

Barclays PLC Q2 2018 Results**2 August 2018****Results call Q&A transcript (amended in places to improve readability only)****Joseph Dickerson, Jefferies**

You mentioned the lower volatility in July. I guess I was surprised that you made a comment on the current quarter. I'm trying to understand why you might have done that, given that presumably at least when we look at the past 24 hours, volatility seems to have picked up. Any steers as to why you chose to call out the July volatility?

Secondly, on the costs. If something changed, why didn't we have a discussion about this at Q1? And how can we think about those costs being deployed into the Investment Bank, and the timing of payback we might expect on those, given that some prior investment last year seems to have paid off? How can we quantify your investments that you're making now?

Tushar Morzaria, Group Finance Director

I wouldn't read too much into our statement on lower volatility in July, it's just a factual statement. As you pointed out, on the first day of August, maybe it's a little bit higher already, but it's really just a comment on what others are seeing, which is that asset pricing volatility has been a little bit lower during the month of July, and that's just something to bear in mind when you think about how the industry may perform.

We obviously feel very good about our Markets business. I think you've seen in our relative revenue performance and that we believe we've taken a bit of market share again in the second quarter, after taking some market share in the first quarter and in the fourth quarter.

We are really pleased with our performance in Equities, and also in FICC. Obviously, we didn't participate in what appeared to be the buoyant conditions in commodities, we're no longer a significant player in that business, but excluding that we feel very good with our performance.

In terms of costs, it's the first time we're giving guidance for 2018. Our guidance for 2019 is completely unchanged, so no new news there. Firstly, just to remind everybody, costs will be down this year relative to last year, they were down previously, and will be down in 2019 relative to 2018.

Within that, we no longer call out restructuring charges, costs to achieve or any other forms of one-time expenses. So whether it's branch closures, whether it's the real estate Jes talked about in his opening comments, our new Glasgow campus, our new Whippyany campus, the cost of setting all of that up, the cost of moving people there, it is all included in our cost numbers, and that cost number is lower year on year on year.

The point we want to get across is that we're very good at creating the capacity to invest through the use of our service company, and allowing us to invest for the medium-term benefit of the company in products and services, in core infrastructure, in cyber resilience, and in digitisation while, at the same time, costs continue to come down and revenues continue to go up.

Jes Staley, Group Chief Executive Officer

Let me just add, Joe, that now we're beyond the restructuring, whilst we will continue to run this bank more efficiently, as Tushar says, we will take costs down sequentially. When we deliver the level of profitability that we delivered in the first half of this year, and the management of cost, which we now have under control, if we can use that cost management to make intelligent investments, to drive further profitability, we'll do that. We have a business that, in the first six months, delivered over 11% return on tangible equity, and the focus cannot be relentlessly on [net cost reduction] when we have that level of profitability.

Guy Stebbings, Exane BNP Paribas

The first question is on US Cards impairment, which was very low in the quarter. Arrears fell in Q2 highlighting reassuring trends, but would you be able to give any sense on how US Cards impairments, or perhaps the flow of delinquencies in the book, phased over the period? I believe tax rebates can distort the picture a little bit, and some of your trust data has suggested a pick-up towards the end of the period. I just wondered if that was reflective of a wider trend? Also, I think you might have said that you exited a partnership in Q2. Did that have any impact on the arrears level?

Secondly, are you able to clarify the comments and guidance around NIM and income in Barclays UK, that you're comfortable with expectations for income? Is that in reference to 2018 or beyond as well? Because pointing to an exit NIM in the year below 320bps suggests volumes might need to pick up.

Tushar Morzaria

On US Card impairment, you correctly pointed out that delinquencies were down quarter on quarter, and that's really a function of the risk mix action that we've been taking. You're probably aware that we sold a very low FICO score portfolio at the beginning of last year, and we've been prioritising growth in our airlines partnerships, whether it's American, JetBlue, Hawaiian, Frontier, Alaskan. We've got a good portfolio of airlines, and they're actually growing really well. That change in risk mix improves our credit dynamics.

We did also see some higher than anticipated pay-down of certain card balances in the second quarter. It seemed very coincidental with the US tax refunds. It's very hard for us to join those dots together but it did seem the timing was coincidental, and that also improved the quality of our book.

Of course, I wouldn't necessarily expect those pay-downs to reoccur, and I'd say, over the second half of the year, you'd expect revolving activity to increase, as it usually does seasonally, particularly into Q4, and that would be associated with impairment.

We did have, as a consequence of the things we talked about in Q2, a lower than typical run-rate impairment quarter in US Cards. A more typical number may be a little bit higher than Q1.

You talked about the partnership sale. That's a portfolio we'd had for some time, it just didn't meet our returns requirement. It's actually a very prime portfolio in that regard, it just wasn't a very profitable partnership for us, so we moved on from that.

On NIM in the UK. Firstly, we feel very comfortable with income levels in 2018 and into 2019. We're talking here about ensuring that we're maximising net interest income at attractive returns, rather than just trying to achieve a particular NIM objective.

We continue to emphasise growth in our secured lending book. We've increased net lending in mortgages by a further £1.6bn this quarter, close to £6bn over the last four quarters, while not growing our unsecured lending book. The way NIM is constructed, you would have that reflected as secured balances grow, and unsecured balances don't grow.

The other thing I'd point out, there was a small change in the basis of preparation that took 3 basis points off the reported NIM. The most important thing overall is income doesn't change, it's just the way NIM happens to be calculated in a post-ring-fenced world. We don't feel that the comment around NIM is a comment around overall income levels, but more around the mix of our portfolio.

Jes Staley

Given that we want to be prudent, given the uncertainty of Brexit, it's a conscious decision to slightly change the mix from unsecured to secured. That is being driven by us as opposed to the market pushing it on us.

Andrew Coombs, Citigroup

On costs, you talk about a decline to £13.9bn this year, but a lot of that decline is due to the FX tailwind that you're seeing, so what gives you confidence that the cost saves will be more than enough to offset the investment going forward into 2019?

The second question is on the corporate lending revenues in CIB. £198m in the second quarter, down about £100m year on year, so similar to the improvement in Markets. Is the repatriation of RWAs between the two now done? Is this a new base level for Corporate Lending, or would you expect it to fall further from here still?

Tushar Morzaria

On costs, we are very confident in our ability to continue to manage the cost base of the company down. We're targeting a cost: income ratio of sub-60%. We did achieve that in the second quarter, but it's obviously an annualised rate that we're targeting, which is inclusive of things like the bank levy, which are seasonally in the back half of the year.

It is an all-in number, so we're not calling out restructuring charges or costs to achieve or various other charge-offs. We are able to do that because we're able to generate very large gross productivity savings which we have discretion to plough back into the company, and it gives us some degree of flexibility. So our confidence in continuing to be very efficient and drive that cost: income ratio down is very high.

On commercial lending, you're right, it's a large delta, there are a couple of technical points to bear in mind. You do get the fair value of hedges against the portfolio running through that book, and that's quite a meaningful component in this quarter's numbers. That will be what it will be in subsequent quarters. It probably looks a bit starker than what's really going on.

Jes Staley

Our cost: income ratio in the second quarter was 59%, basically the target we set out for ourselves. I think if you compare that ratio with similar firms to Barclays, it does underscore that we've got the bank to a reasonably good place in terms of its cost efficiencies, but more to come.

In commercial lending, in terms of the redeployment of £10bn of risk-weighted assets, we did that pretty much in the second half of last year, and we are effectively done with that. We still need to get improved profitability across that corporate loan book, but that is going to take some time because we've got to make sure that people are driving transactions through our Corporate bank. It's a long discussion you have with very important corporate clients, but we're quite confident that we can get that back into double digits, over a period of time.

Andrew Stimpson, Bank of America Merrill Lynch

Can you quantify what this fair value effect is in the corporate lending line? Is that about half of the decline? Any sort of guidance there would be very much appreciated, to try and get a gauge of what the recurring number would be in that line, please.

On US Cards, is that still a growth business now? I know there was a portfolio sale in the quarter, so you're up year on year underlying, but even adding that back in, it doesn't look like there was much growth, quarter on quarter.

Tushar Morzaria

Andrew, it will bounce around a bit, but it's probably about two-thirds of the decline that's explained by just the hedges moving around, and it will change in other quarters.

The US Cards business is definitely a growth business for us. We talk about underlying growth because you've got currency rates and various other things going on there, and we'll continue to take risk management actions, as we did last year, as we want to reposition the book. But it's definitely a growth business for us.

The thing that we're really excited about in the US Cards business is that it has a few characteristics that are very attractive to us. One is, although receivables are larger than they are compared to our UK card business, as a market share matter, we're still relatively small, somewhere around the 2% or so market share, so you can comfortably grow your book and keep very good credit control when you're still relatively small in the US market.

The second thing is that we feel very constructive on the US economy. You can see the macro data coming out of the US, and you can see delinquencies actually down slightly for us in our card portfolio.

The other thing we like a lot about US Cards is the partnership business, which is something we believe we have an edge in; we have grown that business quicker than the market has grown, and we'd like to continue that. We are cautious, as you'd expect us to be when growing an unsecured lending book. We are very focused on risk metrics, and you've seen us take actions last year when we wanted to get the position of the book where we would prefer it, but we are very keen on growing it, and confident we can do.

Jes Staley

American Airlines continues to be very strong for us, balances were up about 10% year on year. JetBlue is doing exceptionally well; balances were up 33%. 70% of the partnership book is covered by agreements that last through 2022, so it's got great stability to it. Underlying US Cards net receivables were up 6%, we're still confident that, over a couple of quarters we can maintain a 10% year on year growth rate.

Claire Kane, Credit Suisse

On US cards, are you still committed to the 10% net growth in balances, even adjusting for any of these portfolio sales or partnership losses? There was one flagged with Apple. And on this recent sale, is that deal now closed? Is there any risk that that gain you've booked this quarter could reverse later on this year?

A second question, your comments around the corporate lending reduction this quarter, given the RWA reallocation is largely done and we obviously had those hedging losses, can we now expect that business revenue to grow from here?

Finally, given the capital is now at 13%, are you looking to do the preference share buy-back, perhaps this year rather than next?

Jes Staley

We are still comfortable with our 10% year on year growth rate in receivables in the US Cards business. I spoke to how well we're doing with people like American Airlines and JetBlue and how stable the contracts are we have in that business, we're still comfortable in that underlying growth trend.

Tushar Morzaria

On the closing of the deal, yes, the accounting for that has taken place, so nothing I'd call out there.

On the capital position, we feel good that we're back to our end-state. Obviously, we took a bit of a dip because of the settlement with the Department of Justice, but you can see our tangible book value and our capital getting back to levels which we would like it at.

That will give us the option, as we continue to generate more capital, to start deploying that capital to its best effective use. We are keen on getting capital back to shareholders, so we've announced the firm intention, subject to regulatory approvals, to pay a 6.5p dividend for this year.

You point out, rightly, that there are other actions we could take on our balance sheet, a lot of people speculate around the dollar preference shares, I obviously won't comment on that. There is that out there, there are also some other interesting opportunities out there, as well as thinking about other efficient forms in which we can get capital back to shareholders, but that's probably one for later on.

In terms of commercial lending, the objective function here is the returns as much as targeting revenue growth. In some ways, if I look at the issues of the past, by focusing just on top-line on commercial lending, we'd probably have the situation that we have at the moment, where we weren't focused enough on returns, but rather than guide you to expect commercial lending revenues just to improve, we're much more focused on getting commercial lending returns up, and that will be continuing to ensure that the capital allocated to that business is generating the most productive return, or to divert that capital to a better use.

Martin Leitgeb, Goldman Sachs

The word Brexit doesn't feature in the presentation. I think it's on page 44, one has to read into the Fixed Income appendix to get to it, which I found surprising. Given the under-progression of the Brexit negotiations to date, how concerned are you with regards to Brexit, on a scale of one to ten?

On Equities and Equities' particularly strong performance this quarter. Could you shed a bit of light on where this strength in Equities is coming from geographically?

On the slide you referenced in terms of US revenue, you see yourself as the number one European Investment Bank now. Could you elaborate whether this is Equities, FICC or investment banking driven?

Jes Staley

On Brexit, I think of Brexit in the context of other restructures that the bank has had to face, whether it was setting up the IHC in the US, which was a very significant undertaking, and the obviously enormous task of setting up the ring-fenced bank in the UK. Strengthening our existing bank subsidiary in Ireland and then domiciling or relicensing the branches across Europe, whether it's Frankfurt or Paris, that's a much easier task than both the IHC and the ring-fenced bank were.

So we are preparing for whatever eventuality comes out of the Brexit negotiations. We want to make sure that Barclays can continue to do whatever business we do in Europe, with European clients, tomorrow that we do today. We feel that we will have the legal structure and the financial structure to allow us to do that.

I think the issue about concern vis-à-vis Brexit really goes back to the fact that probably our single biggest risk, as a bank, is the beta exposure to the UK economy. Obviously, if Brexit leans heavily on economic growth in the UK, we're going to feel that impact.

What we like about our strategy is, as being transatlantic, we have over 40% of our business in the US right now, it's an economy that, as you know, is growing quite well and there's a lot of activity there, so I'm not going to say where we are in terms of scale on Brexit, but I don't think the risk is really to Barclays' business model, I think the risk is simply what it may or may not do to economic growth in the United Kingdom.

In terms of the Equities business, it's pretty broadly aligned. Geographically, we are principally in New York and the UK. Cash equity flows are good. We rolled out, during the quarter, a new trade routing system, which I commented on, which has increased quite handsomely the lines in electronic trading for us.

As part of the redeployment of risk-weighted assets last year, a good portion of that went to our equity financing capability, where we are financing the balance sheets, mutual funds and hedge funds, and I think we've picked up good market share there.

Then, our flow derivatives business, particularly with corporate clients, we've had a very good couple of quarters there, and kudos to the team. What I do want to make clear is that it is not positioning or taking risk to any degree different to what we had in the last couple of quarters, so it is flow business, it's driven very much by flow derivatives and equity finances.

Tushar Morzaria

I think your final question, Martin, was on dollar revenues and rankings. We're really referencing the Dealogic investment bank fee tables where we're the best performing non-US bank in the Americas. A

little bit harder to do in sales and trading revenue, you don't get quite the market share, volume share, but when we look at Coalition surveys that we get, somewhat in arrears, I think it's clear we are consistently taking some market share over at least the last three quarters, and that's what we'd like to continue to do.

Chris Cant, Autonomous

You mentioned that capital won't accrue evenly due to investment, and it felt like you were guiding to a bit more of a capital drag in the second half. Should we be assuming a faster intangibles build for the rest of the year? I note that that didn't really change much in H118.

Second, the UK payments regulator has announced a review of merchant acquiring, seemingly in response to concern that interchange cuts haven't been passed through in full, could you please let us know how much of your Consumer, Cards & Payments revenue is actually payments-related? And how much of that do you think might be at risk in relation to changes to merchant acquiring regulation?

Tushar Morzaria

The comment around capital over the year is just to remind people that we have been steadily accruing capital for the last several years now, at somewhere around 100 or 100 plus basis points as we've restructured the company and generated organic earnings, as well as paid a bunch of fines along the way. But we haven't done that linearly, so it's just to remind people that capital doesn't necessarily accrue linearly, and we want to prioritise utilising that capital for productive use, as well as accreting it.

The other thing is that we do include against our capital ratios each quarter is foreseeable dividends, you saw that on the slide. And there's a pension contribution in Q3, you'll see that on the slide as well. I think that adds up to something like 18 basis points, and some of that will go out from our capital base in Q3 and that will be offset by profit generation and other moves.

But the big message is that we feel we're at the right capital place for the Group, and Jes has mentioned in the past, as we continue to generate capital above this level, we would like to get that back into shareholders' hands in some way, starting off with a fixed 6.5p dividend.

Your question on the UK payments regulator, we haven't called out the amount of income coming specifically from our payments business. It's something, trying to be helpful, we'll think about doing. I think it's a little bit early to quantify what effect that review will have.

We believe though, that we have been very fair to our customers, I think that particular review was talking about rather smaller customers and clients, and that they got a raw deal from merchant services providers. We're obviously an important participant in that market and believe in ensuring that we've been fair to all our stakeholders, both our customers as well as various other stakeholders in our business. So we'll see where that goes, but nothing I'd draw attention to as yet.

Ed Firth, KBW

The first one, just coming back on these costs for H218, it looks like you're signalling reasonably material negative jaws, is it possible to give us some sort of quantification of what this investment spend is, and where it might fall? Should we imagine, for example, that the IB costs will move with revenue, so we'll see that flexibility, or is there still some investment that might cloud that?

The second question was just on the share buyback, I notice you've dropped the share buyback comment, having repeated it in the last two sets of results, should we read anything into that? And particularly in the context of your comments around prioritising investment.

There's also been a lot of speculation about M&A etc., and I think in the past you've highlighted that your own shares were probably the best value, but the speculation is often focused around a stock that's arguably even cheaper than yours, so how do you see that, and what sorts of comments can you make on that as well?

Tushar Morzaria

Cost in H218, it's the first time we've given guidance, and it's just to help people think how we're thinking of our cost rate. Obviously, we've got the bank levy coming into the fourth quarter, and we'll see what that is, but just a reminder of that seasonal effect.

We believe the investments that we've been making are paying off. You can see that in our income line, with very strong positive jaws in the first half of this year. The revenue line won't always be linear but look at the improvements we're making in products and services in our UK bank, in our US Cards business, as well as some of our Markets business.

It's an ongoing journey, I think it's important for a company like ours to continue to have the capacity to continue to invest, and that's really all that's going on there.

I'd just like to stress that we're able to do that while paying for everything, it's an all-in cost number, there's no restructuring charges, no passes on one-time items, while overall costs are going down and income is improving year on year.

So, not much to say more than that, at this stage. I think, over time, we may try and talk more and more about what's going inside our cost line, but I think that's probably all we'll say for now.

Ed Firth

You did change the accounting, I think it was last year, around the Investment Bank, and I think at the time you signalled that would mean that the costs in the IB would move more in-line with the revenues. If we're expecting a seasonal revenue downturn, which is pretty normal, we've had that most years, should we expect the costs to go down in the IB with that, or is this something different that we should be thinking about?

Jes Staley

I think the statement that we changed the accounting so that we could more correlate revenue with costs on Investment Banking lines is correct, and you can assume that we have applied that in the first half of this year and we will apply it in the second half of this year as well.

On the share buyback, we are laser focused; now that we have clear quarters, hopefully, in front of us, and the issues of the last decade behind us, we are focused on returning excess capital to shareholders and buy-backs are as much an opportunity for us today as it was the last two times that we've mentioned it. So, don't read anything into the language. We know where the stock is trading right now, we know the economic benefit of using excess capital to execute share buy-backs, and it's still very much front and centre for both Tushar and myself.

Along that line, there is no consideration of an M&A transaction, and there will not be. We are not opening retail branches in India, we're not going to get back into the financial markets of South Korea. We are focused on running the bank as we laid out in March of 2016, delivering returns like we delivered in this quarter and taking those returns and returning them back to our shareholders.

Jennifer Cook, Mediobanca

Firstly, sorry to flog this one, but circling back to the corporate lending income line, RWA redeployment seems to have been a drag here, but I'm assuming that those RWAs have been redeployed elsewhere, I would appreciate if you could give us the income delta there, between income lost and gained on redeployment.

Secondly, on your capital allocation, you seem to have reallocated Head Office RWAs out across both Barclays UK and CC&P, but not into the CIB. Within this, if I look quarter on quarter, the equity allocation in the UK has increased in line with your higher RWAs, which makes sense. But in Barclays International, the equity allocation in CC&P has lagged the rate of RWA increase and the equity allocation in CIB has increased, despite the RWAs going down. Net net, this means the CIB is now on a 14.5% CET1, versus 13%-13.5% in the other segments, could you walk us through the rationale on that one?

Jes Staley

No, we are done with the redeployment. We were taking risk weighted assets that were basically commercial loans in the corporate bank that were generating low single-digit returns on tangible equity and reallocating primarily to the Markets business and the IB, in places like equity financing, where our return is strong double-digits on tangible equity.

Making that redeployment has allowed us to make statements, both in the first quarter and in the second quarter, that our Markets business is generating overall a double-digit return. And, as we said, this is the third quarter in a row where we think we're gaining market share.

Tushar Morzaria

On capital allocation, it's an average equity allocation over the period, so you have to look at average risk weighted assets. Of course, there are regulatory capital adjustments. There's nothing unusual going on in terms of allocation of capital out to the businesses. We're allocating out at 13%, plus or minus regulatory capital adjustments that are relevant to those businesses, over the average of that period.

If you're struggling to see how that triangulates, I'm quite happy for someone in IR to give you a call later on, and take you through the numbers if helpful. But there's nothing I'd call out on that that's unusual.

Fahed Kunwar, Redburn

If I look at what consensus has in for 2018 on Barclays UK, it implies 3% half on half growth in revenues. I think in the outlook statement you talked about steady revenue progression in H218 versus H118, so is 3% growth in revenues half on half in 2018 what we should expect, based on your comments about being fine with market expectations on revenues?

And the second question on Barclays UK, thinking about your comments around focusing on NII rather than margin, last quarter or the quarter before, where you said that you were actually going to focus on margins rather than volumes. You've seen some spread improvements coming through in the UK in the last month or so, the base rate potential could be higher today, if the MPC raises rates, I'm just wondering what's changed your tone on that? Why have you now shifted towards focusing on volumes rather than margins, versus where you were a quarter or so ago, considering the change in the spread environment in mortgages?

My third question, on capital, Barclays UK is sitting at a 14.1% CET1 ratio, so the rest of the bank is, by definition, sitting sub 12%.

I understand you guys want to do buybacks because of the valuation, but how confident are you you'll get regulatory approval to do buybacks, considering the rest of your peers seem to be heading up towards a 14% CET1 ratio and you're sitting at 13%?

Tushar Morzaria

In terms of expectations, I said in my scripted comments that we gave some guidance on NIM, but when I look at income expectations that the market has, I feel okay with them for 2018, so hopefully that answers that question.

There's really no change in terms of volumes and NIM. The comment I made on NIM, and apologies if it didn't come across clearly, was really focused on mortgages itself. We're trying to do what we can to ensure that we're producing front book mortgages that are still at very attractive levels, which we continue to do. But as we grow the mortgage book relative to the unsecured book, it's just an output function. Obviously, it's a lower margin business, but it does throw off good net interest income, particularly good risk-adjusted net interest income.

And, finally, on capital, I don't think it's appropriate for us to speculate on regulatory approval, we'll let those processes take place.

You mentioned that Barclays UK capital, as a legal entity function, at 14.1%, the rest of the Group must be somewhere a bit lower than that. That of course is correct. The Barclays UK legal entity has the domestic SRB attached to it, which you don't need to do in the international bank, that gets held at the Group level.

Then we've got a countercyclical buffer in the UK, the UK bank is just a UK bank, so it attaches more weight to it then, but of course that countercyclical buffer will apply to the international bank in a smaller proportion. So the key point is that at 13% at the Group level, we're able to capitalise our subsidiaries and move capital around appropriately.

And if capital requirements change, if countercyclical buffers move up or other things change, we'll keep the market informed of that. But we feel at this stage, around 13% is sufficient. And we're keen on getting capital back to shareholders, as Jes has mentioned in the past. We'll keep you updated on plans to do that as we need to.

Jes Staley

I'll just add, if I may, three points to that. One is after last year's stress test, we said publicly that we continue to view 13% as our end-state CET1 ratio. When we increased the dividend from 3p to 6.5p, that was done in consideration of where we are with our regulators, and our level of capital, and reiterated, again, that 13% was our end-state CET1 ratio.

I think, quite frankly, one of the things that the stress test showed is there is a diversification benefit that this bank has from having the business it has in the US, the wholesale plus the consumer business. I think there is a diversification benefit which allows us to run comfortably at a 13% CET1 ratio.

Robin Down, HSBC

Firstly, the structural hedge contributions, both in Q1 and Q2, is down quite a lot on last year and I was wondering if you could give us a bit of colour as to what has driven that?

Second question, following up from the previous question, one of your competitors has got their Pillar 2A letter from the PRA, and that's fallen for them, just wondering if you had also got your letter, and whether or not there's no change there?

And if I could just sneak in a small technical one, just on the US Cards sale, could you give us some indication on the timing of that? Whether we've seen the impacts in the quarter of the revenues that you will have lost with that card sale, or whether that's still to come, in Q3?

Tushar Morzaria

On the structural hedge, it's quite straightforward in a way. You've seen LIBOR rates increase off the back of the increase in rates that the Bank of England put through previously, so the structural hedge is fixed above the floating, you've just got a floating leg that we pay on increasing, so that's all that is. There's nothing else going on there.

Robin Down

There's no volume change?

Tushar Morzaria

No, that's right. We haven't dropped the notional, or anything like that. It's just LIBOR rates going up.

On Pillar 2A, if we had anything to update you, we would have done. I think different banks probably get their information at different points in time. We haven't got anything to disclose at the moment. And US Cards sale, you should assume that dropped out as an accounting matter, so that should be pretty straightforward, hopefully, in your modelling.

John Cronin, Goodbody

On the PPI, could you speak a little about your most recent experience with respect to claims volume, and indeed upheld rates?

The second question is, stepping back, and beyond this morning's stock price performance relative to expectations coming in, clearly a strong set of results that arguably validate the strategy pursued. In that context, Jes, do you have any great concerns, or what would you say about further possible agitation and distraction as a consequence of the presence of a certain shareholder on the register?

Tushar Morzaria

Let me take the PPI question, we're still pretty reasonably provided at the moment, on anything we can see. If we're looking at our burn rate at the moment, and look at our provision levels, it's as we expected. We've seen the CMC, the Claims Management Companies, the introduction of the fee cap, so we'll see how that plays out.

But, by and large, everything we see at the moment, we feel pretty reasonably we are provided, and we'll see where we go from here.

Jes Staley

In terms of the overwhelming sentiment, as I go and visit shareholders, is to stay the course. The bank has gone through an extraordinary restructuring, which is now behind us. You print the returns that we delivered in the first half of the year, you've got a management team committed to the strategy articulated in March of 2016.

Clearly, we are focused on the share price and returns to our shareholders, as we put the restructuring issues behind us, and we generate profit levels like we've demonstrated in the second quarter, we will be able to start to return significantly more capital to our shareholders than we have historically.

Again, looking at the weight of our conduct and litigation expenses, and things like PPI, over the last couple of years, it's been a long journey that our shareholders have gone through. We believe that it's largely behind us now, we believe the strategy is delivering a level of profitability, at least the first six months, way ahead of our cost of capital.

We've given you our targets for 2019 and 2020. I think all the last six months has done is to reinforce our confidence in delivering at those targets, or better. Management have to be focused on running the business and executing the strategy, and that's what we're doing. And if we get it right, and I think today's numbers hopefully give encouragement to our shareholders, the stock price will take care of itself.

James Invine, Société Générale

On CIB, you obviously put quite a lot of extra resource there, both on the balance sheet and in terms of the headcount. Could you give us an idea of the tailwind that the revenue line is enjoying in Q2 this year versus last year, because of that investment. If I say something like 10%, is that about the right number?

And then the second question is, there have been some press articles that you're looking to expand your perimeter in US retail, and do more there, I was just wondering if you'd give us an update on what your thoughts are, please?

Tushar Morzaria

CIB tailwind, it's a really difficult thing for us to answer. We've talked about the three prongs of our strategy, to make sure we have the right people, the right capital, and the right technology, and we've made progress on all three. Tim Throsby, coming in the beginning of last year, has been a terrific addition for us, and he's reset his management team relatively quickly, and I think that's making a difference.

Jes has talked about the reallocation of capital within the CIB, deployment of leverage as well, that's definitely made a difference, for example, look at our equity financing business. And then technology, Jes has given examples of how we've rolled out some more e-trading capabilities, and the way we connect to our clients.

I don't think you can put a number on any one of those things, I think it's all three factors driving improved performance and allowing us to take a bit of market share for the last three quarters running. And it's our intention to keep that momentum going.

Jes Staley

First, let me just say, the overarching strategy of the bank of being a transatlantic consumer wholesale bank is not going to change. We're not going to open retail businesses in India, we're not going to change the geographic footprint of the institution. We are laser focused on, first and foremost, returning excess capital to shareholders. That's above all else.

We do believe we have a very attractive consumer business in the US, the returns coming out of that card business are quite strong, and we're doing that whilst improving our FICO scores, as well as expanding our business, particularly around the co-brand. I think we've done a very good job of having a digital deposit-gathering business in Delaware, which essentially allows us to fund the UK receivables through US deposits at a very profitable margin to us.

We have talked about growing receivables there, about 10% per annum, and that will take some capital support. Whether we expand the nature of that digital consumer business, that's something that we look at when we look at the future terrain in front of the bank.

I think it's safe to say, as we begin to focus on growing the footprint, the US consumer market is one that we find very attractive. But I do want to reiterate that, first and foremost, we're really focused on returning capital to shareholders.

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