

Barclays PLC**1 March 2016****Barclays PLC FY 2015 Results****Analyst call Q&A transcript (amended in places to improve readability only)****Martin Leitgeb, Goldman Sachs**

Good morning, it's Martin Leitgeb from Goldman. I have two questions please. The first on capital and your guidance on capital, and I'm just struggling to add them together here. So we are starting at an 11.4% Core Tier 1, and obviously Africa is going to lift that, depending on execution price, by around 80 basis points, roughly. If I then tie in the guidance on Non-Core, so an incremental £35 billion RWA reduction by 2017, that mechanically already gets me to north of 13% Core Tier 1.

You mentioned earlier that the Core bank is profit making, I think at the pace of roughly £3.5 billion to £4.5 billion at the moment, so just doing these numbers, do you imply there is some substantial loss there, somewhere else to come? So either the exit loss that we pinpoint at roughly £1 billion incrementally, or it leaves room for substantial fines or litigation, or is there anything else missing? Is there any consideration on the preference shares, or which part are we missing? Or is it just a conservative guidance?

The second question is on the ring-fenced entity, and you disclose a loan to deposit ratio of 95%. To what extent is that a going forward ratio? Should we think of a steady-state loan to deposit ratio more towards 110%, and what does that imply for the future set up of the ring-fence? Do you have space to shrink branches substantially because you have too many deposits at the moment? Thank you.

Jes Staley, Group Chief Executive Officer

Before I pass to Tushar, the one thing I'd say, if you can remember, is that the objective of the reduction in the dividend in 2016/17 is to accelerate the elimination of Non-Core, which will bring losses forward. With that, I'll pass it to Tushar.

Tushar Morzaria, Group Finance Director

Yes, Jes is right. You've got to think about the timeline trajectory. So you are right in terms of the sale

of Africa should be very capital accretive, but we're in no rush to sell that, we'll sell that at the right time, at the right price. And all the options are available to us, whether that's a strategic sale, product placement, sales in the secondary market, or any combination of them, we'll look to see what the best opportunities are. But you only get the capital benefit once you deconsolidate, and regulatory deconsolidation I think will happen at below 20%, so there's still some time to go before then.

Between now and then, of course, we'd like to accelerate the wind down of our Non-Core unit, and the capital that we save, if you like, from the dividend adjustments, will be helpful to that. We've guided towards meaningful negative income in 2016 as we wind down asset sales and business sales. And also guided to some increase in costs in Non-Core. So that helps balance our capital position as we go through this journey. We should accrete capital certainly in 2016 and beyond. And we should comfortably get above any minimum requirements that are there for us. But don't lose sight of the timing of when the dividend and the Africa benefits come through.

Jes Staley

One of our key goals is to put restructuring behind us once and for all, and that's a lot of what is in today's message.

Tushar Morzaria

I'll just take the LDRs. So the LDRs, you're right, we have about 95%, so we're a little bit more deposit funded in the ring-fenced bank. We're quite comfortable with that. Do I think we would run the ring-fenced bank with an LDR of greater than 100%? Probably not, but that may change, ebb and flow, depending on market conditions. We have a relatively conservative risk profile, and even on that risk profile the returns are substantially above double digits. Actually, you will see that through the restatement, it's a very profitable business, and very prudently risk managed.

So I don't think we need to strive to grow assets any quicker than we currently are doing. We are happy with our market shares, we are in the top of market shares where it's important to us. For example in business banking, or personal current accounts, our market share is very healthy and I don't think we need to chase that any harder.

Andrew Coombs, Citigroup

Good morning, it's Andrew Coombs, Citigroup. Three questions from me. The first would just be on the Non-Core guidance, I think you said the extra £600 million costs predominantly relates to the perimeter change. Could you give the equivalent number for the revenue base from that perimeter change as well?

And second question, which is - taking your revised Core cost guidance, £12.8 billion target, you've got

another £2.2 billion costs from BAGL, then the £600 million from the perimeter change, so it would seem like you're downgrading your Core cost guidance for a second consecutive quarter. Perhaps you could just elaborate on that.

And the third point, which would be your decision to no longer provide a quantitative RoTE or RoE outlook, what was the reason for dropping any quantitative guidance there?

Jes Staley

Let me make a quick comment, and then Tushar can fill in. On the convergence of the Group return on tangible equity with Core, I think the important thing is you already see, in 2015, that Core RoTE of 10.9%, which we believe is already over our cost of capital. So we believe that we will deliver at that convergence a Group RoTE above our cost of capital. And you can back into what that means for the share price.

In terms of our Core costs of £12.8 billion, that is completely consistent with what we were guiding to last year.

Tushar Morzaria

So the income associated with the £600 million of costs in the perimeter switch – we'll make it very clear to you through the restatement. We haven't put it up in the slides yet, and you'll get the restatement before the first quarter, but those are not very profitable businesses, so for now you could probably assume that they are break even in total, all together. Some of them are profitable, like Egypt is a profitable business, and parts of Southern European cards, but those are relatively small numbers in the scheme of things.

The second thing is that £12.8 billion, there is a slide in the appendix, and I'll run through it briefly now, but we can spend more time with you, or Kathryn and team can spend more time with you.

So the £14.5 billion is what we've been guiding to since May 2014 for our Core costs in 2016. At the end of the third quarter, you know we added £400 million to that due to structural reform. There was already a £200 million CTA budget that we'd already kept running since 2014, so that's the £600 million there. We've moved £600 million of costs out of there into Non-Core, so that's £600 million coming back down, so we're back down to £14.5 billion.

We're removing Barclays Africa Group Limited from there, of £2 billion. And then what's happened is, behind the scenes, you'll notice up until now I've never adjusted for foreign exchange, because we've had Rand and Dollars. Now of course there's no diversification, and we've three quarters to go, so opening the book up on, really, the FX component of that. So we're just striking dollars at the prevailing

rate. That'll change over the course of the year, it will be what it will be.

And then to keep it a little bit simpler – this is the final year of specific cost cutting – just removing 2015's conduct litigation charges, there's about £200 million running through the Core, which has been about consistent year on year. The timing of that is always a little bit uncertain, so just to show you that. So it's very consistent with what we said at the third quarter.

I think your third question was around explicit guidance on RoE targets. Yes, I think Jes probably covered that in the first instance. I think what we really want to say is we actually like the return on tangible equity for our Core businesses. It will grow over time, we do expect that EPS to improve; we're going to take further costs out as we carry on going, and we do expect revenues to climb. Corporate income grew by 5% last year, Personal income grew as well, mortgage margin pressure offset that a little bit, Barclaycard income grew.

So we do expect EPS to grow in that Core business, but really the crux of what we're laying out here is to get rid of Non-Core so the Group converges to that growing Core.

Tom Rayner, Exane BNP Paribas

Yes, thank you very much, it's Tom Rayner from Exane BNP Paribas. Can I just ask you on your decision to sell down Africa, please, as despite a fairly difficult FX environment, it still made a 12% return in 2015, which is pretty much double what you made in your Investment Bank. I think it's actually more than you made in your entire Core business. So I just want to get a sense, really, the decision to sell here - is it really about the long term value of this business to Barclays, or is it more about the need, short term, to fix your capital position?

And I think it's an important question, because obviously that then might colour future strategic decisions. So I'm trying to understand, really, the thinking there. And I hear what you say, Jes, about not wanting to reduce the RWAs any further in the Investment Bank, but obviously £30 billion out of that, on the 2015 numbers, would look to have been a more obvious decision.

Jes Staley

Yes, I think it's a difficult call, but I would say the regulatory headwinds that we've got include the regulations of structure to drive banks to become simpler institutions. That 17% or 18% return on equity that you see in Barclays Africa locally, by the time you get through bank levies and G-SIFI buffers and MREs and TLACs and all those issues, that 17% or 18% is cut back to a single digit return on our investment in Africa. There is a significant cost of having 100% of the liabilities and only 62% of the revenues, and given where we are, that's not going to go away.

The second point I would make is, the complexity of the business in terms of 44,000 employees, the cost basis. And we just think if the growth opportunities in the retail business in the UK, the card businesses Tushar outlined, our corporate business and ultimately belief in the recovery of investment banking industry – that’s a simplified transatlantic business model, that we think is the best way to take Barclays forward.

Tushar Morzaria

Just to add to that, Tom, Jes is right. So we’re not exiting Africa - Martin asked the question in another way - because we felt we needed to raise capital for the sake of raising capital. [We’re deconsolidating] because we are a disadvantaged owner of that Africa business. If you want to have exposure to Barclays Africa, you might as well buy it directly because you don’t suffer the friction cost of owning it through the Barclays Group. So that’s really the driving force behind that. We don’t see those friction costs getting any lower. It will be the same friction cost, no matter if another G-SIFI went to try and own Barclays Africa Group Limited. It’s not unique to us, it’s a friction cost of the way the regulatory environment has evolved.

The other thing is on the Investment Bank, it’s worth just dwelling on that a little bit. Could we take £35 billion out of our investment banking risk weighted assets? If you look inside the Investment Bank, about £70 billion of risk weighted assets of that £108 billion is in our markets business. Of that, over £20 billion will be consumed by operational risk weighted assets, and those are quite permanent and fixed in nature. So you’re left with less than £50 billion of risk weighted assets that we could reposition.

Obviously, if you want to take out £10, £20, £30 billion out of that, that’s a monumental reduction and probably results in the full closure of that unit, if you would think of it in that sort of space.

Tom Rayner

Thank you.

Arturo de Frias, Santander

Good morning, Arturo de Frias from Santander. Two questions, please, one on the dividend cut and one on the future profitability of the Investment Bank. You have made it clear that the size is not going to change much going forward.

On the dividend, you tell us that you’re cutting the dividend because you want to fund potential losses from an accelerated disposal of Non-Core, but at the same time you say that you expect most of those disposals to take place in 2016. So I guess most of the losses will take place in 2016. I fully understand that you would cut the dividend in one year. I fully understand that you would cut the dividend of 2016 to face those losses, but why have you decided to cut the dividend of two years in one go, if you really

expect that most of the downsizing is going to take place in year one?

On the Investment Bank, you're saying very clearly that you don't expect the Investment Bank size or RWAs to change much, excluding probably Basel 4, but the fact is that, as several of my colleagues asked or mentioned, the RoTE of the IB is still 6%, which is well below the rest of Core, the cost of equity, any measure. So if you think that the size of the Investment Bank is the correct one, it probably implies that you think that the RoE is going to go back to normalised or reasonable levels relatively fast. So my question would be, is that what you think? Do you think that the RoTE of the Investment Bank will go back to cost of equity in one or two years, because if not, I guess, as Tom mentioned before, it would be easier to reduce the Investment Bank, or it would make more sense to reduce the Investment Bank than to sell Africa.

Jes Staley

Yes, thank you. As I said, we believe that investment banking as an industry right now does not cover its cost of capital. We've done a lot with our IB, we have doubled our return on tangible equity in one year. But the plan is premised on the notion, I just don't think you can have a global capital markets of the size necessary to fund economic growth with the intermediary industry chronically generating returns below the cost of capital. It's not sustainable.

And then if you look back in time, whether it's the financial crisis of 2008 and 2009 or even before, the one in 2001, there is a counter-cyclicity between investment banking and consumer banking. The institutions that came out strongest in the crisis essentially had losses in investment banking in 2008, strong performance in consumer banking in 2008, losses in consumer banking in 2009, and record years in investment banking performance in 2009. And there is a counter-cyclicity, and to be so short-sighted as to say that an industry will chronically underperform its cost of capital, I just don't think is the right conclusion to make.

Tushar Morzaria

Yes, let me just add one thing to Jes' point and then I'll cover the dividend. So, I think the other thing that I always felt at Barclays is that all we're really trying to construct is a Core set of businesses that can generate a sensible return through a business cycle. And in most years in that business cycle, and obviously within that Core set of businesses, there'll be, you know, ups and downs; corporate banking will be better than personal banking, or card will do better than what have you. And it's really the aggregate that I think we look at, and we look at the aggregate in a year like 2015, or indeed 2014; it was getting a double digit return on tangible equity.

So I think that portfolio works, and in different years it will have different mixes in that portfolio, but through the cycle I think that's a very resilient, good returning mix of businesses. And we feel, when we

made the adjustments in the Investment Bank, especially the markets business is less than 25% of Group risk weighted assets, it's actually substantially less than 25% of Group risk weighted assets, that feels like an appropriate balance. But we'll drive the business hard, we'll continue to drive costs down, and we don't like 6% on tangible equity returns. We'll continue to drive that forward, but the portfolio of businesses is important for us.

On the dividend, there are many ways in which we could do this. I think, first and foremost, it's really important that we stay a dividend payer. As Jes mentioned, dividends are an important part of the way Barclays will be returning value to its shareholders, and dividends will always be an important part of that. So rather than take the dividend down to zero and pay no dividends, we felt it was an important step that we preserve paying the dividend, and then it's our judgement. We think the best way to do it is just do three pence two years running, but you could do it different ways if you choose to do that. We thought that was the most sensible path to take.

You are right in saying though that the bulk of the actions we'll take in Non-Core should happen in 2016. So the shape of Non-Core rundown will be very big in 2016 and much more muted in 2017.

Jes Staley

Barclays has not reduced its real estate footprint since the crisis, and there is tremendous savings for us to do so. We want to make sure that we have the earnings coming forward that allow us to make statements around our real estate which has significant savings and we'll get that done in 2016.

Michael Helsby, Bank of America Merrill Lynch

Thank you, it's Michael Helsby from Bank of America Merrill Lynch. I've got three questions, if that's alright. Firstly, Tushar, thanks for the cost bridge that you gave us before. Can you tell us what the associated uplift to revenue would be from the stronger dollar in 2016?

I'm conscious that you've flipped from an RoE target to an RoTE target. Clearly, you carry a lot of goodwill in the balance sheet. That's quite a meaningful reduction in your view of Core profitability. Now, I appreciate the equity base has gone up 100 bps, but still, that doesn't cover it, so if you can talk about that.

And then, thirdly, I'm just struggling again, I totally get that you've cut the dividend to pay for the Non-Core reduction. I think the worry that people have got in the room is that it implies that the comfort that you've got in the profitability of the Group is a hell of a lot lower than certainly what the market thought before, i.e. that the Core profitability ex. Africa, which is £3.9 billion this year – clearly Non-Core losses are going to be a bit higher – but that's going to get fully absorbed by litigation, conduct costs in 2016, 2017, and that's what we're worried about. So, do you expect your tangible book to be going up from

here, because it seems to think that you might be. Thank you.

Tushar Morzaria

First and foremost, foreign exchange and the effect on revenues. So we actually like a strong dollar, weaker sterling – just that £500 million re-strike of costs implies that costs go up. The revenues do go up more than that. You've seen our US card business which has been the growth engine in Barclaycard, actually. That's been incredibly powerful. I don't think we've called out the regional splits, but the US card receivables, for example, is getting to the scale of our UK card receivables. I mean, this is getting quite a sizeable business, so it's very well balanced to a strong dollar.

And, of course, the Investment Bank is profitable in the US as well and so revenues will go up more than expenses will go up in both of those businesses, and that's where most of our dollar costs are. So a £500 million increase in expenses, revenues are going up substantially more than that. It's a profitable mix.

Michael Helsby

You must have worked that out. You've worked out the costs, you must have worked out the revenues. It's a simple question. Can you tell us what the revenue will look like?

Tushar Morzaria

Well, so we haven't called out, if you take 2015 dollar book revenues, what they'd translate as, simply because for Barclaycard, obviously we can do something close to that, but the Investment Bank, its capital markets are different in this quarter than they were last quarter, and even the geographical mix is a little bit different as well. So that's too hypothetical, I think, to add a huge amount of rationale to.

Jes Staley

The other question, on the RoTE, we're simply moving to what we think the industry is using. We think the industry is looking at return on tangible equity at a cost of capital, around 10%. So if your RoTE is above that, I think that's generally what the industry has been using. And on the conduct issues we have our assumptions, but obviously that's not something that we can predict.

Tushar Morzaria

So, on the [move to a] tangible [return on equity target], it's not a reduction in our outlook for profitability. If anything – your last question I think links to the second one – we're not expecting just to be hovering around this EPS level in the Core of a little bit over 25 pence. We do expect it to grow. Even when you take Africa out – it's worth about a little under 2 pence of that EPS, we get just about £300 million attributable profit – we should be able to cover that just through normal business growth.

So the dividend shape that we've given is in no means driven by any concerns we have in the profitability of the Core, either in 2016 or 2017 or beyond. We think the Core business will carry on from strength to strength. It's not that; it's specifically to give us plenty of flexibility to wind down Non-Core. It's not a statement on our Core profitability.

Jes Staley

The IB's increased contribution to earnings per share last year was greater than all of Africa.

Michael Helsby

So, on that comment, do you expect the book value to grow?

Tushar Morzaria

Yes, sorry, I didn't answer that. So, if you go back to May 2014 or even before then, I did say at the time it's really important as we wind down Non-Core we do that by preserving book value and growing over time. We have essentially preserved book value. I can't remember exactly what it was in May 2014, but it's roughly where it is today.

You've got to remember, step back, what have we done? We've taken more than half of the risk weighted assets out, round about £60 billion of risk weighted assets out. By my reckoning, somewhere around £400 to £500 billion of leverage out over that period, and book value hasn't gone backwards. I don't expect book value to go backwards at all, and in fact I continue to think that we'll preserve and grow it over time as we go through the Non-Core journey that we're embarking on.

Chintan Joshi, Nomura

Chintan Joshi from Nomura. I have two questions. The first one on capital. You're indicating that 12.7% to 13.2% is your range for capital without the G-SIFI reduction benefit, so let's call it 12.2% to 12.7%. You know, you're at 11.4% today, and if I assume some pro-forma numbers for Africa, you're almost meeting the top end of that 12.7%, and then you've got your dividends which are at nearly 30 basis points. So the problem with that argument is you're meeting your capital requirements on a pro-forma basis, but you're not giving us an indication of when the Africa sale begins, which makes it a jam tomorrow story. So, can we get some indication of, are you planning to sell the first tranche pretty soon so we can start seeing that capital progress? Or give us a better timeline? Look at the stock price and what it's telling you is, nobody's believing your jam tomorrow capital story, and this is giving you a chance to address that.

The second question is around your Non-Core. Where should I think about your stranded cost in Non-Core looking into 2017/18? You had a guidance of £125 million exit run rate in Q4 16. Now you've added £600 million to the Non-Core. How should we think about that £125 million? Thank you.

Tushar Morzaria

We're not guiding towards a near term sale of Africa, which is why Jes said to think of it over the next two or three years. If the pricing is good, there's all options available to us. We don't have to run out and sell this. And you've hit the nail on the head – we don't need to do this to turbo boost our capital levels in the short term. It's something that we will do. We'll do it for the right reasons when we have an appropriate buyer at the right time.

At the end of that, you're absolutely right, it is very capital accretive at the back end of the sale, but you do have to wait for the very last bit of the sale to happen. You don't get steady capital accretion. It's almost like a bullet event. Once you've deconsolidated, once the risk weighted assets leave, that's when you get the capital accretion. So you could be selling down, selling down, selling down, for example, but getting virtually no capital benefit until you do the last tranche. You only get it towards the end of that journey, which is why the dividend action is important to us because that's obviously more immediate. It gives us more flexibility.

In terms of cost guidance in Non-Core, so think of it this way. We are adding £600 million of costs from Core into Non-Core. We're adding £400 million of restructuring charges into Non-Core. The reason why we're doing that is to exit the bulk of that £600 million in 2016. Of course, the restructuring charge is a non-recurring charge. So as you begin 2017, if you like, that additional billion cumulative, the vast majority of that won't re-occur in 2017.

The reason why we haven't given you specific guidance on the run rate is because a lot of the stuff that we need to do is M&A related, so the sale of our wealth business, the sale of our card business, the sale of Egypt, for example, and we can't tell you today here and now when we specifically expect those sales to close. We'd like to get them all done this year if we can, but if something doesn't close until the end of the first quarter of next year or, beginning of the second quarter or whatever, those are things that we just can't give you precise guidance on. But you should assume the bulk of that £600 million gets dealt with in 2016.

Chintan Joshi

[On structural reform implementation] restructuring charges, you've guided to about £1 billion with £400 or £500 million for the US HoldCo. Is that still your guidance?

Tushar Morzaria

So that's inside the £12.8 billion, yes. So that hasn't changed. So the Core has all our structural reform costs in there, inside that £12.8 billion. Non-Core, about an extra £400 million [restructuring costs], has nothing to do with structural reform. It's about dealing with the costs in Non-Core. That won't re-occur,

and the bulk of that £600 million that we're transferring over will disappear in 2016.

Fiona Swaffield, RBC

Hi. It's on RWAs going forward, because, obviously, in the past you've said that regulatory change wouldn't alter your £400 billion, and obviously now we've got a number of moving parts? So I wondered if you could update us on that, over and above the market risk commentary. And also on op risk, whether there's any update on op risk RWAs. Thanks very much.

Jes Staley

Again, just to be clear, on the exit of Non-Core, we are staying with our £20 billion risk weighted assets [target] at the end of 2017. Now, I think in terms of the Basel 4, we have a number for that.

Tushar Morzaria

Yes. So, Fiona, Group risk weighted assets, you're right, we guided to £400 billion way back in May of 2014. I think we will be running the Group lower than that. We're at about, rounding it up, say to about £360 billion at the moment. Of course, at some point we'd like to deconsolidate Africa; that'll take us down to, call it £325 billion. I won't give you specific guidance to what we expect, but we won't be operating at £400 billion, we'll be probably closer to today's levels I think over time. But we'll give you more near term guidance as we go through.

On operational risk weighted assets, we've been guiding to an increase in Pillar 1 which hasn't happened and I can let you know that we don't expect now an increase in Pillar 1 risk weighted assets. But you will have seen, of course, our Pillar 2A has changed.

Fiona Swaffield

Can I just check that £325 billion, so basically you're saying that the runoff of Non-Core of £35 billion will be offset by other inflation over time, that's your base assumption?

Tushar Morzaria

Well it gives us some flexibility to grow things like the corporate book. Of course, if we get rid of £35 billion in Non-Core in two years, there is no way, as much as Amer and Ashok and people like that would love me to give them £35 billion of consumer orientated risk weighted assets, there's no way we're going to be able to deploy that. But you should expect the Group to just drift down and we'll give you more near term guidance as we do that.

Fiona Swaffield

Okay, thanks very much.

Chris Manners, Morgan Stanley

Morning, it's Chris Manners from Morgan Stanley. Three questions if I may; the first one was just on the balance of the Group. I know in the past you've been talking about maybe 30% of the risk weighted assets of the bank should be investment banking. As I run the maths and I take out Africa and take out Non-Core, it looks like you're about pro-forma 40% of the risk weighted assets in IB. So how should we think about that? Is that a steady run rate for Barclays from here or would you be actually looking to rebalance that over time?

The second question was on the cost base. £12.8 billion of guidance for this year; obviously that's got £600 million of CTA and SRP and restructuring charges in it, giving a £12.2 billion base. Is that what we should be looking at for in 2017 and 2018, or have you actually got more cost efficiency savings in digitalisation, etc. which could bring that cost base down?

And the last question, I was looking at your slide and you talk about the stress test hurdle; you've got at 1 Jan 2018 a stress test hurdle of 8.2% versus your capital print of 11.4%, giving you 320 basis points of stress buffer. How do you think about that? Is that enough, are you comfortable with 320 basis points? I know you're looking to go to over 400 bps over time, and what does that mean for the 2016 stress test?

Jes Staley

On the RWA number, we've talked about the market risk and the operational risk in the IB right now is about 25% of the Group's total risk weighted assets. Obviously we can expect relief two, three years from now on the African side and then obviously winding down the Non-Core. But as Tushar alluded to, we've got a lot of Core businesses that are generating very strong returns on tangible equity and we would love to have the room to provide more capital in a prudent way to our retail business, to our card business, to our corporate business. We'd also hope to see our operational risk go down as we improve our model performance, as we put the conduct issues behind us. We've got the capital base to support the RWA levels that we've got and we very much look forward to the day that we're investing by growing risk weighted assets to generate even better returns on our capital to our shareholders.

Tushar Morzaria

Yes, so Chris I'll just go back to that point about the market risk risk weighted assets contribution to the Group. It's up £70 billion today and includes operational risk weighted assets as well as counterparty credit risk and market risk etc. and that feels about right. The corporate book, the lending book, which is a difference to the £108 billion that we have at the moment, probably that will be run alongside the corporate, we'll have an integrated Corporate and Investment Banking division, if you like, as we've done in the past. That will be run as an integrated corporate lending book and that's how we're thinking about it. So that still feels like the appropriate balance of the Group.

Cost trajectory from this point on, yes, we'll continue to guide as we go through. You should expect us to continue to drive out efficiencies, continue to do better on cost. We've taken costs down, I think it must be the third year running, perhaps even longer than that, I haven't gone back and checked. But you should continue to see a glide down and we'll continue to give you more near term guidance as we go through the year. Did I miss one of your questions?

Chris Manners

The last one was on the stress buffer.

Tushar Morzaria

Oh yes, I'm pretty okay with that at the moment. You see in the last stress test, the one just past, our drawdown was actually the lowest of the UK banks, and I know it was off a lower capital position of course. It's obviously a slightly simpler business that we've got now as well, as Non-Core is materially lower than it was at the back end of last year, so I'm pretty okay with that. I think when you look at our fully phased in end-state, you end up with about a 400 basis point buffer to stress. And I think the stress test will change every year. I think that gives you plenty of capacity to absorb any drawdown and looking historically at what I think the Bank of England has taken banks down by, that feels like a good place to be. But today I think we're in a good place as well.

Chris Manners

One of the things I was thinking about is that surely wouldn't it have been better to cut the 2015 dividend rather than cut the future dividend so you actually have a better buffer to stress? It just seems odd to say we'll cut the future dividend to fund the Non-Core rundown rather than cut the current one.

Jes Staley

We did make a commitment to pay the 2015 dividend and we fulfilled it.

Alistair Ryan, Bank of America Merrill Lynch

Thanks, it's Alistair Ryan from Bank of America. Just one question on slide 17; from the outside it's obviously hard for us to work out whether there's anything mechanical in the actions you've announced today to reduce the G-SIB buffer or the very high Pillar 2A add-on that Barclays gets relative to other banks at present. I assumed that the things you're doing would act on those figures. We can't work out from the outside whether that is the case because those are quite high buffers. Running Barclays, it will be smaller and simpler and less risky and those buffers should come down to act in the opposite direction. Now, I appreciate your comments on timing and these things are slow whereas the Non-Core losses might be quick but can you give us any clarity on when you're finished how much those might go down by?

Tushar Morzaria

Unfortunately, as you know, I can't tell you what's inside our Pillar 2A. No-one is allowed to talk about what's inside their Pillar 2A, it's part of the rules. So I can't give you too much insight into that. The Bank of England have been clear last year that there was an element of pre-funding, if you like, for any future risk weighted asset rule changes inside Pillar 2A for banks. I think that's a reasonable thing for them to say. So you would expect as those rules changes, you transfer out of Pillar 2A into Pillar 1. In terms of the buffers, I always think of not just buffers to MDA restrictions – which of course is super-important and people can be, depending on if you're a simpler bank, maybe you can run slightly lower buffers or what have you – but I think you've got to look at it with the stress test as well. And I think when you put the two together, this framework is how I've thought about it. Again, when we get nearer to 2019 and we feel we can run tighter buffers, if that makes sense for our credit investors and equity investors, of course that choice is available to us. But I think for now this is reasonable guidance for us to shoot for and we should get there in good time.

Manus Costello, Autonomous

Manus Costello from Autonomous. I had a couple of questions on the new Group structure please. Firstly, by getting rid of Africa you're significantly reducing the diversity of the non-ring-fenced bank and rating agencies tend to like diversification; so I wondered whether or not you're going to have to run with a higher Core Tier 1 ratio in the non-ring-fenced bank relative to the ring-fenced bank as a result of that lack of diversification?

And secondly, more strategically, you talked, Jes, about the benefits of diversification for the Group as a whole by having the two structures now, the CIB or the BCI business and the ring-fenced bank. Are there any synergies between the two? And if the market fails to recognise the diversification benefits which you think are evident, is there the possibility of a future split down the line?

Jes Staley

So two questions, first on Africa and the diversification. As I said, I think a transatlantic bank that is a consumer, corporate and investment bank is a very strongly diversified model and we'll settle with the diversification that that provides us as opposed to the diversification that we get out of Africa. There is this push/pull between on one side the more diversified the better, on the other side the regulatory framework makes increased complexity much more expensive for you to manage. We don't own 100% of Africa, we only own 62%. So I totally buy on the diversification benefit. If you looked at the stress tests with the Bank of England here, we clearly benefit from that diversification, particularly in the Investment Bank. So we'll play diversification from the consumer, corporate and IB side.

And also in the non-ring-fenced bank, it is very diversified. Don't underestimate the size of our card business both in merchant acquiring in the UK to the US card business - we have more credit card users

in the US today than we have in the UK - and what's possible in the payments business. And then in the synergies, I mean it's a very good point. I think there are tremendous synergies between corporate banking and investment banking. There is a reason that almost all of the institutions that have a corporate bank and investment bank have put them together. Whether it's the credit side, whether it's following the continuum from using a bank balance sheet to using the capital markets to fund your clients, I think there are easily synergies between the Corporate and the Investment Bank. And there's a whole customer interface or client interface I think that is enhanced by having both a Corporate and Investment Bank exercising its energies on a side by side basis.

But we like the diversified platform that we get both in the ring-fenced bank together with the revenue diversification we get in Barclays Corporate & International and we think collectively that gives us the best portfolio of businesses for our shareholders through the cycle.

Manus Costello

Thank you. So just to be clear, do you think you'll run with a higher Core Tier 1 ratio outside the ring-fenced relative to inside the ring-fence or will those numbers be the same?

Tushar Morzaria

It's hard to be precise, obviously because we don't know what the equivalent of G-SIFI for domestic banks are specifically going to be, we can make some guesses around that, and various things like countercyclical buffers and things like that so it's hard to be specific. I wouldn't have guessed them to be too different actually is my expectation. We've done our work in terms of what ratings we expect from each of those two, if you like, sibling big banks. You know, there's a multitude of things that drive the rating; capital is just one of them but type of asset mix, returns etc. We don't feel we need to run that dissimilar a capital level, but when we get precision around that, we'll guide you to it. But I don't expect it's going to be that different.

Peter Toeman, HSBC

Peter Toeman from HSBC. You've given us a 60% cost to income ratio for the Group in the future. I wonder if you could tell us how that might break down between Barclays UK and Barclays Corporate & International, and then within Barclays Corporate & International, the bit that we recognise as the Investment Bank today, what sort of cost to income ratio might be there?

Jes Staley

I think the first thing I'll say is, the important thing to note is, that's the cost to income ratio target for the Group, and right now our Group cost to income ratio is about 81%. So we are putting out there a target which is a significant improvement over currently where we are, albeit at the Core I think it's slightly north of 60% right now. So in terms of the breakdown between the non-ring-fenced and the

ring-fenced...

Tushar Morzaria

Yes, we're not going to give specific guidance on that at this stage. I think given the mix of businesses though you would probably expect the ring-fenced bank to be running quite a relatively lower CIR. Obviously you've got the UK card business in there, which is an extremely efficient business and generally our retail businesses tend to be operating a lower cost to income ratio. Offsetting that you do have the private bank which will tend to be a little bit higher. But we're not giving that split. Generally as a rule of thumb probably the ring-fence will run a lower cost to income ratio just because of the structural mix of businesses relative to the non-ring-fence.

Sandy Chen, Cenkos

Hi, it's Sandy Chen from Cenkos. I'm going to ask the same question again but in a different way. Who is going to run Corporate & International? I'll tell you where I'm going; will it be a Barclaycard exec? And the reason is you've got a very high RoRWA business, that's very cost efficient. There are plenty of growth opportunities as you've just pointed out, standing next to a potentially capital constrained, RWAs limited, Investment Bank. Can you answer that question and maybe elaborate?

Jes Staley

No, it's a very good question. So in terms of Barclays UK, the CEO of that will be Ashok [Vaswani]. We are clearly going to run a credit card operation across Barclays UK and Barclays Corporate & International, and that will be run by Amer [Sajed] reporting to me as Group CEO. And in terms of Barclays Corporate & International, on an interim basis I'll be doing that but we will appoint someone to be CEO of that business going forward.

Jonathan Pearce, Exane BNP Paribas

Thanks very much. It's Jonathan Pearce at Exane. I've got two questions please. The first one on a point of detail in Non-Core, losses this year are fairly huge. Can you talk about the tax relief against those losses and maybe if you could just talk a bit more broadly about forward tax guidance over the next couple of years. And then I've got a second question on capital.

Tushar Morzaria

We do get tax sheltering against those losses. I think the Group adjusted tax rate, its a little bit more complicated when you get conduct related items because many of them are non-deductible, so you get these slightly weird quarterly effects. But looking through that, ignoring these one-time conduct related items, just the underlying tax rate for the Group, we've guided to being in the low 30s. I think what we've experienced to date is a reasonable projection prospectively.

Jonathan Pearce, Exane BNP Paribas

Thanks. The second question is a broader question on capital and to some extent Group strategy. You announced an LME program this morning. It strikes me that there's quite a lot of other outstanding subordinated debt that was issued during the crisis that is one of the Group's biggest issues actually in the short to medium term, depressing Group returns by about two percentage points. You're not touching that. It has very little regulatory value. I guess there is clearly quite a high capital cost of dealing with that. Can you talk a little bit about your intentions here in regard to LME moving forward? Should we assume that that crisis issued debt is here to stay now until first call or might you, in the scope of what you've announced this morning to improve your capital ratios, take a look at that at some point in the next year or two?

Tushar Morzaria

I know where you're going. I can't talk specifically about any future LME exercises but you've seen that we did something in January, we announced something again today, we actually did something for AT1 at the back of last year. So LME is something that we'll continue to look at, continue to optimise, and to ensure that we use all available measures to continue to improve Group returns. If you look at, perhaps one of the more subtle things on Jes' slide but it's an important one, the hierarchy of objectives and the three things we'll measure ourselves by; the number one is returns, and of course the opportunity to improve returns through liability management exercises is something that we will look long and hard at, and at all opportunities that come our way. So I won't comment specifically but it's something that's front and centre in our mind.

Jes Staley

Okay, thank you very much for coming and we'll hang around for a couple more questions one on one, but we appreciate your attention. Thanks.

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