the loan loss rate reduced to 289 basis points. That’s a bit higher than at the end of September, as we flagged with the Q3 results, but we expect the LLR to be broadly stable going forward.

We generated positive jaws, despite costs increasing 11% to £2.1 billion reflecting investment in business growth, as well as some strengthening of the US Dollar.

Overall RoTE for Barclaycard reached 22.3%.

Now let me turn to Africa Banking.

Slide 9: Africa Banking: PBT up 11% on constant currency basis

On a constant currency basis PBT grew by 11% to £979 million.
The 10% depreciation in the Rand year-on-year turned that into a 1% reduction when reported in Sterling.

But the underlying performance in Rand was encouraging: income grew by 7%, driven by continued good momentum in Retail and Business Banking, both inside and outside of South Africa.

Costs also increased by 5%, reflecting inflationary pressures, partially offset by the benefits of our strategic cost programmes.

Impairment increased by 11%, resulting in a loan loss rate of 109 basis points. We continue to monitor the challenging macro environment in Africa, but given our conservative risk profile in the region, we feel well positioned.

And now the Investment Bank.

**Slide 10: Investment Bank: PBT up 17% with reduced costs and RWAs**

The Investment Bank reported a 17% increase in PBT, on the back of flat income and a 5% reduction in the cost base.

This included a 5% reduction in compensation costs, with the charge for performance costs down 8%.

Attributable profit more than doubled, as did RoTE to 6%, which is not yet where it needs to be, but is heading in the right direction.

I was particularly pleased with the year-end RWA level of £108 billion. There’s seasonality in that figure, and Q1 on a like-for-like basis is likely to show some increase, but you may have seen in our materials that we’re going to do a one-time top up of Non-Core which will include the IB exits we announced in January.

Looking at Q4 in more detail, total income was down 12% at £1.5 billion, in challenging markets.
Banking was down 17% driven by lower equity and debt underwriting fees given difficult market conditions, which were partially offset by an increase in advisory fees.

Our banking team continues to work on landmark transactions, for example we acted as Financial Advisor to Anheuser-Busch InBev on the acquisition of SABMiller for an announced transaction equity value of $117 billion - the fifth biggest M&A transaction ever.

Q4 Markets income was down 11%, within which Credit increased 28%. This increase was driven by higher income in client credit flow, mainly from success in our US business, partially offset by lower income in securitised products, reflecting our strategic re-positioning.

Macro was down 13% reflecting subdued client activity, particularly in Asia, but following the significant restructuring over the last 18 months, we believe our Macro business is in good shape and well positioned, with a 4% increase in full year revenues.

Equities had a tough Q4 with income down 25% year on year, driven by weaker performance in equity derivatives and losses on block positions that were closed in Q4 2015, despite a decent performance in cash equities.

So we made solid progress in 2015. However, we still have further work to do as we continue to reduce the cost base and optimise capital to generate attractive and sustainable returns.

I would note that the Investment Bank income in January and February was broadly in line with the same period last year. However in light of current market conditions, and on the back of a particularly strong March 2015, we would not expect as strong a performance as last year for the whole of Q1.

Now for Non-Core where we made encouraging progress.
Slide 11: Non-Core: Continued shrinkage and capital recycling

Since the start of 2015 we have reduced RWAs by £29 billion, ending the year with £47 billion. The leverage exposure reduction was dramatic, more than halving to £121 billion.

Looking first at the full year, income reduced from £1.1 billion to an expense of £164 million, primarily due to the sale of income generating businesses like Spain, the active rundown of asset portfolios, and fair value losses, notably £359 million on the ESHLA portfolio.

Costs reduced 40% to £1.2 billion reflecting the exit from various businesses – and the direction of travel here continues to be downwards.

The attributable loss for the year was £1.5 billion and the drag on the Group RoTE was just over 500 bps.

As we continue to drive the Non-Core down throughout 2016 there will again be significant drag on Group returns, but this will reduce as we stem the losses and get the RWAs down to the levels we are targeting through 2017.

Slide 12: Non-Core – Reductions across every measure

Of the £29 billion full year reduction in RWAs, we achieved £8 billion in Q4, with a £6 billion reduction in Derivatives through a combination of trade unwinds and RWA efficiencies.

We have a good pipeline of transactions to deliver further RWA reductions over the next few quarters.

On Derivatives we have signed a trade novation agreement with J P Morgan, whereby they have agreed to have a substantial number of trades novated to them, which will deliver RWA reductions over the course of 2016.
On Businesses, the Italian and Portuguese sales announced in Q3 and Q4 should deliver RWA reductions of £2.5 billion in the first half of the year as those sales complete.

The enlargement of the Non-Core perimeter, notably with additional activities from the Investment Bank, Egypt, and Southern European credit cards, added £8 billion to the Non-Core RWAs as at end 2015.

However, given their excellent track record, we are confident in the ability of the Non-Core management team to eliminate these RWAs efficiently – and we are still guiding to around £20 billion of Non-Core RWAs at the end of 2017, despite the perimeter top up.

Leverage exposure was reduced by a further £30 billion in Q4.

Savings from our on-going cost programmes and business sales drove the £125 million reduction in quarterly costs since Q4 2014.

We expect further significant cost reductions to be driven by Business disposals, including Italy, Portugal, and the Index business.

The enlargement of the Non-Core perimeter adds around £600 hundred million to the cost base, and restructuring costs for Non-Core are expected to be close to £400 million in 2016.

We expect to exit the majority of these additional costs in the course of 2016, and are planning further cost cuts into 2017, so the trajectory will continue to be downwards thereafter.

And finally, the chart on the bottom right demonstrates the evolution of income.

There’s some noise in these numbers, notably the ESHLA fair value movement I referred to earlier, which was £156 million in Q4, but the Q4 aggregate of £212 million negative income for the Non-Core is consistent with our expectation for
meaningful negative income for 2016 excluding the impact of future ESHLA fair value movements.

The fair value movement from ESHLA is hard to predict but it is likely to be another significant negative in Q1 as a result of continued gilt asset swap spread widening. There will continue to be a funding cost, but this will be less volatile.

Derivatives will also be a mix of elements: the costs of exiting derivative positions, an underlying funding cost, and some fair value movements on the residual portfolio. The first of these will be the dominant feature, particularly in 2016 as we drive down RWAs.

By 2017 Non-Core income should be a much smaller negative and should be driven principally by residual funding costs.

Turning now to Group costs.

**Slide 13: Significant cost reduction across Group, Core and Non-Core**

Since 2013 we have reduced our total adjusted cost base by £2.7 billion to £17 billion.

We finished 2015 with a cost base excluding CTA of £16.2 billion, inside our guidance of £16.3 billion, and also significantly below the original 2015 target of £16.8 billion which we gave in 2013.

The direction of travel on costs continues to be downwards.

**Slide 14: Limited oil & gas exposures, and robust risk management**

We’ve been asked in recent weeks about exposures to the oil & gas sectors. These total around £18 billion – split just £4 billion on balance sheet, plus £14 billion off-balance sheet.
More importantly, our exposure is well managed and balanced, with a large proportion being to oil majors, and other investment grade or strongly-rated clients.

Impairment of just over £100 million has been charged in the oil & gas sector in 2015. While we may see some increase in impairment in this sector in 2016, we don’t expect a dramatic increase in the overall Group charge.

We’ve run sensitivities on various scenarios: for example, if oil prices were to stay at around $30 per barrel throughout 2016, we estimate this would result in an increase in our impairment for this sector of around £250 million.

Turning now to the liability side of the balance sheet.

**Slide 15: Maintaining a robust liquidity position and well diversified funding profile**

I haven’t spoken about our funding and liquidity position for some time. However, given the recent dislocation in credit markets, I thought it would be sensible to update you on our strong liquidity position, and our conservative and diversified funding profile.

Our liquidity pool stood at £145 billion at end of the year, comprising very high quality assets and the LCR was 133%, driven by continued deleveraging and an increase in customer deposits.

The NSFR remained comfortably above future minimum requirements at 106%, well ahead of implementation timelines.

As you know, we have been proactively managing the transition to a single point of entry model, positioning us well to meet our future TLAC and MREL requirements, by issuance from our HoldCo.

As at the end of 2015, our consolidated total capital and HoldCo senior debt was about 20% of RWAs.
We were pleased with the take up of our tender offer for OpCo senior debt, and US$4 billion of new HoldCo issuance in January. And this morning we have announced a tender for certain OpCo senior and subordinated debt, which further supports our transition to a HoldCo capital and term funding model.

Moving now to capital.

**Slide 16: Continued strengthening of key capital metrics**

We have built significant capital since 2013, accreting 230 basis points, and that’s after absorbing significant conduct and litigation provisions, which have had an aggregate impact of around 150 basis points on our CET1 ratio during that time.

So as an indication of our ability to accrete the capital ratio organically year by year, our accretion over the last 12 months was 110 bps, and without conduct and litigation adjustments that would have been 210 bps.

In Q4 the CET1 ratio increased to 11.4%, as RWAs decreased by £23 billion, offsetting the reduction in CET1 capital caused principally by the PPI provision.

We expect the CET1 ratio to improve further over the course of 2016, although Q1 is likely to be lower, as a result of seasonality and actions we are taking to improve returns.

We improved our leverage ratio again this quarter to 4.5%, with leverage exposure down a further £113 billion.

TNAV decreased 14p this quarter to 275p, principally reflecting the post-tax effect of the £2.2 billion from adjusting items.

**Slide 17: Managing capital position for regulatory minimum levels and stress testing**

When I think about our future capital requirements, I am focused on our buffers to the level at which mandatory distribution restrictions apply, and the Bank of England stress test hurdles.
These are very important for our shareholders and credit investors, as is our level of distributable reserves, which for Barclays PLC were £7.1 billion as at the end of 2015.

There have been changes to our current regulatory requirements since last year. Our distribution restrictions hurdle has gone up, as the CRDIV buffers start to phase in.

We have also seen an increase in our Pillar 2A requirement, with the CET1 component now 2.2%.

We do expect Pillar 2A to reduce over time following statements made by the Bank of England, to offset Basel-driven adjustments to RWA calculations.

One of the proposals the market has focused on relates to Market Risk risk weighted assets. Based on initial analysis, we estimate an increase to RWAs of around £10bn, which is before management actions and further Non-Core rundown.

We have also assumed a countercyclical buffer of 50 bps.

This results in a potential minimum CET1 level of 11.7% in 2019.

I would note this does not assume any reduction in our GSIB buffer of 2.0%, which we are optimistic may reduce over time given our ongoing deleveraging and simplification actions.

Based on a management buffer of 100-150 basis points above our regulatory minimum level, this would imply a future range of 12.7 – 13.2%. We do not expect to need to be at the top of this range, given expectations that Pillar 2A and GSIB buffers should reduce, but we expect to build our CET1 ratios to above 12% in a reasonable timeframe.
For this year we will have hurdles for distribution restrictions of 7.8% and for BoE stress tests of 7.2% - and as you can see we have comfortable buffers of 360 and 420 basis points above these levels.

Jes will talk about other capital enhancing initiatives, which give us further confidence in our capital flight path.

Slide 18: Financial highlights

So I’m pleased to report progress implementing our strategy, as summarised on this slide, and good performances from all our operating businesses.

And with that, I’ll now hand back to Jes.

Slide 19: Jes Staley, Barclays Group Chief Executive Officer

Thanks Tushar.

As Tushar’s presentation has shown, the core businesses in Barclays today are strong, generating attractive earnings, with excellent prospects for growth, and collectively they already deliver a Return on Tangible Equity which is above our cost of equity.

Our principal task is therefore to liberate those businesses from the two major factors which drag them down today.

The first is a group of legacy products and businesses that are neither sufficiently profitable nor strategically important to Barclays. And the second is the continued impact of billions of pounds of enforcement and conduct expenses that are, largely, the product of past failures in our culture. We are going to address these matters head on now, with the objective of putting most of these issues behind us in 2016.

We will achieve this in three ways. First, through simplifying our core business; second – by aggressively accelerating the run-down of our Non-Core operations;
and third, by working hard to resolve our remaining legacy conduct matters as soon as is practical, while managing the bank with strong controls, to avoid creating any new issues.

Over the last several years, changing regulation and enforcement actions arising from poor historical business practices have in large measure shaped our strategy.

Many of these regulatory changes were necessary. In the lead up to the financial crisis, banks around the world levered themselves to extraordinary levels. And bankers paid themselves based on profits they expected to earn in the future. And then it all came tumbling down, and workers and families around the world suffered, as did the global economy generally.

The understandable response to this was to insist that banks take dramatic corrective action.

At Barclays, over the last few years, these forces have driven a significant restructuring of our business.

Since the 2008 financial crisis, capital requirements have risen dramatically through a combination of heightened risk weighted assets and increased absolute ratios. Just two weeks ago, the Bank of England suggested that the new capital requirements were today 10 times those which were in place going into the financial crisis.

At the same time that we have been required to increase capital, we have also had to pay out very large sums of money as a result of past conduct issues. Barclays should take responsibility for what we got wrong, and we have been doing so, and we will continue to work to resolve the remaining legacy conduct issues as efficiently and as expeditiously as possible.

But these costs, in large measure, have cancelled out the considerable earnings of our business. In the last four years Barclays has generated over 20 billion pounds
in earnings before conduct charges, levies, and taxes, while we have paid out roughly the same amount, £20 billion, in conduct charges, levies, and taxes.

As a result, Barclays has not actually produced any retained earnings in aggregate from 2012-2015. These circumstances have forced us to grow our capital ratio by reducing the size of our businesses and client segments, rather than by simply retaining earnings.

If you do not earn any profits, investors will not value your shares at anywhere near book value. And if you are trading below book value, and you have to increase your capital ratios, then you only have one choice, which is to reduce risk weighted assets. First, you cut risk at the margins, but if those cuts are insufficient, then whole businesses sometimes have to go.

**Slide 20: Materially simplified and refocused Barclays**

This process has forced Barclays to become much more focused on which businesses are our strengths and which businesses are more marginal.

In the last few years we have nearly halved Investment Bank's Risk Weighted Assets, and sold entire businesses. As a result of these and other measures, Barclays has increased its CET1 Ratio from 9.1% in 2013 to 11.4% today.

Since I started three months ago we have taken further steps to simplify the Group. We have made substantial progress in exiting European retail banking, selling our Italy and Portuguese businesses while we continue to evaluate selling our French business; we have closed trading and banking operations in nine countries; we’ve put our cards business in Southern Europe up for sale; we’ve sold our Wealth Management business in the United States and now also intend to do so in Asia; we’ve exited marginal product and client segments; and we’ve reduced our headcount by more than 5,700 people. These are important steps, and they build on the efforts Barclays has made over the past few years.
But to finish our restructuring we must make some further difficult choices.

So today I’m announcing two key decisions: First, we will further simplify our business by reducing our ownership in Barclays Africa to a non-controlling, non-consolidated interest; and second, we will aggressively accelerate the rundown of our Non-Core operations, funded by a cut in our dividend to 3 pence in 2016 and 2017.

**Slide 21: Intention to reduce 62.3% stake in Barclays Africa Group Limited (BAGL)**

First, Africa. It is our intention, subject to required shareholder and regulatory approvals, to reduce our interest in Barclays Africa Group Limited to a non-controlling, non-consolidated, position over the next two to three years.

This has been a very difficult decision to make. Barclays has been in Africa for over 100 years. We have some excellent franchises across the continent, with a great management team and dedicated colleagues.

But we face a regulatory environment where we carry 100% of the financial responsibility for Barclays Africa, and yet receive only 62% of the benefits. The international reach of the UK Bank Levy, the G-SIB buffer, MREL/TLAC, and other regulatory requirements present specific challenges.

The returns Barclays realises from its controlling interest in Barclays Africa are significantly below the 17% Return on Equity reported locally.

Because of these specific challenges, we believe that it is in the best interest of shareholders to reduce our position. Given what is driving this decision, we have flexibility with respect to the pace at which we reduce our ownership and as a result, we will execute this change in our investment opportunistically and responsibly over the next two to three years.

On the financial side, reducing our interest to a non-controlling, non-consolidated position will also materially improve our CET1 ratio, though not until we de-
consolidate Barclays Africa as a regulatory matter. In the medium term, this will allow us to invest in the core franchises of Barclays, but this also has the positive effect of shrinking our cost base by some £2 billion, our headcount by around 44,000 people, and of course significantly reduces the organisational complexity we see in Barclays today. We will now actively engage with Barclays Africa to ensure that this process has a satisfactory and appropriate outcome for all stakeholders.

Slide 22: One-time increase to Non-Core: 2017 RWA guidance retained

Second, besides simplifying our business, we also need to accelerate the separation of our profitable Core business from the drag of our Non-Core business.

Our Non-Core Risk Weighted Assets started at about £110 billion two years ago. As Tushar mentioned, by the end of 2015 we reduced this to £47 billion. Because of some of the actions we’ve taken since my arrival, we’ve further simplified the Group, our Non-Core Risk Weighted Assets will rise to £55 billion. Those one time additions will also meaningfully increase the costs associated with Non-Core, this year.

Our Non-Core businesses act as a significant drag on our Group profitability. With that in mind, we have decided to accelerate the wind-down of Non-Core, even though it will bring forward costs and bring forward losses. Those costs and losses will have to be funded.

To give us the flexibility to aggressively accelerate our exit of Non-Core activities, we have decided to adjust our dividend. It is our intention to reduce our dividend to 3 pence, in 2016 and 2017. This will help us accelerate the rundown of Non-Core.

Once we have made the reductions in Non-Core and have clarity on the remaining conduct issues, we should be in a position to pay out a significant proportion of our earnings over time.
To be very clear, I recognise the importance of paying a meaningful dividend as part of total shareholder returns and I am committed to doing so in the future.

But for today, the reduction of the dividend is the right choice. These are hard decisions, but we believe the shareholder value created by getting Non-Core closed will significantly exceed any downside of cutting the dividend for two years.

These strategic actions will bring forward the completion of our restructuring and the emergence of a simpler and very profitable Barclays. Now, I want to tell you a bit more about that Barclays, and why I’m so excited about our future.

Slide 23: Transatlantic Consumer, Corporate and Investment Bank

Barclays will focus on our strength as a Trans-Atlantic Consumer, Corporate and Investment Bank. The Group will be anchored in the two financial centres of the world, London and New York.

We will grow our service to retail customers, leading with technology to engage with millions of existing and future consumers in the UK, and with millions of customers of Barclaycard across the United States.

We will excel in Corporate and Investment Banking, continuing to be a deeply respected firm in the global capital markets, servicing the world's most important corporate clients, investors, and Governments.

We will leverage our Payments expertise to support corporates on both sides of the Atlantic, and importantly we will reaffirm our commitment to, and relationship with, the citizens of the UK. We are proud to be a British bank, and we believe being headquartered in London is a special advantage for Barclays.

We will manage Barclays to strong capital ratios, to conservative leverage, and robust profits, to build consistent, high-quality earnings, so that we remain an institution on which both consumers and businesses can rely, in good times and in bad.
We will be a bank that attracts talented employees, who want to be in the profession of banking because of the values our firm represents. We will become known for our conduct, not because of the negative headlines that our past conduct generated, but because of the respect our conduct will engender in the future.

From today forward, Barclays will operate two clearly defined divisions, Barclays UK, and Barclays Corporate & International. These core divisions are equally important to the Group, complementing each other, and represent the future of Barclays.

**Slide 24: Barclays UK: Focused UK consumer and business bank with scale**

Barclays UK will include our leading UK retail bank, our UK consumer credit card business, and play its traditional role as a committed provider of lending and financial services for small businesses up and down this country.

The business has 23 million customers. We are a leading UK business bank. We are the second largest wealth manager in the UK, and Barclaycard is the number 1 credit card issuer in Britain with close to 11 million UK card customers. This represents formidable strength.

Barclays UK will continue to pioneer innovation in the provision of consumer financial services. From the issuance of the first credit card in Britain 50 years ago, to the introduction of the first ATM, Barclays has always been a leader in technology. Today, Barclays UK’s mobile banking capabilities set the market standard, and the business has also introduced innovations in payments such as bPay and Pingit which expand convenience for consumers and small businesses. Barclays UK will continue in this pursuit and I believe it will be a source of significant competitive advantage for the Group going forward.
As you will see, all of this translates into a very profitable business, and one that we want to, and will, grow. Barclays UK will ultimately become our UK ring-fenced bank – resilient, and compliant with all regulatory requirements.

Slide 25: Barclays Corporate & International: Diversified transatlantic wholesale and consumer bank

Next, Barclays Corporate & International will comprise our market leading Corporate banking business, our Barclaycard operations in Europe and the US, and our bulge-bracket Investment Bank.

Barclays Corporate & International has scale in wholesale banking and consumer lending, strength in our key geographies, and a good balance in its revenue streams, delivering further resilience. It will become our non-ring-fenced bank and we are confident that it will continue to be well capitalised with a balanced funding profile, supporting solid investment grade credit ratings. Its diversified funding profile will be underpinned by term funding from our holding company, as well as deposits from Corporate Banking and Barclaycard International.

Our Corporate Banking franchise, serving domestic UK businesses, multi-national companies, and financial institutions, has strong growth opportunities and we’ve demonstrated that recently.

We arrange more loans for corporates in the UK than any other bank, and our profit before tax has risen steadily in recent years driven by excellent performances in cash management, debt finance, and trade and working capital. In addition, impairment has been well contained, reflecting prudent risk management in our Corporate Bank.

It is an innovative business which has cleverly used technology to service corporate banking clients in a digital age. From cutting-edge secure online access to accounts; to common payment platforms across the UK, Europe, and Africa; the
introduction of Barclays Collect; and the provision of mobile cheque imaging; we have been, and will continue to be, pioneers in this space.

In addition, our cards business in Barclays Corporate & International is a large scale, fast growing, high margin operation. It includes Barclaycard US, Barclaycard Germany, Barclaycard Business Solutions, and our Entercard joint venture in the Nordics.

Our model has made us the number 5 co-branded credit card issuer in the United States with more than 13m card customers. With US card spend of about £45 billion; the prospects for continued growth are strong, without taking imprudent credit risk.

Our growing consumer payments proposition is a true differentiator globally. We are the second largest merchant acquirer in the UK and deliver extensive payments solutions, such as mobile and in-store payment acceptance, point of sale finance and corporate credit card solutions.

As such, we see considerable potential and growth opportunities for our international Payments business and our traditional corporate payments offering, aligning them closely with our institutional clients, particularly in the US.

Slide 26: Benefits of diversification

Barclays Corporate & International will also include our Investment Bank, a business which has improved its performance significantly over the last couple of years but – like investment banking generally - does not currently generate returns above our cost of equity.

There are some who have recommended that we would be wise to exit this business entirely. I disagree and think that such a move would be short-sighted.

Barclays will ultimately be a stronger Group with an Investment Bank – one that over the last few years we have tailored to the proper size and the right business
model. Investment banking can provide a very important cyclical counterweight to our consumer facing businesses. Throughout the crisis, those firms with diversified revenue streams were far stronger than those firms with narrow business models; it’s a fact.

This does not mean I am satisfied with the Investment Bank’s performance and I will continue to drive it towards improved returns. We have already taken aggressive steps to eliminate inefficient business lines and to address the core cost structure. It was no small decision we took in January to exit nine countries, many of which Barclays has been in for decades. And we will continue to optimise cost and capital in our Investment Bank.

But today’s IB is a very different business to what it was just a few years ago. Risk Weighted Assets in our Investment Bank for markets activities and operational risk – everything except for the corporate lending book - are currently less than 25 percent of Barclays’ total Risk Weighted Assets. Just two years ago the Investment Bank’s Risk Weighted Assets represented more than half of the Group’s Risk Weighted Assets.

That current scale is sufficient to support the needs of the world’s most sophisticated clients, but is still very lean. Our physical presence is now largely reduced to London and New York, with a focused presence in EMEA and Asia Pacific. To be clear, I have no intention of increasing Risk Weight Assets for the Investment Bank, but I believe to significantly reduce them further would erode the IB’s core functionality and our ability to compete at the top tier.

Today’s Investment Bank is also a much safer business. Our IB is primarily an intermediary, rather than a direct supplier of capital – we’ll leave that to the buy side. We run moderate market risk and manage our credit risk prudently.

Our model has strong prospects for the future. The world has learned the danger of relying excessively on bank balance sheets to fund growth. To thrive, Europe
and the rest of the world must, and will, shift financing for businesses from bank balance sheets to the capital markets. And in those markets, investment banks like ours play a critical role, connecting users of capital to the providers of capital. Banks like Barclays provide liquidity for securities to trade and for the hedging of risk, creating efficient markets. Global finance, the oxygen of commerce, will only flow efficiently if the investment banking industry is itself, financially healthy. And as one of the few remaining European investment banks, Barclays is well-positioned to benefit.

In sum then, our future is bright.

Both Barclays UK and Barclays Corporate & International already generate double-digit adjusted Returns on Tangible Equity. They are strong financially today, and will be as sibling businesses, and shareholders and debt investors in Barclays will benefit from the diversified revenue streams they produce.

So given that we already have a core business that is profitable, with strong growth potential, what do you need to believe in to be a shareholder in Barclays today? What do you need to charge the management of Barclays with to deliver strong Group returns and an exceptional appreciation in our share price?

Slide 27: Management focus to deliver value

We need to close our Non-Core unit. It is that simple.

While we will continue to push for greater growth and efficiency in our core businesses, today, we already have franchises that deliver attractive returns. Barclays doesn’t need new revenue initiatives or major cost programmes in our core operations. What we need to do is to drive our Group results to converge with our already strong Core results, and we will do this by closing Non-Core.

We are confident in our ability to do so and are keeping our previous target for a Non-Core of roughly £20 billion Risk Weighted Assets by the end of 2017, despite
the recent top up. The reduction in our dividend will enable us to accomplish this, and have the majority of this decrease occur this year, in 2016.

We have chosen this approach in large measure because the delivery of the ultimate targets is primarily within the control of management.

Management can control expenses. We are guiding to 2016 costs for the new core, which excludes Barclays Africa, of £12.8 billion.

We can manage the closing of the sale of our Italian and Portuguese retail banks. We can manage the closing of the sale of our index business to Bloomberg. We can manage the closing of Investment Bank branches in Russia, Brazil, and elsewhere. In short, we have the ability to manage the disposal of Non-Core expeditiously.

If we do this at a pace even close to what we’ve accomplished over the last two years, then in a very reasonable time you will be able to see the convergence of our Group business with the results of the Core business to deliver a double digit Return on Tangible Equity.

**Slide 28: Financial targets**

So what are our financial goals and how will we measure ourselves?

First, in a reasonable period of time, and through the elimination of Non-Core, the Group RoTE will converge with the strong Core RoTE.

Second, we will deliver, in a reasonable period of time a CET1 ratio 100 to 150 basis points above our regulatory minimum levels.

Third, we will achieve a Group cost to income ratio below 60%, and we'll do this within just a few years.

Going forward, we will also return to normalised financial metrics. Barclays is in the process of emerging from our restructuring and our future disclosures will be
based on our business divisions – Barclays UK and Barclays Corporate & International. They will no longer include things like “cost to achieve” or “SRP charges.” Instead, you will get a simple and clear statutory presentation of our Group’s performance.

Achieving our goals will be heavily dependent on the strength of our Operations and Technology functions and on our ability to prudently manage risk. To address those two needs, in the last month we have made two critically important appointments to our Executive Committee. The first being Paul Compton as Chief Operating Officer and the second C.S. Venkat as our Chief Risk Officer. In Paul and Venkat we are fortunate to have two of the best bankers I know in the industry, and this has bolstered an already strong management team here at Barclays.

Slide 29: Jes Staley, Barclays Group Chief Executive Officer

To conclude, I want to talk about culture and talk about values. More than 300 years ago, Barclays was founded by a group of Quakers. Those first Barclays bankers earned the trust of English merchants, and those bankers felt responsible as stewards of that trust.

The bank, early on, built an exceptional reputation for integrity. Barclays became renowned for the principled way it did business.

If I achieve nothing else during my tenure at Barclays, I want to play my part in the continuing restoration of the culture and the values that underpinned the founding of Barclays, more than three centuries ago.

I joined banking back in 1979, because I was excited to be a part of a respected profession: the profession of banking. Being a banker back then was a little bit like being a lawyer, or a doctor. The practitioners of the profession of banking were skilled at understanding the complex topics of capital, credit, savings, and investor returns. They were highly regarded as they used that knowledge to help consumers, corporations, investors, and governments, to navigate, with
transparency and clarity, the world of finance. It was a profession because it was moored to a commitment for integrity.

It is fair to question whether bankers lost their moral compass during the nineties and first decade of this century, because of the single minded pursuit of personal wealth.

A company that retains the loyalty of its employees solely based on compensation is a company that gambles with its institutional culture.

I want Barclays to be a bank where our employees choose to work here because they believe in the institution, and its intrinsically valuable role in society.

This is a mind-set I want to reinvigorate in everyone here, from branch colleagues working on the high street in Manchester, to the M&A banker working in New York.

Banking, at Barclays, will again be a profession and it will be up to all of us here to promote that goal internally, and to find the people that want to join Barclays because they want to be part of that great profession. The profession of banking.

Thank you. And now Tushar and I will be happy to answer any of your questions.
Important Notice

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

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This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as ‘may’, ‘will’, ‘seek’, ‘continue’, ‘aim’, ‘anticipate’, ‘target’, ‘projected’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘goal’, ‘believe’, ‘achieve’ or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group’s future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the strategic cost programme and the Group Strategy Update, run-down of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards, evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa, Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implementation of the strategic cost programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group’s control. As a result, the Group’s actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group’s forward-looking statements. Additional risks and factors which may impact the Group’s future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the fiscal year ended 31 December 2015), which are available on the SEC’s website at http://www.sec.gov.

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