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Barclays PLC 2015 Interim Results Announcement

Analyst call Q&A transcript (amended in places to improve readability only)

Andrew Coombs, Citi

Good morning. Perhaps I could open with a couple of questions on the Investment Bank and the strategy going forward. Firstly just looking at the Q2 revenue trends, obviously a good result within FICC and particularly within Macro but the Equities result is quite weak, especially when you compare it to peers. You draw out the derivatives and the cash business but perhaps you could elaborate there, please.

And in terms of the future strategy. Obviously you've seen another sharp reduction in RWAs in the Investment Bank, down £8 billion to £115 billion, so you're now running below the £120 billion target. Obviously you have got the trading book review coming up but you talk about making the Investment Bank a more focused proposition which uses less capital, so where do you see that RWA number moving to over time and would you expect it to be less than 30% of the Group RWAs? And an add-on to that would be, in particular which products do you plan to reduce further and instead, where do you plan to put the incremental investment within the division? Thank you.

Tushar Morzaria

Thanks, Andrew. Why don't I take the questions in the order in which you posed them. So Q2 revenue trends in the Investment Bank, yes, we're very pleased with the strong performance in Macro. I think in Macro, you know, that business has gone through substantial restructuring where we've taken an awful lot of capital away from that business and reduced its cost allocation as well; and I think you're beginning to see a steady state performance coming through in Macro; and what's really pleasing is that when the environment is good for that business, we're getting more than our fair share of income, both in currencies and in rates products. So we're very, very pleased with that performance. I think probably there is a little bit of comparisons from previous years when you're seeing the restructuring taking place that makes it a little bit cloudy. But nonetheless, we're very pleased with the work that the team have done there.

Equities, I called out that it's very hard to quantify. It's probably a little bit of dark pools overhang that we're still experiencing in the US. What is pleasing, though, is that our revenues have held up pretty well. We had a really strong second quarter last year. I haven't gone back and checked every single quarter but it was one of our best ever quarters I think in Equities, so a relatively tough comparison. But revenue for this quarter held up well relative to Q1.

The final thing I'd say on this, Andrew, is we're as much focused on returns and profits as we are on revenues and really what's very pleasing for us to see the profit improvement of 35% and particularly returns, getting to that double digit level. Obviously the challenge is for us to do that more consistently now. But you know, both of those business franchises are holding up well.

In terms of risk-weighted asset reduction, it's perhaps even slightly more efficient than the headline numbers may indicate. You recall that we guided towards about £120 billion of risk-weighted assets for the Investment Bank, roughly about 30% of Group risk-weighted assets. If you re-strike last May's guidance at current foreign exchange rates, that 120 would get close to £130 billion and the IB is obviously running well inside that. We're not giving any precise guidance on where the IB will run from any quarter, it may increase next quarter, may decrease the following quarter, etc... but I think generally what you will continue to see is the IB becoming more and more productive in its use of capital and perhaps a continuation of the thing that you're seeing, where we see opportunities to consume less capital but increased profits and increased returns we're going to take full advantage of them. So no specific guidance but I think the trends you're seeing will continue to progress.

Chintan Joshi, Nomura

Hi, good morning, Tushar. Good morning, John. I have two questions, one again on the Investment Bank and one on costs. On the Investment Bank if I assume 60-40 seasonality, last year's levy, 35% tax rate, some amount of non-controlling interest, other equity interest deductions, I get about a 7% return on a 12% regulatory capital requirement, which means it's a lower number on tangible equity. Tushar, you've talked in the past about deferred comp tailwinds, litigation headwinds which will go away. Even if I give you credit I'm talking about, you know, maybe a 8-9% ROTE, which still feels like...I can see that you're pulling the cost lever but really you don't want to expect revenue improvements beyond market trends, which means the capital lever needs pulling and you are talking about it, which makes the £120 billion target difficult to put into our models and see the Group still delivering, see the IB delivering above cost of equity. Just a little bit more on that would be helpful. You know, what levers, how much levers, how much of the capital lever can you pull, can we expect this RWA number to go down at least even if you don't want to give us a hard number?

The second one is on costs: if I annualise the current Core cost, add the levy I get about £14.5 billion. Sorry, £14.8 billion. Where will Group costs land when we think about 2017? i.e. in Non-Core currently

you've got a quarterly cost run rate of let's call it £230 million. As £57 billion of RWAs go to £20 billion should that cost number go down in line by 2017, what kind of headwinds, should we think in terms of your Group cost target? Thank you.

Tushar Morzaria

Thanks, Chintan. I'll take the questions in the order you posed them, first on the IB and then on costs. I think in both of them you are talking me through your Excel spreadsheet so I'll refrain on giving you too much guidance on that but I'll certainly talk to you in principle.

You are definitely right to point out seasonality in the IB. We had a very decent first half. You are right to point out the second half will be more difficult and therefore you shouldn't expect the current ROE to just extrapolate across; that's exactly correct. How will we get to, if you like, on a fully calendarised basis a double digit ROE and an ROE above the cost of equity for the Investment Bank? It's going to be more of the same. So we're going to continue to take costs down, the team are doing an absolutely outstanding job on that, with costs down 14% in this quarter alone compared to the prior period. Revenues are holding up well, our franchise is holding up well where it matters to us, particularly in the United States and in the UK, the sectors that are important to us.

You have seen the Investment Bank consume less RWAs this quarter and, that's showing that they're becoming...looking for opportunities and capitalising on opportunities where it's productive to reduce RWAs and I think you'll continue to see that trend. It won't happen every single quarter and it may not happen even in sequential quarters but I think the trends that you're seeing are probably in place and we'll get better at that over time.

Core costs, I think the crux of your question was, where we see Group Core costs in 2017. Well, I'm not going to give you that guidance. We've given you Core guidance for 2016 and John's talked to you about a cost income ratio objective in the mid-fifties. I'm not sure there's any more specifics we'll give other than that. But we are reaffirming our more precise guidance around £16.3 billion for this year and £14.5 billion next year and reminding you that, of course, this year we are experiencing a fairly material currency headwind and a material increase in the UK [Bank] Levy, both of which we're looking to absorb. Of course the currency headwind is actually net beneficial to our bottom line so we're actually not complaining about that.

Chintan Joshi

Actually I was more after the operating expense run rate we can expect in the Non-Core division. I'll try and make my own Group cost expectations. But if you're getting to £20 billion of RWAs by 2017 in the Non-Core then the current run rate of £220, £230 million operating expenses in Non-Core, that's got to come down. Question is, how much would you guide this or how much would you indicate that might come down?

Tushar Morzaria

Yes, so you probably remember from my scripted comments that 40% of the current cost base in Non-Core is in our European retail businesses, you know, they'll follow the European retail businesses. And then what's remaining is a combination of derivatives related and other trading related activities and we'll look to reduce them down to amounts that don't have a significant impact on the Group before we fold it back in. Why don't we leave it there, Chintan, and move on to another question. Thanks.

Chris Manners, Morgan Stanley

Good morning, John. Good morning, Tushar. So a couple of topics, if I may. The first one was on the capital ratio. Obviously I think it makes sense doing what you're doing with the dividend, taking it to a progressive rather than a pay-out on adjusted earnings, which is obviously higher than your statutory earnings. I'm just trying to think about your management buffer, your 150 basis points. 12% - you're really sure about that as an end-state or could that creep a little bit higher just because, if we add 150 basis points to your 10.6% stack that you've put in the slide deck, you're getting to 12.1% and that's giving nothing for any sort of capital planning buffer, any other potential add-on. So is that enough?

And just also trying to think about your comments you made about keeping a stable capital ratio for the rest of the year. Because I guess Non-Core's going down, you'll hopefully make some profits, that would mean quite a big increase in operational risk, so maybe you could try and size that for us. That would be great.

And the second one was just on the IB. Obviously a very creditable performance there. Nice to see a cost income ratio a lot better. Just trying to think about where you think a steady state cost income ratio for the IB could be. And also, RWA is down, revenue is up, that's good; so how much of that is re-pricing versus faster balance sheet velocity and volume and, you know, maybe you can call out a bit more granularly on the products where you're trying to reinvest, thanks.

Tushar Morzaria

Thanks, Chris. So again I'll take them in the order given. The management buffer or where we see our end-state capital ratio, it is fluid. So sitting here and now today everything that we can see, 150 basis

points above our fully phased end-state feels about right. Of course, there are a few things that will change over time. We may have counter-cyclical buffers or sectoral buffers that may or may not apply. Also stress testing in the PRA will evolve over time as well. We're doing the second year of full and detailed stress testing and I think that will be an important part of the prudential toolkit and our capital planning will need to reflect that.

So you know, we'll give you guidance as we go along, Chris, but I think for now 150 basis points feels about right. But you're absolutely right that we will keep it under review and may change it over time with current facts and circumstances prevailing.

Stable capital ratio between now and year-end is what I would guide to and there are some headwinds coming. Operational risk capital we do expect to go up at some point. It won't go up in the third quarter and I'll try and give as much advance notice of that as I can. There are other model changes that we are expecting. These are more regular weight changes that we wouldn't necessarily call out, but that's something that we would expect to happen in the third quarter and certainly again in the fourth quarter. And then of course, although we're making good progress on conduct / litigation items, there is still a list out there and we'd like to work through some of them as well.

So when you take all of that in the mix in addition to the profit, underlying organic profit generation, I think somewhere around 11% is probably reasonable to expect over the remainder of this year but we'll keep you updated on guidance as we go through the year.

The final question was cost income ratios on the Investment Bank. We're not going to give out precise guidance on the cost income ratio. It is really business mix driven and as you know the Investment Bank quarter by quarter can... you know, you have to look through a longer term trend. So throwing out a number and then having to talk about it every single quarter is probably not productive, so we won't do that. But we are absolutely focused on reducing the absolute cost base of the Investment Bank. The team there are doing a terrific job with costs coming down quite substantially with plans to do more and to improve the productivity, not only on our cost base, but also on our capital base, which you've seen them do in the first half of the year.

Just before we go onto the next question, I should have said this at the beginning, I think we're getting about three or four questions each and I do want everybody to have an opportunity to ask questions. Could we limit it to just one or two and for those of you that have any more detailed questions we will get a chance to talk in the following days and perhaps for the more detailed stuff you could leave that for them. So with that could we have the next question, please, operator.

Tom Rayner, Exane BNP Paribas

Good morning, everyone. A couple, please, for me. Firstly on the Non-Core: I think John said in his speech at the beginning, that the most capital accretive thing that you could do is speed up the run-off of the Non-Core and also try and make sure that there's no stranded costs left behind. I just wondered if you could put any numbers to what you think the capital impacts of the additional rundown versus the previous plan might be, because obviously the RWA has come down but you may be crystallising, I guess, bigger losses in the process by speeding it up.

And then on the stranded costs, there's about a billion at the moment annual run rate in the Non-Core. 40% of this is the retail businesses, so quite a sizeable amount of cost that could be left behind to be folded back into the Core. So I wondered if you could give us any more colour on that.

And then my second question was really on the Investment Bank because again obviously profitability in the first half looks fairly encouraging but the second half seasonality when you put the levy, I mean, is very strong. I mean, the fourth quarter you tend to be loss-making at the moment, at the net level. So I just wondered, how much has been incorporated within the plan that you've now redefined to capture maybe the RWA inflation from the trading book, from operational risk, possibly from IRB floors and also is there any wiggle room in there if the end-state number does move from 12 to say 13 because there are a couple of issues out there which fairly realistically could do that. I just wondered if you could comment on that as well, please, thank you.

Tushar Morzaria

Yes, Tom, so why don't I try and go through them. Your first question was really around running down the Non-Core, whether there's going to be any capital impact as a consequence of doing that. You know, it's tough to be precise on this, obviously because there's a two year plus journey that we're on. I guess all I'd say is that we're more than happy to make the trade-offs where it's in the interest of our shareholders to do that. The Spain transaction was a good one where we took a book value loss but accreted capital. I think we'd be open-minded, particularly with John's input now, on making the right economic trade-offs.

We're not expecting substantial withdrawals on capital but, you know, those could be the same applied to us, of course. You know, the market environment could change and pricing can change. But our teams have been very disciplined around that. They've been able to reduce and de-lever the business at good levels and in two years, we're in no rush to do that super-fast. We'll do it at economical levels that are in the best interests of our shareholders and try to retain as much of that capital as we can.

Stranded cost is an excellent point. You're right, about 40% has been European retail; the rest will be for us to deal with. We're really axed to deal with that, obviously. Hopefully you've seen us deliver a

sequential, progressive reduction in cost base and you're beginning to see some of the stuff that we are capable of. Again, as John has said, that's not at all resting on our laurels. We've got a lot, lot more to do and we are firmly focused on ensuring that whatever costs remain with the small rump of positions left in Non-Core, they get folded back into the Core so that's not a material impact to the Group. But I'm not going to throw up specific guidance; you'll see those costs reduce as we go through the next couple of years.

With the IB, in terms of reviews of trading book, IRB or any other credit risk floors, the IB will absorb all of them over time in its capital allocation. I'm not expecting to review the trading book or standardised credit risk weights to come in certainly this year, and probably not next year, so it's a little bit further out. But any other methodology changes that may come in sooner than that, the IB will position itself to absorb within its capital allocation.

I think someone asked earlier, the IB is a seasonal business, we would expect the second quarter... sorry, the second half to be weaker than the first half, so in some ways I'm quite glad that you guys are probing and pushing on that. It's the right way to think about it. We're not done in terms of the end point for the IB yet, you know. The business is repositioning itself well, you're beginning to see the benefits of it but there's more work to do and the team are doing a nice job working through that.

Michael Helsby, Bank of America Merrill Lynch

Thanks, morning gents, just two from me then. Firstly, just to push on costs in the Investment Bank, you know, clearly seasonality will happen - have you got scope to flex the costs in the second half, Tushar and can you just give us an update on what you think the Group levy might be and how much of that will reside in the Investment Bank?

And then for John, it was really interesting to hear you put the investment case into context of things for Barclays, I mean, quite rightly you're not a growth stock, and you're trading at book so you're no longer a value stock, although we like to think there's some value in there. Over time you are going to be an income stock, so I was just wondering as you think about that what type of payout do you think would classify Barclays as an income stock in your own mind?

Tushar Morzaria

Why don't I do the costs and then I'll hand over to John to talk about dividends. I'm not going to throw out specific cost guidance Michael for the IB, but we do believe we can continue to reduce costs in the IB. We've done quite a bit of that already and we'll continue to do more. Some of that are just accounting effects which will unwind and a lot of it is actually genuine structural reduction. In the past we've talked about looking at the underlying ROE because, some of these things will unwind over time; things like deferred cost, things like restructuring charges, and what sort of ROE uplift that will give. We

think at current levels it's somewhere between two and three points, it varies obviously quarter by quarter. So that's stuff we would expect to see come through over time and then further reductions that are more structural.

In terms of the levy it's always a little bit dangerous predicting it now because it's a calculation that gets done towards the end of the year but I think if I'm right saying, and I'm just looking at Kathryn here, consensus is about £600 million for the levy. I think that's a reasonable place for consensus to be. I think as we get closer into the third quarter I'll try and give you a bit more precise guidance. I know it's hard for you guys to model that one. But for what you have in the model at the moment probably feels reasonable.

John McFarlane

Michael, this is more of a journey than anything else but the way I think about the dividend is if you add TSR, the minimum hurdle is going to be somewhere around a 9 or 10% level strategically. It's a little higher than that now with the cost of equity being higher but through taking risk out we'll probably bring that down. If you then say nine or ten is a rough annual through the cycle return that we need to deliver, you'd want a good chunk of that to come from dividend.

I prefer to think of it as a dividend yield with a four in front of the number at least, and get the dividend to that level. And then when you get it to that level, assuming it's an appropriate yield, then grow the dividend at roughly the rate of growth of EPS going forward. And so you then think of a paradigm where you need at least mid-single digit earnings growth and a dividend yield of four or higher and that should get you to the TSR. Now if you then imply that, you're probably in the 40-60% range anyway of payout, but that's not likely to be our policy. Our policy is likely to get the dividend to a level where we want to get it to and then grow it, seeing through aberrations in individual years and then growing at broadly the rate of underlying EPS growth.

Michael Helsby

Thank you very clear John, thanks.

Manus Costello, Autonomous

Good morning I have two questions, please, one strategic and one more specific. On the strategic point, John you mentioned at the beginning that you would get everything firing on all cylinders and then take a look at the structure of the Group; I wondered if you could comment in particular on how you're thinking about the Africa business and your ownership of the Africa business, whether or not you were considering owning less of Africa, more of Africa, how that's going to feed into the Group structure going forwards, because obviously it's not ideal at the moment with the big minority outstanding?

And, secondly, more specifically you mentioned in the litigation notes, the Plevin ruling which came out last year and the FCA are commenting on it, I wonder Tushar could you give us some idea of how significant you think that might be in terms of PPI but also whether or not you think that Plevin ruling might apply beyond just PPI? Is there a risk that we're looking at conduct charges more broadly from Plevin in the consumer finance area?

John McFarlane

Let me deal with Africa for the moment. When you think about the portfolio the options that you have available at any point in time can be restrictive, you know, so if you think about what our options are to rebase the portfolio today, they're very limited, and that includes Africa. Even if we wanted to it would not be easy to do that. But to give you some direction on it, if you take the total profit from Africa and compare that with the total profit from South Africa they're roughly the same number. And therefore in aggregate we don't make really much money outside South Africa and of course that's an issue for us. And of course we aim to deal with that.

In terms of South Africa itself, we would probably be biased to own more than less. We are allowed to go up to 74%, and you and I both know that the way they're trading and the way we are trading, that's not accretive for us at the present time, but, you know, things can change. But we'd be biased to really make that more solid core. Our options then over a longer period of time could open up and we'll take it as it comes.

Tushar Morzaria

I'll take your second question then, Manus on Plevin. I'm probably not going to answer it to be perfectly honest. You're right, we included reference to it in our RNS. Obviously these are fluid, ongoing discussions with various parties, and while they're ongoing, I don't think it's appropriate for me to speculate on the scope and its application. So I'll leave it there and to the extent that we have anything concrete to say about it, we'll update you. And I know, Manus your team wrote a fairly extensive note on Plevin recently so I know where you're coming from, but I probably won't be able to give you any more colour on this call.

Manus Costello

All right, fair enough, thanks for the advertising anyway, Tushar.

Fiona Swaffield, RBC

Good morning, I just have two questions. Firstly, on Group RWAs, you've brought the Non-Core down but how does that reflect on, I think the number of £400 billion longer term that we were thinking about? The second area is Barclaycard and the revenue's obviously helped by currency, but it's more

about the impairments which are continuing to be very good. Is there a, kind of, time-lag on when impairments might start seeing some seasoning in the US? And I don't know if we could have revenues ex-currency given we've got costs, that would be helpful for Barclaycard.

Tushar Morzaria

Fiona, why don't I cover them. So Group risk-weighted assets you're right to point out, the intention was to run the Group at about £400 billion of risk-weighted assets. I mean, you've got all sorts of things going on there; you've got some currency effects in there which we're not going to dwell on quarter by quarter, but that makes an impact. And also, what we really like to do is the capital that we release out of Non-Core, we'd really like to grow and redeploy that into places like Barclaycard, into growing our UK mortgage book, into growing our Africa business.

Of course when John Mahon and Harry Harrison can reduce risk-weighted assets by £5-10 billion a quarter, at least in the first half of this year there is no way that we would be able to redeploy with that pace into both businesses. They just don't grow as quickly and you wouldn't expect us to grow them as quickly. I think over time the trend of redeploying that capital productively into those Core businesses is what you'll see, but it will shrink quicker than it will grow, so to speak, and I think that's playing out at the moment.

Barclaycard impairment; there's no delayed effect there, no delay transmission affecting impairments. You know, I would guide to a loan loss rate of somewhere around 300 basis points and that's broadly speaking where we're running. And you've seen impairment pick up a little bit in line with the asset growth but nothing I'd call out other than...you've seen the impairments and income levels, you can see the risk adjusted returns on them actually at pretty healthy levels. But a loan loss rate of about 300 basis points is probably the best way to think about it through the rest of the year.

Chirantan Barua, Sanford Bernstein

Just a quick question on Visa Europe, if you could, Visa Inc has come out and said they would want it resolved by October. I know you are a big shareholder so if you could give us an update both in terms of where are you in the process and, secondly, if actually Visa Inc were to buy out Europe, what would it mean for your merchant expenses and should we see Barclaycard fees go down a bit?

Tushar Morzaria

Chira, I know you'd want us to comment on potentially a live M&A situation which we obviously won't do, and I can't tell you whether it's live or not live, we're just not going to comment on that. In terms of the impact on our business and merchant acquiring business, again it really depends on whether a transaction gets done and if it were to get done what the specifics around it were. So it would be too speculative. There are changes in interchange fees, the caps that have been deployed in the European

businesses, and you're seeing the effects of that come through already. You will see it come through for the remainder of this year and the full year effect next year.

You've seen us be able to grow the top line so, we can absorb any downward pressure that we're experiencing on interchange fees and still offset that by volume growth. I think that's what you'd expect us to be able to do over the course of this year.

Martin Leitgeb, Goldman Sachs

Good morning, two questions from my side, please, one on capital and one on Non-Core. And on capital, to follow up on the question earlier, obviously you had a very strong quarter in terms of capital formation, and equally the faster rundown of Non-Core should speed up the trajectory of at least Core Tier 1 capital build in absolute terms. And the announced changes to the dividend policy at least it seems to give you the optionality to build up capital in absolute terms considerably faster if needed.

And I'm just trying to get a better sense in terms of RWA headwinds, if you could help us quantify or at least size where you think the biggest areas of upward pressure would be; is it the trading book review, is it the flow or elsewhere? And to tie in that question you mentioned earlier that if there would be RWA inflation you would try to keep that within the existing capital allocation plan for the IB; does that mean the £120 billion you targeted earlier, would remain 120 going forward or would that have the potential to grow over time as the inflation comes in?

And just a very quick one on Non-Core, given that roughly half of the exposure there is derivatives, is part of your plan to actively break some of the longer term or longer dated swaps? So will you have higher breakage cost as a consequence and potentially a slower TNAV progression arising from that?

Tushar Morzaria

Thanks Martin, in terms of capital the headwinds that you referred to are more what I would characterise as Basel IV type headwinds, and I don't expect them to be happening this year, and possibly not even next year. The near-term headwinds are more what I would say are regular model updates that we would just have in the pipeline and are working through with our various regulators. Nothing I'd call out specifically but, there are some changes that we anticipate that will come through over the next six months.

I did mention before that there are some litigation / conduct items that we're still working through as well. I'm not going to forecast on when they'll happen or how much they'll be, but we should just be monitoring that as well. And that's why I think it's reasonable to assume that we'll be at around 11% CET1 for the rest of the year. I'm not going to give you a specific RWA inflationary headwind but it's really a combination of several factors.

In terms of the second part to that question, the Investment Bank and its capital allocation; we've said all along that any of these headwinds the Investment Bank plans will look to absorb and operate within their existing capital allocation after absorbing those levels of inflation, and that continues to remain the case. And they've successfully done that today; they've experienced RWA inflation already and you've seen that they're able to absorb that and reduce their RWAs at the same time.

Non-Core and derivatives, in terms of are we going to break long dated swaps and is that going to cost us money? You know, Martin I'm probably not going to, and I won't probably ever get into that level of detail. You know, these are transactions that we'll pursue with market-facing counterparties and it's important that we negotiate those transactions privately rather than me giving guidance on earnings calls like this as to what our intentions are, or what our capacity or intentions are in terms of net asset value erosion or not. We'll just do this in the most economical, sensible way and look to meet our objectives.

We've got two years to do this so we should have plenty of options to pursue that in the most economically rational way.

Peter Toeman, HSBC

Morning Tushar, you mentioned the revenue productivity in the IB and when I've looked at the revenue returns, a unit of RWA lags a long way obviously behind UBS and Credit Suisse. I just wondered if, obviously this is an area that you're going to address, but I wondered if you could explain why this difference might arise and again what areas you intend to address.

Tushar Morzaria

Yes, I mean, Peter for us it's improving our own productivity. You know, every IB perhaps pre-crisis all IBs were quite similar and covered the full waterfront of geographies and products. And I think you've seen all IBs, at least some IBs particularly in Europe, become more selective and therefore the comparisons are just not as relevant. So if you're highly skewed towards Equities, highly skewed towards rates, highly skewed to underwriting, you're just going to have different efficiency ratios. All we're focused on is ensuring we get to a double digit return and we're going to do that in the most speedy way as we can. So I'm not sure any direct read across is that relevant, Peter.

Okay can we have just one more question please operator and then we should probably wrap up the call?

Fahed Kunwar, Redburn

Morning, just a couple of questions. The first one is a few of your peers were talking about re-pricing

happening in a few products on the FICC side; so I think repo is, kind of, OTC or exotic derivatives is happening. And obviously you talked about your lower returning Investment Bank. Are you guys seeing any signs at the moment of potential re-pricing in the fixed income space? And I can give you the second one now as well if you like.

Tushar Morzaria

Yes do you want to give them both?

Fahed Kunwar

The second question was you've always talked about a matched maturity in the Non-Core business, obviously you're now running the Non-Core business down faster than you previously anticipated. I mean, what kind of retained funding cost drag should we expect that will be wrapped back into the Core business? You've seen from a couple of your peers that retained funding cost comes through as well. I mean, I guess if you're running that business down to basically not a lot by 2017, on your maturities and your current funding profile do you have an idea what that cost could be?

Tushar Morzaria

On FICC re-pricing, I mean, our match book activity is obviously a lot lower than it was previously and some of the financing businesses have seen a little bit of re-pricing both in equities and fixed income, so that's something we are beginning to see. It's difficult to know whether that will continue or whether that's just a slight uptick because of capacity leaving the industry.

In terms of re-pricing of exotic derivatives and things like that, I mean, whether that's relevant business for us these days? We obviously do provide risk management solutions to some of our clients, but it's very tailored towards our clients these days rather than the more broad offering that we used to have, so probably not as relevant to us.

In terms of funding, matched funding in the Non-Core unit you've seen our wholesale funding generally decline as we've deleveraged the balance sheet and I think you'll continue to see that in our Non-Core business. So the objective for us is as we fold Non-Core back into the Core the small rump that will remain the objective is that you should have very little capital that folds back but also you should have very little negative P&L for want of a better word be the funding trade or indeed stranded costs that will fold back as well.

And a lot of this funding that was very expensively done matures over this timeframe anyway and amortises down so some of that will happen naturally, some of that we will, you know, would maybe look to refinance if necessary.

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Forward-looking statements

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 2014), which are available on the SEC's website at <http://www.sec.gov>.

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events or otherwise.