Tushar Morzaria
Let me make a few opening comments and then I’ll hand over to you guys.

So it is really a little bit of a repeat of what I said in the full year results. When I look back at 2014 three things stand out to me.

Firstly, the financial performance of the company. We have obviously made a very significant change to our business model through the creation of a Non-Core unit, putting about a third of the company in there, and it is quite pleasing that even by doing that we have increased the adjusted profits of the company by 12%. That is a very pleasing performance for us. You’ve seen the more traditional banking businesses – Personal & Corporate Banking, Barclaycard and, for that matter, even Africa [excluding currency moves] all show quite significant profit growth year on year, and that is extremely pleasing for us, with positive jaws in some cases as well. The Investment Bank is going through its transition so not surprising that it had lower profitability for this year, but I am sure we will talk about that in 2015.

The other thing that is striking, for me at least, is the progress we have made on both capital and costs. Capital ratios have moved quite nicely and materially in the right direction; we had a leverage ratio of sub 3%, it’s now 3.8% on a proforma basis; CET1 was 9.1% and we closed at 10.5% on a proforma basis, and that is after all the conduct items and, indeed, a dividend.

The final thing is we continue to make progress with our historical legacy items. That is by no means complete, but you have seen we’ve taken quite significant charges over the course of the year to try and put these matters behind us and we’ll continue to work on that in 2015.

So as I look forward, and quarter by quarter, it would be the same four or five things that I look at every single quarter to make sure that we continue to make progress. First, are returns in double digits for our Core bank? We had a good sequence of quarters last year and look to keep that running in 2015. Secondly Non-Core – continued shrinkage in Non-Core in any way you measure it, leverage capital, ROE
drag etc. Third is capital accretion – although we have made good progress we still have quite a way to go, and that is important, particularly CET1, but also a bit of leverage as well. Fourth, book value of the company – to hold and grow that over time. We’ve been holding and slightly growing book value over the course of the year and that gives us a nice foundation to build on. And finally cost – again, quarter by quarter, showing good progress on cost.

Now the only other thing I would say to 2015 versus 2014: in 2014 it was literally quite a linear progression quarter by quarter, there is no way we’re going to continue doing that, so those of you who just get your ruler out and straight line that we’re already 11% CET1, for example, I can assure you it won’t be linear like that. There will be quarters when you won’t see much progression at all and then it may get a little bit bumpier. But the direction of travel or trend will be very clear. Just don’t take a ruler and make it linear – you’ll be way off target and that is probably why you’ll be scratching your head as to why we haven’t revised some of our targets.

**Tom Rayner, Exane BNP**

Just a couple of things I am interested in. On the revenue side, just the issue of sustainability. If you could just mention the AFS gain; it was £620m last year. Also the structural hedge still at £1.6bn, with interest rates, maybe that starts to decline as we move forward. I wonder if you can just comment on the sustainability on some of those items. The second issue is the cost in Non-Core. I am quite interested in how much might be stranded there once the asset run off has completed.

**Tushar Morzaria**

Thanks, Tom. So, in terms of revenue sustainability, I wouldn’t read too much into the AFS gain. You’ve probably picked up on one of our notes on the product structural hedge. In the Core businesses, in PCB and, indeed, Barclaycard, you should continue to see modest revenue growth. PCB is much more indexed to the UK economy so think of it as GDP plus a little bit i.e. nominal GDP plus a little bit, depending on margin pressure that may be coming on. But there is nothing that is one time in nature in 2014 that you’d expect to just drop off.

Card income growth was a little bit better than that because we are growing our business outside of the UK; the UK will continue to grow at GDP plus a little bit. But you will see, potentially, more interesting growth outside of that. In actual fact, the card business is about half UK, half outside the UK now. So it is quite well diversified geographically. In Africa Banking, we are the South African version of the UK, in some ways, and geared towards particularly the South Africa macro economy, but we should expect to see reasonable growth that is consistent with economic growth and environment.
The IB is a much more difficult animal, and you guys will know, predicting IB revenue quarter by quarter is notoriously difficult. But I think that is more of a trend game, much more driven by factors that are difficult to predict from any one month to the next; there could be good environments, there could be some not so good.

I guided to, in the full year, that we thought the Q115 IB revenues were substantially ahead of Q414 and approaching the levels that we saw in Q1 last year, and I won’t say anything more than that. We will be announcing our Q115 results at the end of April. In terms of cost in the Non-Core, the best way to think about that is if you take our fourth quarter costs of £330m, and I am stripping out any litigation type items along with bank levy and CTA to get to our underlying run rate, which you can see disclosed in our results announcement. If you were just to annualise that you’d get to c.£1.3bn. We did say that we’ve deconsolidated Spain now – Spain does drop out at c£240m. What is left is approximately half in our retail related assets, principally the three countries in which we still have a retail banking footprint, and the remaining half is legacy IB, which is principally around derivatives.

Now, the retail costs will go when the businesses are sold. These are going concern businesses – we are very keen on selling them because it is quite hard work managing these remote businesses. But they are fully fledged operational businesses – real branches, real customers, real transactions. We have to be a bit cautious about that because we do want to sell these businesses as going concerns, so I don’t expect to see much further cost improvement in there. We may tidy up the odd branch or something like that, in terms of footprint, but I don’t think you will see wholesale changes there. We did a lot of this actually in 2013, if you recall we took a restructuring charge in European retail.

What is then left is the IB type businesses, principally in derivatives. Now there you should see some cost improvement. I won’t give you a percentage on it, but that’s obviously where we are sharpening our pencils very hard. It won’t be linear, so if the derivatives book comes down 5% you wouldn’t see a commensurate 5% run down in cost. It would be more step wise, just because of the nature of that kind of operation. What’s most helpful is actually not just a gradual reduction of the portfolio, it’s getting rid of entire chunks and pieces of it. So, for example, if we didn’t have, literally, any commodity derivatives left at all, that allows you to shut a whole bunch of things down rather than just reducing the commodities portfolio by, let’s say, 5%, which probably won’t make much of a difference. Or, if we didn’t have any derivatives in – I’ll make up a random country – Korea, then that’s much more helpful from a cost perspective, but the actual volume reduction there may not be that many derivatives in Korea, but the cost benefit might be more sizable. And that is what we will be more focussed on, to try and get a bang for our buck, if you like. So, hopefully that gives you a little bit more insight as to what’s going on in that area.
James Invine, Societe Generale

Can you talk a little bit about your pension deficit? The accounting deficit fell during the year but the funding deficit rose quite substantially and you’ve also got these top-up payments that you’re making on the funding basis. How likely is it that we’re going to see some of those payments having to come through on the accounting side and therefore affecting the cost line and the capital line?

Tushar Morzaria

You shouldn’t, particularly on capital there is no read across. The accounting deficit gets booked into our pension deficit for capital. The deduction from our capital base is a regular calculation, we actually look at it, probably every two weeks to be honest, as we go through the quarter, and that is what you will see go through. The funding deficit is not a capital item, as such, and its already included in our capital plan, so don’t read across the funding projections, we’ve given that going all the way out until 2022, I think, we projected how we’ll make up the £4 billion funding deficit. Don’t read into that anything in terms of negative capital or any impact whatsoever.

James Invine

Do your deficits do the same thing just with different assumptions and therefore they’re going to converge ultimately? I know it can take a very long time but presumably…

Tushar Morzaria

The funding deficit is a tri-annual exercise – it gets refreshed every three years. We just did one, and the one before was in 2011/12. Next time we will do it in late 2018/19 and it’ll be just a refresh of the funding plan based on that funding deficit then. But for capital just think about the IAS19 deficit that gets deducted from our capital. You see that literally run through every quarter and it’s based on forward assumptions, but on a much more frequent basis, around inflation, long term interest rates, long term credit spreads and whatever assets you’re invested in. But the one thing I would say, though, one of the complicated things for us to manage is the volatility of that accounting deficit, not the funding deficit, and that can bounce around a bit. I think one of you guys, it might have been Tom, wrote a note about how potentially with a low interest environment the accounting deficit could increase sharply. It’s complicated, so if long term interest rates fell that might be helpful, but if credit spreads rose then that would reduce, if inflation assumptions fell the liability would reduce, so it is quite a complicated animal, but in terms of quarterly numbers they can be therefore quite volatile, and it is something we manage as a management team around that. So sometimes, it wouldn’t surprise me if you get the odd quarter where you get a blip in pension deficit – it could be positive or negative. That skews your capital position a bit, so it can be a volatile item. And I wouldn’t worry too much on the
funding profile itself, that is already included in the capital plans and you won’t see that noise appearing in our capital numbers, that will be the actual quarterly deficit.

**Ed Firth, Macquarie**

Yes, hi, it’s Ed Firth from Macquarie. Could I just ask you to talk a little bit more about the Investment Bank and how you see that rolling going forward? Because it strikes me, when I look at the numbers, that even if you stripped out the nasty bits, even the good bits are only making just under 3% returns. And I acknowledge that there is a plan, but it doesn’t look a whole heap different than one of your peers who has now decided to pretty much throw in the towel. So, as you see that roll out over the next two or three years, do you have some benchmarks that you would like to see achieved this year in terms of returns that, if they are not, you’ll then revisit the IB? How do you actually see the staging posts as we go through that?

**Tushar Morzaria**

Yes, it’s a good question. Obviously when you look at the headline reported number, the 2.7% return isn’t an acceptable level to be at, no doubt about that. It is improving though, because the cost side of it has a lot of historical costs, that aren’t current costs, that are hitting 2014’s numbers and I talked a little bit about that on the call. You’ve got the deferred compensation – that is quite a material number rolling down; you’ve got increases in fixed pay through role-based pay, which is also quite material and quite sharp in a year like this, but the effect will roll down over time; legal fees that are extremely elevated at the moment given all the historical items that we’re working through. Assuming we stay out of trouble, that should absolutely roll down over time, as will the conduct and litigation fines which are really related to the fees in the first place. And those things don’t get a tax shield so they’re actually quite nasty as well.

So when you look at it on a spot basis, on an economic view, the RoE does look materially better than the 2.7% we reported. And you can see one piece of that is restructuring [CTA] charges - you can strip that out and you can get about 170 bps pick up just from that. Now it doesn’t get us to the finishing line of double-digits, but it does get you into the higher single digits.

Then where do we go from there? I think it’s going to come from, really, two areas with no assumptions around revenue: we may have a much better investment banking revenue environment; that will be great, but we certainly are not banking on that being an outcome. The other two areas would be further operational reductions in costs. If you look at our non-comp expenses, if you strip out bank levy, conduct and litigation, our non-comp expenses improved 11% on the year, but there’ll be further operational improvements that will start coming through. And then there’s better use of our capital
base and making that capital more productive, and that’s a constant fine-tuning, i.e. are we using the balance sheet as effectively as we can?

As with all these things, as with all our businesses, whether it’s credit cards in Germany or mortgages in South Africa, everything needs to work and everything will have execution risk associated with it - and the IB’s no different. As we’ve said all along, we have a plan, we feel good about where we are, we can see a trajectory. We’ll stick with the plan, but at the point at which we don’t feel we can achieve our desired outcome, we’ll make adjustments, but that’s not the position yet.

Ed Firth
Just in terms of the exceptional costs, if you like, or the legacy costs that are in there, should we be expecting those to deteriorate over a three-year period, something like that?

Tushar Morzaria
Yes. It’s unfortunately not a quick thing, so to give you some example: the deferred compensation – that’s the one you probably can figure out - there’ll be enough disclosure out there. It’s probably 2015 and 2016 before it feels like it’s normalising. Increases in fixed pay, role-based pay, that normalising will be a two year track as well, because you have to get to a point where the only deferrals that are being accounted for in that year were from a year where there was already fixed role-based pay in there, so two years before you can see that. So it’s a bit unfortunate.

I think when we get closer to it I’d be minded to just show you the disclosure. So if we were one year away everything rolling off, then we’ll probably just put a slide out and show it to you, but it’s probably two years away to see that roll off. So I have that in our own models and our own projections, so we have the economic basis for making the right decisions. Going back to the main theme, we have a plan, we think it’s going to work, we’re still committed to it. But at the point we don’t believe it, like with any other of our businesses, we’ll make changes, and you’ve seen us do that last May, and we’ll do it again if we need to, but that’s not the current presumption.

Sandy Chen, Cenkos
I find your comments about selling off those chunks of the derivative business really quite interesting, because obviously you can take quite a bit of the support costs out of that as well. And I was wondering if you could just tie that into a bit of guidance related to the trading book review in terms of how the QIs might be pointing to the RWA inflation, particularly in derivatives?

Tushar Morzaria
Yes, sure. The trading book review, it’s quite hard to be very precise on that. The QIS’s which have happened are not really representative of full portfolios, so it’s quite hard to be definitive or even range-bound as to where this may come out. So I think quite a bit more work will need to be done with further QISs. One of the things that we don’t talk enough about, is if we were to switch, which we may have to do, from current market risk calculations to one which isn’t potentially VaR based in nature, how would markets adapt.

Sandy Chen
Risk-weightings using ‘expected loss’?

Tushar Morzaria
Yes, that’s a very significant operational rewrite as well; there’ll have to be some time for the whole universe of banks to prepare for that operationally; that’ll be brand new kind of stuff. And then you’ve got to apply that to all our portfolios, and no doubt that’ll need to be very closely reviewed with the regulators.

And then, finally, the other thing I would say is, (and you could choose to believe it; you could choose not to believe it) they do say this isn’t meant to be a capital raising exercise per se, but we’ll see; we shouldn’t be naive about those kind of things. So my sense is that it’s not a 2015 thing; my guess is it’s probably not even a 2016 thing. That could change; I could get information at any time but my guess is it’s more of a 2017 item. The good thing about that is we’ll have a lot of information before we get there as to what we think the impact will be, and we will adapt accordingly, if we need to.

For example, if market risk capital does increase dramatically it’ll certainly make us question whether some of these activities still make sense on current pricing levels, and we’d have to adapt accordingly. But we don’t have enough information to make that judgement yet.

Sandy Chen
Yes. I mean, what’s quite interesting is that – and thanks for page 73 of the Pillar 3three where you kindly break down the balance sheet by trading and banking. I think that’s quite informative. It just seems that you can be really quite proactive; you’ve got a great opportunity now to avoid the places where you can actually reasonably model a lot of RWA inflation coming in.

Tushar Morzaria
Yes, you can; there’s some intuition you can use, though we can’t be precise about it at all. And it really depends – if someone could tell me today RWA is increasing the IB, let’s say, by £50bn, that’d be an
increase that goes to the heart of that business model, so that’s one outcome. If someone said it’s going up by £5bn, that’s a completely different outcome, and quite manageable and absorbable. So it’s a little bit early for us to know what we need to flex, but that’s unfortunately where we are. We’ll know more as we go through, no doubt.

**Chris Manners, Morgan Stanley**

I had a question for you about the dividend policy, and obviously you’d promised a 40% payout ratio at the bottom; it would have only taken a fractional amount out of capital to have met the commitment. What was the reason for keeping the dividend flat? How do you think about the policy going forward because it looks like a 2016 payout ratio; so could you miss the payout target again in 2015? And, is it to do with printing a statutory loss for the year? A few thoughts around that...

**Tushar Morzaria**

Dividend is one of the subjects everybody has their own view around. I think the right thing for a bank to do is not to have a variable dividend that just is going to bounce up and down in any one year based on a fixed percentage payout rate – at least for now. I think dividend policy – and I think our Board feels this – should be progressive and increase on the back of sustainable earnings once you’re at an appropriate capital position.

To help everybody, though, particularly our investors and obviously coverage analysts, we thought that somewhere between 40% to 50% is the range that we would consider; we have always guided towards being at the bottom end of that range while we accrue capital. I think of 38% as being – and although it wasn’t a formulaic outcome – I think of that as “bottom of the range”. I have spoken to a lot of our larger shareholders – the largest people on our register, and asked for their views, and I haven’t come across a shareholder yet, who felt we did the wrong thing, and obviously we take our cues from investors.

It’s not unreasonable to think of that payout ratio range, but definitely reasonable to think about us being at the lower end until we get to a more robust capital position.

**Chris Manners**

The way you report adjusted earnings, if you’d taken the ESHLA portfolio above the line in Non-Core, you could have met the payout you put on your slide and headed off those questions. Why didn’t you do that?

**Tushar Morzaria**
If you give a formula for a dividend then it’s better to be very transparent. ESHLA was a onetime non-recurring item – it wasn’t an underlying item, but hopefully it’s helpful for people to see what we consider underlying and what we don’t. We could have “adjusted” £60m less and made up the difference to 40%. We’re printing £5.5 billion of pre-tax – £60 million [is immaterial in that context]; you just report what it is and make a dividend judgement based on what you have.

We did have a statutory loss, and that is obviously factored into our thinking; but probably more so was just our absolute capital level, to be honest. The statutory loss has a lot of non-repeating items. The ESHLA write-down, which wasn’t actually impacting capital, was a big cause of the statutory loss. That was part of our thinking, but not a driver. It was really more what’s appropriate given our capital position and what’s appropriate given the guidance we gave and what’s in the best interest of our shareholders. And, as I say, I’ve spoken to some of the shareholders, and thus far they felt we did the right thing.

**Michael Helsby, Bank of America**

Just on Non-Core, on that cost split that you gave us; so you’ve got about £550m-£600m in retail, presumably that’s got some revenue with it as well. So can you just talk about what you’re embedding in your Non-Core revenue guidance to offset that £600m of revenue, or whatever it is? If you can tell us what it is, that’ll be helpful.

On the mortgage side in PCB – I was quite surprised that the mortgage book didn’t grow more, because you’ve been very aggressive in prices and I would have thought you’d have done more share. It’s not your redemptions, it’s your growth share; so if you can just give us some insight into why it’s not growing quicker? E.g. is it just your underwriting?

And then just on a forward-looking basis, I was wondering if you could give us some insight into what John McFarlane is doing? Clearly, he’s been on the Board already for a while, so what he’s bringing to the table? Any insight on that would be really useful.

**Tushar Morzaria**

On Non-Core revenue, so retail revenues, in a good scenario it’s a breakeven type business; some countries aren’t, some countries are, and I won’t give more detail than that. So revenues outside of that are: nothing on the derivatives book - it’s actually a slight funding drag, so that’ll be negative; and then there’s some harder to predict items, things like ESHLA, which doesn’t really mean too much on any particular day, but like a pension deficit can move around a bit so that’ll create a bit of noise.
So I think we’re guided to take the fourth quarter as a better guide for the run rate of revenues, and what we mean by that is ‘slightly positive’ [for 2015]. I won’t give you a precise number, I think items like ESHLA are still moving around at this point, so can’t be too precise. But on the look-through basis it’s slightly positive when I think about it.

Michael Helsby
And mortgages?

Tushar Morzaria
Yes, mortgages is an interesting business for us. So you said there is price competition. We’re not [leading] the price competition, but we don’t mind it so much. It’s surprising; and people do say, “Ten years fixed at 2.9%?” If any of you qualify for a ten year fixed mortgage for that product you probably don’t need a mortgage.

There is mortgage pricing pressure out there. The reason why it’s interesting to us, and perhaps we don’t mind it as much as other people, is because even our current [front book] margins are accretive relative to our back book margin, which may or may not be the case for other banks. We don’t have a large SVR book, so we quite like even current margins in mortgages and will participate. We’re focused on staying within our risk parameters, though. It probably isn’t the time in a cycle where we want to be loading up in some parts of the credit spectrum that we haven’t traditionally operated in, so we’re quite cautious about that; we’re staying well within our risk parameters.

And our mortgage stock share, it’s gone over 10%. It’s about as high as it’s been as a relative share, and our new production share is higher than our stock. If we were growing at twice our stock share, we’re probably getting into parts of the market that we’re less familiar with and would be less comfortable getting into at this point in a cycle. But it’s a very good business for us; it’s high RoE. We don’t want to get carried away at this point in the cycle. It’s a good business, and you can see the profitability in PCB.

Michael Helsby
How are you from a technological point of view – how are you looking at costs?

Tushar Morzaria
It’s one of the things that Ashok [Vaswani] has done – he’s obviously very evangelical about digital, but it’s more than that. The impact it’s making to our business – take mortgage applications – one of the really cool things that he’s done is with the broker channels. We can now approve 1,000 mortgage applications in a day, and that’s a completely transformational experience if your mortgage broker at
Barclays can tell your client whether it’s approved within a 24-hour cycle. And it’s those kind of things that help us increase our volume share in the risk spectrum that we like.

The other place of course, is SVR. It’s my Saturday morning email to Ashok: ‘where are we on going after other people’s SVR mortgages?’ And we’re probably not making as much progress on that as we’d like. It’s quite a sticky cohort of people that are on SVRs, but we’ve got absolutely nothing to lose, and we’ll only gain. So we’ve got the media campaigns and I think we’ll do a better job at that over time, so that’s another opportunity for us.

Your final question on John McFarlane, the Chairman coming in. I’ve spent quite a bit of time with John. He was in around this week; Aviva announced their results yesterday, and he’s still chairman of Aviva until our AGM. So the good thing about John is he’s the only guy on our Board, and probably the only Chairman in banking, who’s actually run a bank, and it’s a very different conversation you have with someone who’s actually run a bank. So when we talk about capital allocation or we talk about trying to do some unpopular things with 100,000 people in a global network, he has been there, and done lots of that stuff himself, and he’s got really good advice. He’ll say “well, I’ve had to do this three times in my career, and these two worked for me and this one was not so good, let’s do what works for you”. But those kind of conversations are totally different conversations to other people I’ve had the privilege to speak with. And he’s very fluent in the business; he knows exactly what he wants to see. You can see he’s run a bank. He’s not just “give me everything you’ve got and I want to see this, this and this”. He’s very surgical, very focused. I think he’ll be quite demanding, I think he’ll be quite keen to see us execute as quickly as we can. That’ll be his executive background coming into it, and I think that’ll be really healthy for the company. We’re very lucky to have him.

Manus Costello, Autonomous

I had a couple of questions, please. Can I first come back to this question of Non-Core costs or cost guidance for the Group in general, because you’ve given us this formula of Group guidance for 2014, Group guidance for 2015, Core for 2016. But I think the fear amongst investors and amongst analysts is that we’re being sold a bit of a dummy, because we’re focusing on the Core for 2016, but we’ve got no idea about this £1bn or so of cost in Non-Core, as to where it will go and whether it gets absorbed back in. So it feels as if we’re going to need more guidance for 2016, at least, and some idea of when we move in 2017 as to whether or not we just reabsorb that back in. Because, otherwise, for me to tell investors to buy the stock because the Core is making good returns, it’s a bit of a false promise if [costs are] going to step up again in 2017. So can you give us more colour on when you’ll give us guidance and more comfort that we’re not just supposed to reabsorb those costs in 2017?
And my second question is briefer: the ESHLA portfolio; has it been marked to a level where you could sell it and what would the impact be? Is it possible to sell? I just don’t know if there are buyers for that kind of asset, and what capital relief might it provide?

Tushar Morzaria

Yes. Good question, thanks Manus. On cost guidance, the reason why we’ve guided as we have done is because the objective in 2016 is that the Non-Core returns drag is less than 3%. Whichever way you want to think about it, it should be a very small component of the Group if we’re successful, and we’ve guided to be 12% in the Core with the Non-Core drag being at less than 3%. And therefore I’m much more focused on the drag than I am on the individual line items; it’s the aggregate that’s most important to me.

And it comes back to what I said earlier. We’ve got £11bn allocated capital in the Non-Core at the moment. I told you that half of the cost basis is in retail or in going-concern businesses, and the other half in derivative and other assets. Just imagine if you could wave your magic wand and sell retail. It’s not quite breakeven, but think of it as close enough. And let’s say that gets rid of £1bn or £2bn capital - and I’m just using random numbers for illustrative purposes – say, I’ve got the best part of £10bn of capital tied up, and several hundred million pounds worth of Non-Core losses.

Let’s say that’s a permanent fixture and it takes a long, long time to go away. For that capital to be completely consumed and go negative, it would have to be around for the best part of two decades. So I guess we could tell ourselves that we would be able to get capital out if you gave them 20 years to do that exercise. Instead I think it’s more helpful to think about the drag it’s having on the Group and just get rid of that drag; it becomes an EPS/RoE type concept to me. And success actually would be to not have a Non-Core unit - 2017 is possibly a bit ambitious, but hopefully not much beyond there.

If we hit our 2016 objective of Non-Core risk-weighted assets of £45bn and the Group is at about £400bn, and you get to closer to 5% of Group risk-weighted assets, or certainly below 10%, you’re in that zone of wondering whether it’s worth calling it on the Non-Core unit, or folding it into Group returns. But that’s for the future, it’s too early to make that assumption now. But that’s how I think about it. The objective has to be to get the returns drag down quickly, so that it is de minimus, and shrink the allocated capital so that it can be folded back in. By that time the Group should be, for that to be successful, in the aggregate, a double-digit returning Group consistently. That’s how I think about it.

On the ESHLA book, these loans do not trade with any degree of frequency whatsoever; they’re quite long-dated, they’re very select counterparties or borrowers – educational institutions, social health and
local authority–type, quasi-Governmental–type counterparties. They’re super-high quality, zero default history, no impairment, even historically on these kind of borrowers. So they would be interesting to buyers who are really interested in fixed cashflows of a very long-dated nature with very high quality credit. It all depends on the return. The vintage of these are actually well-seasoned and they are very long-dated loans. Insurance companies spring to mind as people that could be interested in them; maybe some other pools of capital that’d be interested in this kind of thing. But they are unusual assets, and would the insurance company want to buy whole loans, or would they want them in securitised form, would they want fixed maturity bonds? It’s quite a complicated structuring thing. Absolutely, we’re looking for buyers.

The thing about ESHLA that’s interesting, if you did sell them at these levels – but it’s a quite complicated thing to sell – but if you look at our PVA deduction, it’s the largest component of PVA that we have.

Manus Costello
So how would selling the ESHLA book impact capital?

Tushar Morzaria
So we get an interesting benefit, because you get the relief from the PVA deduction as well as the RWA reduction. So we’re keen to try and move these things, it’s quite interesting as a capital relief matter. But they’re complicated to sell, you can’t just put a few asks out and see what bids you get in. There’s quite a lot of structuring that needs to be done.

Manus Costello
Just remind me the total size of the portfolio?

Tushar Morzaria
And so in fair value terms, the loans are close to £17bn.

Manus Costello
RWAs?

Tushar Morzaria
I don’t think we’ve disclosed that, but it’s pretty high quality.

Mike Trippit, Numis
I think at the results meeting you talked about a stable margin outlook for 2015. In 2014, there was margin expansion year on year, but in the quarter this came down, with Barclaycard under some pressure. I just wonder if you could give a little more granularity as to why you think it will be stable? And in fact, what the starting point is – is flat on Q4 or the 2014 total? But particularly in Barclaycard, that sequential decline in margins; why does the margin stay stable?

**Tushar Morzaria**

Let’s start on Barclaycard, but we can also cover PCB. Q4 is a good point to use to jump off, although it’s slightly lower only because of the change we’ve made to our effective interest rate calculation assumptions in Barclaycard; the way we recognise income over the life of some of these assets. The thing you see in Barclaycard is you’ve got a quite large UK business; very stable, very nice, good returns, a fabulous returning business. But obviously, because it’s quite large and scaled already, it’s not going to have enormous growth, although it will grow with the UK market and maybe a little bit quicker, but it’s that scale. But you’ll see quicker growth outside of the UK. There the margins are just lower; we don’t have quite the scale that we have here. So you get nice profit growth at good compounded rates, but you see a slight margin headwind, if you like, because that’s just slightly lower margin than you would get in the UK. And you get that in RoE as well. So we had a 16% RoE in Barclaycard – that’s not a bad place to be and we’ll bob around mid to low teens, but the profit growth is going to be quite interesting.

We’re not seeing a lot of pressure on margins in the card business, and we’re not seeing really any change in credit metrics really; there’s no stress in the near term. Again, it’s very hard to take a long-term view on these things; it’ll depend on the economy. So at the moment it does feel pretty stable.

**Peter Toeman, HSBC**

If you take the Non-Core costs in the fourth quarter and just annualise them, it gives you a figure of £1.2bn down from about £1.8bn, so there’s a £600m gain. Then if you look at the Group cost forecast, it’s going down from £16.9bn to £16.3bn, a £600m movement. So again it looks like all the presumed improvement in cost is coming in Non-Core. So would you expect Core to actually have flat costs in 2015? I would imagine you might be disappointed to have flat costs in Core this year?

**Tushar Morzaria**

That’s a good question. So, if we have flat costs in Core this year it will obviously make it quite a step down in 2016 to get to £14.5bn, so you ought to see us gliding down there. So the exit rate for this year ought to feel like it’s a tractable journey to get to £14.5bn. In terms of the Non-Core, you’re right about the reduction from 2013 to 2014. You shouldn’t necessarily just extrapolate that into 2015 because, as I
mentioned, half that cost base, approximately, once you’ve stripped out Spain, is going to be retail type assets. They’ll either be there or they won’t, so it’s a bit of a binary outcome.

And what’s left, you’d have to take it down to zero, or to £600m, if you don’t sell retail. It’ll be on both sides, and you should see a tractable path at the end of 2015 to a Core cost base of £14.5bn.

**Chintan Joshi, Nomura**

Just continuing on the NIM topic; if I look at PCB, back out the policy change, the NIM’s are flat. Barclaycard, I take your point, you’re not really seeing pressures, but it's hard to ignore the five year trend in Barclaycard has been really downwards, and if we look at industry trends, that indicates continued pressure, at least in the UK. I’m not sure what you are seeing outside the UK.

Africa seems to be the only place where margins are going up, but it’s too small in a group context. And then in the Head Office you’ve got a big increase in the negative NII, so NII is going down in the Head Office. So when you look at the moving parts, I’m still trying to figure out the stable NIM guidance into next year, because it seems like there’s a bit of headwind in two of your biggest divisions – PCB and Barclaycard, and then there is headwind, even in the Head Office.

**Tushar Morzaria**

Yes, to capture Head Office, Dan Hodge is here, our Group Treasurer. I’ll ask Dan if he wants to add anything more to this, but Head Office is just what’s left after we’ve done our funds transfer pricing mechanism to each of the divisions. So that’s not indicative of anything, sometimes they’ll be positive, sometimes they’ll be negative. It’s really just a smoothing function. Is there anything else you want to add, Dan?

**Dan Hodge**

That’s right. We did see a net improvement in the PBT coming through the Head Office when you take all the various components that go through there; return on liquidity portfolio, net interest income, all these things, so that doesn’t signal a deteriorating trend at all.

**Chintan Joshi**

That just boosts PBT?

**Dan Hodge**
That’s part of the explanation, but underlying, there are some other strong performances going through that number, so we try and manage it broadly to neutrality over time. So you certainly shouldn’t read too much into individual year or quarterly performances there.

Tushar Morzaria

Yes, so debt exchanging and things like that, to the extent there’s any currency translation, we just leave that in Head Office. But it’s plus or minus nothing, think of it in that way. Perhaps more on the specific businesses, downward pressure on PCB, Card, etc. PCB, if you look at it disaggregated out a little bit: definitely downward pressure in mortgages, we’re experiencing that, so there’s probably some downward NIM pressure there.

Corporate lending seems okay, actually. I’m not seeing much downward pressure there. Not seeing much downward pressure on deposit pricing. We’ve never really paid up for deposits anyway, so we have little downward flexibility to increase deposit margin, but we’ve never really paid up for these, so we’re quite well protected there. If anything, there’s maybe a little bit more we could get out of there, but I wouldn’t expect too much.

Barclaycard – half of it is in the UK. In the UK we’re not seeing a whole load of downward pressure. Given the scale that we have we can drive the market how we want it to be, for the parts of the credit spectrum that we’re interested in. Again, you might see competitive pressures in different segments.

Outside of the UK, in Africa you could see improving NIMs if interest rates do increase in South Africa. It doesn’t feel like it at the moment. If anything, we probably didn’t get the rate hikes that we thought we might have got in 2014, but that would be very positive for us, and the same in the UK, of course, in PCB, if there is a rate hike. It isn’t what we’re expecting, but if there is one, that will be nice.

And then outside that, it’s really only the US, and the US, again, feels pretty stable at the moment. We’re small enough in the US that we don’t set our own terms. It’s more like a partner business rather than an open market business, so it’s a slightly different animal.

Chintan Joshi

And then on the PCB fee income line, again, there seems to be a mix of pressures there. If you could just elaborate on the headwinds and the tailwinds in a bit more detail.

Tushar Morzaria
In PCB, on the Personal side, what you saw is overdraft fees go away - just the way we changed the pricing mechanism for overdrafts - and it gets recorded in net interest income. You can call it out but it is effectively a line item switch, and it’s actually a better outcome for the vast majority of customers.

In Corporate we did see some reduction in fees. Whether that continues or not is a little bit hard to say. I think the Corporate business has been a good business for us. We’re not expecting tremendous growth there, but we are very well positioned to the extent that the market starts using more cash management services or more foreign exchange trading and stuff like that, we’ll profit quite nicely from there.

So we’re nicely positioned to the extent that market really takes off, but it’s not in our base case assumption, it will just be a nice if we get it.

Chintan Joshi
In Wealth?

Tushar Morzaria
Wealth is interesting. So, again, dominated by the UK where we have a really decent private bank business, the second largest in the UK. Again, the UK economy is a nice economy in the sense that it’s growing but it’s not crazy growth, so it feels sustainable. So you’ll see very modest growth, nothing very significant, but nice, and that’s how you get this nice profit trajectory as most of it drops down to the bottom line.

Andrew Coombs, Citi
I just want to come back to the Investment Bank RoE. We talked about the revenue pressures, about the CTA and the impact that had, but when I look at the move in the RoE, the pre-tax profit fell by 30% year on year, the attributable profit down 70% year on year. So there does seem to be a big adjustment coming through there. I wanted you to clarify: presumably the tax charge is elevated, but also I assume a lot of your AT1 costs are being booked there as well?

Tushar Morzaria
That’s exactly right. Those are the two line items, of course, and hopefully it came across in the full year results. We are quiet disciplined and strict about having the divisions pay for everything they’re consuming, so we fully allocate our AT1 coupon. Leverage ratio management is important, and therefore the IB, being the most leveraged business that we have, will take a disproportionate amount of that AT1 coupon.
The tax thing is also quite significant, and that probably is worth a little explanation. You’ve got three things going on in that tax line. You’ve got two non-deductible items; the bank levy is a big one, and then all the conduct and litigation fines that are not deductible, so it’s quite a large non-deductible component. And then you’ve also got the way dividend trades take place – it’s quite a seasonal business, but you get a gross up effect between revenues and the tax line for withholding taxes that are non-recoverable. So the revenue gets booked inclusive of the withholding tax credit, but it gets added back to your tax line. Again, it’s just the way accounting does it, so it grosses up revenues and tax. It’s still a nice returning business, but increases the tax line.

The first two are the most interesting though, and what happens is that when you’re at low levels of profitability, which is where the IB is, you get very odd looking marginal tax. So I’ll give you a silly example with numbers. So let’s say we had pre-tax, pre-bank levy, profit of £150m and a bank levy of £100m, which gets you to a pre-tax profit of £50m, and let’s say tax rates are 30%. To work out the tax on profits, we would add the bank levy to get back to 150, times it by 30% and get to approximately £50m, and that will be your tax charge. So you look at pre-tax profits of £50m, taxes are £50m, and you have a 100% marginal tax rate.

Now, if pre-tax profits are £1,000m and the bank levy was still a deduction of £100m, you wouldn’t really notice it. So it gets massively accentuated at low levels of profitability, so it’s quite an exponential curve. So you’ll see the marginal tax rates materially improve as profitability increases back to what would feel more normal. So it’s just very accentuated at low levels of profitability, and that’s really what you’re seeing.

**Andrew Coombs**

Okay, so the tax charge will normalise. With regards to the AT1, you’ve used up about 1% of the 1.5% bucket. Should we assume that the cost of the other 0.5% as you issue it will also be allocated to the IB?

**Tushar Morzaria**

It is shared. It’s not totally in the IB, but the majority of it is.

**Andrew Coombs**

So that’s another headwind that you need to...

**Tushar Morzaria**

Yes, although we’re not in any rush to issue the additional AT1. Dan’s here, do you want to just talk about our longer term plans?
Dan Hodge
Yes, that’s right. Out a total of say £8 billion of AT1 for the end-state, we’re just over £4bn, with still a bit under £4 billion to go. As Tushar said, we’re not in a rush to get that done now. We’ll be a regular and consistent issuer over the next four years. On the point of costs, we allocate across the group pro rata to capital. But remember, some of the existing or legacy Tier 1 will also be rolling off during that time, so you shouldn’t just view all the new AT1 as adding to the cost because we’ve got the legacy cost coming down at the same time.

Tushar Morzaria
Yes, that’s actually a very good point. The last issuance that Dan did was more of an exchange as well, so it was taking away preference shares and replacing AT1, so not bottom line additive materially.

Martin Leitgib, Goldman Sachs
I just wanted to follow up first on the ESHLA portfolio, and just for understanding, the valuation you now use on the liability side of that portfolio, is that still LIBOR based, or have you incorporated a spread similarly to the asset side? And then just to understand your comment earlier, with the majority of the PVA adjustment relating to the portfolio, does that mean the chance of an ESHLA type [revision] happening in the future is actually quite slim from your perspective?

And then also still quite a large deduction of roughly £2.2bn from capital for PVA, is there a chance that the ESHLA portfolio itself gets re-valued in a year’s time, and do you see further headwinds to your TNAV development coming from that? And maybe in that regard, because one would assume that as the duration approaches, as you approach maturity, the valuations would converge. Could you give us a sense, is this five years left in terms of maturity, ten or more towards twenty?

The second question, just to follow on your earlier comments on the performance of Investment Bank and the strong revenues you have seen, is that a function of volumes or do you see selective pick-up in product rates?

And then just a quick confirmation, could you clarify what the effective interest rate assumption is you use for your zero percent balance transfer card and Barclaycard?

Tushar Morzaria
So let’s do ESHLA first. We’re using a gilt based discounting basis for the asset side. What do we use on liabilities? Well, it depends what you mean by liabilities. So the funding of them is through various forms
of funding sources, it depends on the source of funding. But the hedges relating to them perhaps is really where you’re going. These are hedged and those would be derivatives that hedge them, and they would be valued as a derivative would. So there is a gilt versus derivative basis that’s managed by the desk. Think of it like an asset swap basis that’s managed.

Could you clarify your question on maturity?

Martin Leitgib
Yes, the maturity profile - if you could give us a hint if it’s five, ten years?

Tushar Morzaria
It’s very long dated. The education element isn’t so long dated but local authority stuff is super long dated, it’s a very long dated loan. So that’s why they’re interesting to insurance companies. The longer dated ones obviously have the most duration risk in terms of risk management challenges for us.

On the PVA, one thing that people should be aware of is, in the same way we talked earlier about pensions being a somewhat randomly volatile item, it can bounce around quarter by quarter, which makes Dan’s and my job quite difficult when trying to land the capital of the company precisely in the right place – PVA is quite similar. If you go back, just look through our disclosures, you’ll see it bob around every quarter, which is true for other banks. The whole balance sheet has a PVA associated with it, not just the ESHLA book. It’s on every [fair-valued] asset/liability, and just bear in mind it does bob around. It’s the calculation, we don’t go round hedging PVA, that’s not a good thing to be doing. So we just have to be aware that it’s a volatile item, and just another complexity in landing the capital level, but I just want to leave that with you.

That’s why I said “don’t take your slide rule out and draw a straight line on capital progression”. There are things that will just happen, for example, in the last weeks of March, PVA calc comes in and it’s, say, negative £200m. Well, it’ll probably reverse out by the 5th April. I’m not going to hedge those sort of things, but we’ll call that out for you if that’s what’s driving our capital trend.

On IB revenues, I’ll just go back to what I said earlier, and won’t give you any more colour than that. We have a very decent investment banking pipeline, so think of that as a fee pipeline calendar. I imagine it’s true for many banks. It does feel like a strong primary market, and we seem to be getting our fair share of that. Obviously those deals need to actually happen, and I think the next four to six weeks look pretty busy. So if markets hold up in March/April, it could be quite an interesting issuance period. In terms of
secondary trading revenues, we didn’t really give any guidance on what’s going on. I wouldn’t call anything out now; it’s too close to the end of the quarter.

Zero balance transfers and the effective interest rate assumption – all we do is model the behavioural life of those balance transfers. We’ve been doing this business for a long, long time, and that’s what we talked about earlier – those assumptions get revised periodically, and you get small true-ups. The revision we made in the fourth quarter was a small true-up. I don’t think we called out the exact amount, but a pretty small true-up on a £4bn revenue base. And you’ll see small true-ups going through the business. It’s a conservative revenue recognition profile. It’s a very gentle curve if you like. We don’t like front-loading loading revenues at all, and in fact you actually end up front-loading some expenses because of the way you have to account for certain marketing type costs. So it’s a classic J-curve business where you tend to incur marketing expense early, and income comes later.

**Ed Firth, Macquarie**

There’s a lot in the press at the moment about new entrants: we’ve got Apple Pay, we’ve got peer-to-peer lenders, we’ve got crowd-funding – all this stuff going on. What’s your steer on that? What are you seeing on the front line? Is there something that you’re worried about? Can we dismiss it? How are you responding?

**Tushar Morzaria**

That’s an interesting question. So I think being disintermediated is something we can’t dismiss. We’d be naïve to think that people like Apple aren’t smart, they’ve disintermediated book publishing and they could with payments. I mean they’re very smart. We will do everything we can to stay relevant with our clients. You’ve seen the bPay band – some of you may or may not have – it’s a way of “disintermediating” ourselves through our own technology. You can link any credit card you want to it through the Internet, charge it up with £50 or whatever you want – and you could go on the Tube with your B Pay band. You can swipe to get into the office here, you can buy your lunch here, swipe to get out and get the Tube home, and you’ve never had to get the wallet or phone out of your bag. And it’s open architecture – you can put any credit cards you like on there. It’s just a cool way of using contactless payment. That’s one little example.

There’s all sorts of fun stuff we’ve done in PCB as well, like that story about six taps on your phone and you can get a personal loan. There are all sorts of little things like that, so that’s us trying in some way to “disintermediate” ourselves, and trying to be at the forefront of technology. You’ve seen Pingit is an application we talk a lot about, which is again open architecture. Anybody can use Pingit. We probably do somewhere around 1.5 billion of payments in Pingit, This year we had our largest ever day on
payments going through Pingit on Friday last week, and if we’d been some Silicon Valley start-up with that app, I think it’d probably be more worth than Barclays – so we’ll have our bankers look at that as a value creation opportunity! Well, we joke! We’ve got lots of things like that.

But we shouldn’t be naïve. One thing I think we’ll probably never get disintermediated in is that I think we’ll always be a bank. I can’t see the technology companies ever wanting to be a bank quite frankly. If they did want to be a bank, that would make me worried! I’d be worried for them rather than us! Banks have capital for a reason. So I think that we’ll always be at the back end of a transaction, a bit like the people who are producing music. Apple doesn’t produce music. We shouldn’t be naïve about disintermediation. Apply Pay works quite well in the US. I think it would be a little bit harder to get going in the UK. I’m sure it will probably happen. The reason it will be a bit harder to get going in the UK is because interchange fees are quite thin. In the US they need to charge fees that are large enough, but it’s quite an easy share. In the UK there’s a slightly different dynamic going on to the US on peer-to-peer lending, where I go back to is I think banks will always be banks. We lend debt, and we always do that. Peer-to-peer lending, I think, is much lower down the risk spectrum than we would typically get involved.

**Ed Firth**

Just going back to the Apple Pay example, can you just give some indication how much are you sharing in terms of the interchange fees? I mean, is it a big impact on profitability? Because you’re one of the parties involved, aren’t you?

**Tushar Morzaria**

In fact, we have a really deep relationship with Apple. If you ever buy anything from Apple in the US or here, whether it’s through their website or any one of their stores, and you want a point of sale financing, it’s actually Barclaycard behind that. Our technology is integrated into the Apple website. You learn when you listen to Apple, its technology is world class, and they do business with us because we can be seen as being integrated into that. Going to the US, we have a partnership model. We’re the only guys with a partner card with Apple. So you’ve seen that launch. So we have a very deep relationship with them. We were obviously one of the launch banks in Apple Pay. All Apple are trying to do at the moment is a bit like the camera in the phone. What they want is the phone to be everything, and they want to sell devices. They don’t want to be a bank, they just want Apple phones to do everything that you as a consumer want to do, and one of them is to make payments. They don’t want to be a credit card company; they don’t want to lend you money: they just want to be a contactless payment vehicle, if you like. And that suits us just fine, because the transaction volume is great for us. And if you’ve ever
used it in the US, it’s actually pretty cool. I think in the UK, because the interchange fees are so much narrower, it’ll be harder to get going there.

Gildas Surry, BNP
On your target end-state capital structure by 2019, is that the timeline we should be thinking of, or would you express some caution towards the proposal around ring-fencing and the TLAC? Because if we’re looking at 1st January 2019, basically you need to prepare by December 2018, so it’s a little bit more than three years.

Tushar Morzaria
Yes. Well, I’m going to ask Dan to cover that. He’s busy preparing us for TLAC compliance

Dan Hodge
Yes, do you want me to talk about common equity capital as well as TLAC, or is it just a TLAC question, so I can confirm?

Gildas Surry
Just your feeling towards the timeline on TLAC, and in particular, maybe the way it could put you at a disadvantage with your Continental Europe peers that could get away from TLAC via MREL.

Dan Hodge
Yes, I’m very happy to talk to that. We actually feel that the time line suits us pretty well. When you look at the existing stock of debt which will be eligible eventually for TLAC, it’s already at around 24%. And the issue we have is we just the need to refinance it from the operating company to the holding company, and then it’s just a question of downstreaming that debt from the holding company back down to the operating company, so the funding is ultimately in the right place. So if you look at the amount of debt that is maturing over that time, it really is just a question of refinancing that. And the rate that we have to do each year is very manageable. If you look at what we managed to issue last year, we started to do a lot out of our holding company, specifically to make sure that we are absolutely on target for TLAC. We did about £8bn-£9bn of senior unsecured last year. These are manageable levels. We don’t even really need to be quite at that for the next four years in order to reach that end state. So we’re very confident about this.

We don’t think this really puts us at a disadvantage at all. Actually I’d say that the way in which we are moving to TLAC in the UK, by having holding companies consistent with a single point of entry regime, is probably better than what the European banks are facing at the moment. I’ve been seeing a lot of debt
investors over the last two or three days, speaking to European bank treasurers as well. We got a lot more certainty in terms of what TLAC needs to look like than European organizations, because it’s quite straightforward: debt at the top; downstream it, and our intention is to downstream it on a like-for-like basis as well, until or unless we’re told we have to do otherwise. European banks, without these holding companies, need to issue some kind of new form of debt capital, which is some kind of Tier 2.5, or Tier 3, and in some instances they’re actually prohibited from doing so through existing Tier 2 documentation. So actually we feel that this is an area where the UK regime gives us an advantage, because we’re able, we know what it is we have to do. We’ve started to execute on it already.

**JP Crutchley, UBS**

Two questions on capital if I can. I guess maybe a personal observation. Pretty much every other UK bank, apart from yourself, is actually ratcheting up their capital target guidance to where they felt the cruising altitude would be. Can you make some comments on what is your comfort around the current trajectory, and your comfort with regulation in terms of the ultimate destination. I just want to come back to this question on the IB and capital. One of the features of last year was obviously lower revenues they brought in on risk assets in capital, and I’m just trying to think forward in terms of how we think about that dynamic, because can your IB going forward generate a higher revenue number on the same capital, if you come back with the conclusion that the IB has to be smaller to get through the return target. How should we think about that from a revenue perspective as well? Can it be a smaller capital number, but not materially lower revenues on where we are now? Just some comments around those two things, thank you.

**Tushar Morzaria**

On capital, we think about this as best as we understand it now, our end state capital requirements and all buffers and everything fully phased in will be 10.6%. That’s inclusive of [the current] 1.6% pillar 2A surcharge, which we disclosed in our slides. So that’s the bare minimum. So how much buffer do you need above that? From everything we see at the moment, about 150bps feels reasonable. Why 150bps? Well, we’ve got random movements from pension deficits, PVAs, AFS and expected losses over impairment for example. These can all of a sudden all end up pointing in the right direction or all work against you, so you need to have enough buffers to never fall into that problem.

Some form of stress testing will be around, and the PRA is going to do what feels closer to an American-type stress testing regime, so I think we’ll learn more about what that means for us and what the pass mark around that is. So put all that into the mix. Here and now 150bps feels reasonable. It might be 200bp, maybe there’s a countercyclical buffer in the offing. We want to be pre-emptive about that. so we’ll flex accordingly. So that takes us to about 12%. Whether it’s higher than that, I don’t know.
If it’s another 50bps you’re closer to 13%. But I think for the here and now the 12% feels about right, but reserve the right to adapt that as we get closer to it.

On the IB – I think it’s a question of similar profitability on a smaller revenue base if we needed to adapt the model. It’s of course possible. I mean it all depends on costs, as you know. Our current objective is to make it work as we’ve got it, but to the extent that we don’t see that as a tracable path, we’ll come and talk to you about what an adjustment to the model looks like, to the extent we need to make it. But at the moment we feel as though this is the right thing to do. I think the most important thing for us to do is – and I come back to this all the time – is the shape and balance of the group. 30% in IB feels about right. It feels like a business model that should work through a business cycle. If we can’t make it work with that capital allocation, then we’ll change accordingly.

I feel good about this year just gone, because this year just gone the IB did have pre-tax profits down over 30% on the year, and pre-tax profits in our Core business were up 3%. That tells me that with significant underperformance in the IB in any one year, we can still pick up slack elsewhere, and hopefully when the IB’s back into a more comfortable profitable levels, when there’s downdrafts elsewhere, such as in a consumer credit recession in the UK, then maybe the IB cushions that, but that’s probably more for another discussion to the extent we need to have it.

So again, I’ll just leave you with some final comments. The same things you heard me say: what are we focussed on? We’re focussed on double-digit returns in our Core business; we’re focussed on shrinking Non-Core; we’re focussed on increasing capital; we’re focussed on preserving and growing book value over time; we’re focussed on improving our costs, and if we get five of those things done every single quarter, as many as those things as we can get done every single quarter – we’ve been successful in the last two or three quarters – then I think you’ll see the strategy come through quite nicely and we’re continually focussed on those things.

I look forward to speaking to you about that maybe at the end of the first quarter.
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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 certain of the Group’s plans and its current goals and expectations relating to its future financial condition and performance. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results 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 payout 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 Transform Programme and 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 (IFRS), 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 the Group; the potential for one or more countries exiting the Eurozone; the implementation of the Transform 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 are identified in our filings with the SEC including our Annual Report on Form 20-F for the fiscal year ended 31 December 2013, which are available on the SEC’s website at www.sec.gov.

Any forward-looking statements made herein speak only as of the date they are made and it should not be assumed that they have been revised or updated in the light of new information or future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange plc (the LSE) or applicable law, Barclays expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Barclays’ expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however,
consult any additional disclosures that Barclays has made or may make in documents it has published or may publish via the Regulatory News Service of the LSE and/or has filed or may file with the SEC.