BARCLAYS

31 October 2011

Q3 Interim Management Statement

Question & Answer Session

Question 1
Chris Manners, Morgan Stanley
Hi there, good morning everyone. I just had two questions for you really. The first one was on the hedging gains you had made in the quarter, the £559 million. Just to work out the kind of sustainability of that hedge, how much we should expect that to contribute in future quarters and the broad split between the divisions for that hedge?

And the second one was on the cost-to-net income ratio of Barclays Capital. Obviously you are targeting 60-65% but it came in quite a long way higher than that in the quarter. How are you thinking about the cost base and the shape of that for the rest of the year? Thanks.

Answer: Bob Diamond
Let me take the cost and income parts and then ask Chris to talk about hedging. I think that was just a really tough quarter in terms of market conditions and while we can't be immune and are never immune to the overall conditions in the market, I thought we outperformed. We are not changing the targets that we want for Barcap with 60-65% but I think what you see here today reflects a pretty tough quarter in the third quarter. Chris.

Answer: Chris Lucas
Chris in terms of the hedging game, it is normal business activity. You will see that there was a comparative of £665 million in last year. So really it is more to do with timing as to when the opportunities present themselves that the hedges are able to deliver

the good sorts of gains. I think the fact that we have been able to do this now for two years suggests to me that the opportunities exist and it is the timing that is difficult to tell. In terms of how you allocate it, the best thing I can do is say, allocate it by reference for economic capital. That is always the way we have allocated and you get yourself in the right sort of ballpark.

Further question
Okay perfect, so the £559 million, we should probably not expect that to come every single quarter, we should take that out of the revenue line and try and work out a sustainable run-rate?

Answer: Chris Lucas
I think every single quarter would be optimistic, but I would expect to achieve something each year.

Chris Manners
Okay, perfect, thanks.

Question 2
John-Paul Crutchley, UBS
Good morning everyone, I have three short questions. Do you want them one at a time or shall I give you the entire three up front?

Bob Diamond
Shoot.

Questions
The first question I guess back on the Barcap costs. I appreciate the cost allowance in the Investment Bank is very challenging at the moment because in any one year you are not just managing this year's cost but obviously prior deferrals for the coming Pru. So I wonder if you could share a bit about the underlying dynamic in that cost number? Even if you were to turn off an entire composite risk this year, which I know you are not going to do, because clearly you want to keep the business running. But to what degree have you just got headwinds from the previous year's deferrals that you can't

essentially do anything about? And how do you think about that over the next couple of years in terms of what plays out into 2012 and 2013?

Bob Diamond
Is that the first?

John-Paul Crutchley
That's the first yeah.

Bob Diamond
You did say three short questions.

John-Paul Crutchley
The questions are short, the answers might not be. The second question was just on the risk assets dynamic. We can see it has gone down a bit in the quarter and just wondered if you could flesh out a bit what has happened divisionally and what has driven that? Is it model shift, is it actual declines in the balance sheet?

And the final question is a short one and hopefully a short answer. The Head Office costs, the PBT loss in the Head Office has gone up quarter by quarter, I just wonder if you could just share with us a bit of the dynamic behind that as well please?

Answer : Bob Diamond
Let me try and take the first and then ask Chris to take the second two. And if I am not answering the question, push back. But I think what you are saying is, are we changing our view of cost/income ratio on Barcap? And I think the answer to that is no. 60-65% should be what you expect. There was a pretty, I think a not normal quarter in the third quarter that has thrown us off during that quarter and now year to date. But you shouldn't by any means be changing your planning that Barcap will operate in the top tier of investment banks and cost/income ratio which we see as 60-65%.

Further question
Bob I guess the question is, I have no doubt of your ability to try and execute in the top tier, but I guess my question is more broadly I guess. It is an industry problem, is it harder for the industry to achieve what it wants to in terms of cost in terms of a more difficult revenue environment, given the structure of the way that the accountants make you recognise costs now?

Answer: Bob Diamond
So mostly in terms of comp costs?

John-Paul Crutchley
In terms of deferrals coming through?

Answer: Bob Diamond
By and large JP, this will never be exact, but by and large in '12 and '13 you are about in an equal position of accruals that go forward and accruals that come in from the past. And that is what we said a couple of years ago. It will be around '12 and '13. Would we prefer to have a different accounting system? Yes we would, but we have to live with this and it shouldn't make a huge difference in '12, '13 or going forward, it should be fairly balanced. What will happen is depending on the quality of the year it will be off a little bit here, a little bit there, but it is broadly flat. And then I would say that for the industry, not just for Barclays.

John-Paul Crutchley
Yes, and I appreciate these are industry issues rather than specific to Barclays yeah.

Answer: Chris Lucas
JP, the answer to your second question in risk weighted assets, it almost entirely came out of Barclays Capital and is due to a number of things. A change in mix in business as we sell off high capital intensive credit market exposures and some work done in terms of how do we optimise the risk weighted assets that we have available and are able to use. So I would describe it as business as usual, it is

prudent management of risk weighted assets, because it's prudent management of capital. And there is nothing really to report on it. It is just as I said, business as usual.

In terms of Head Office costs, this is one for the accountants. There are two things going through. There is what is called a currency translation adjustment, whereby you take, when you repatriate capital, you take the gain or loss that has gone through the currency translation reserve, back up through the profit and loss account and if you look at 2010 we had a gain of £870 million that flowed through the profit and loss account. There is zero in for 2011.

The second piece is there was quite a significant cost in relation to the compliance with US economic sanctions and that hasn't recurred into 2011. So if you net those two off, you pretty much get the full level of increase from 522 to 635.

John-Paul Crutchley
Thank you.

Question 3
Manus Costello, Autonomous
Morning all, I have a couple of questions please. Firstly, I wanted to come back on Chris' question regarding the hedging activities. I wondered if you could just explain a bit more how much of that 559 actually came in Q3 as opposed to the nine month period? And how much of it was ongoing structural hedge and how much was guilt sales and capital gains related activity in the way that you reported I think in Q4 last year?

And my second question was around your sovereign exposures. I wondered in the reduction of exposures that you have talked about, how much of that was due to outright sales of Government bond positions and how much was hedging? Because it looks like the Spanish position was a sale. I am just wondering if the Italian reduction was a sale or if you entered into a CDS contract over that?

Answer : Chris Lucas
In terms of your first question, the 559 pretty much all arose in the third quarter rather than the third nine months and it was a mixture of changing the duration of the hedges and therefore some sales and some purchases. It was predominantly against the sterling book, but if you regard that as predominantly rather than entirely. And I regard it as normal management of the hedges and very much tied into the expectations of duration that we want to carry with it.

Further question
But to be clear, if you didn't make any changes going into Q4, that number would be zero? It was just due to a re-shuffling of the portfolio, is that correct?

Answer : Chris Lucas
It was due to the change in maturity of the portfolio that led us to do some transactions. If we were to look at opportunities in the fourth quarter, you would have a number in there. It would depend very much on the shape of the yield curve that presents itself at the time. Manus what was?

Manus Costello
I was interested because you talk in your sovereign exposures about using CDS and I wondered if your reduction was cash sale or derivative related, this quarter?

Answer: Chris Lucas
It was sales and maturing, replaced by swaps, but not with CDS.

Further question
So none of the Italian reduction was due to purchase of CDS, it was all genuine maturing or sale?

Answer : Chris Lucas
It was mostly maturing, there may have been some bits in there, but it was very small. You should regard this as outright sales or maturing rather than replacement with CDS.

Manus Costello
Thank you.

Question 4
Tom Rayner, Exane BNP Paribas
Morning everyone, Tom Rayner here. Sorry to keep coming back to questions that have been asked, but just on the Barcap cost ratio target, 60-65%, to meet it for the full year 2011 would imply a cost reduction in the division of maybe 30% Q on Q which seems unlikely or not even possible to achieve. So am I right in concluding that the 60-65% remains a medium term target rather than a target for every single year?

Answer : Bob Diamond
I think it is both Tom. We are going to stick to our guns here, 60-65% is our target. We clearly can't do it in environments like it was in the third quarter, and if from time to time we miss it, hopefully from time to time we will miss it on the high side and from time to time on the low side, depending on conditions. But we are not backing off one iota from a normalised operating environment, 60-65% is our target, it is what we manage to and it is top quartile in the industry.

Further question
And it's a quarter by quarter target, you can't basically get back the missing Q3 in Q4, that is I guess the point?

Answer: Bob Diamond
It is still going to be our goal, but it is possible we miss it given the quality of the environment or the lack of quality in the environment in the third quarter and depending on the fourth quarter, that's right. But it wouldn't change how we operate the business and what our expectation would be going forward.

Further question
Sure. And could I just have a second question. Again it is sort of following up on the questions on hedging and how it is being allocated. Because I guess what people are trying to get at is how sustainable is some of the improving revenue trends in the Retail Bank and in Barclaycard for instance. Because I think Q3 revenues in those two divisions combined was up about 50% annualised in Q3 on Q2 which given the environment in the UK seems a pretty impressive performance. I was wondering if you could comment on how much of that reflects price increases to customers which maybe now starting to stick and how much possibly other things such as hedging gains being allocated across the Division?

Answer: Chris Lucas
Tom I think the best way of getting there is what we say on page 3, which is if you look at the net interest margin which was up nine basis points, it is due broadly speaking equally to hedging and the underlying margins. And I think that is the best indicator we can give.

Further question
And that margin comment, that is just to those Divisions you mention, the RBB, Barclays Corporate and Wealth?

Answer : Chris Lucas
Yes.

Further question
Okay, and that is in the quarter of nine months?

Answer: Chris Lucas
In the nine months. We are facing difficult economic conditions and probably some downward pressure on the margins, but what we set out here gives you the best view of the numbers that we have.

Further question

Okay. And just finally, I just thought of a third, the flat RWA's in the quarter, is there a currency impact here or is this really reflecting?

Answer: Chris Lucas
There is minimal currency impact, it is reflecting just the day-to-day management of RWA's

Tom Rayner
Okay, thanks very much for that.

Question 5
Ian Gordon, Evolution Securities
Morning, just yet another follow-up on Barcap costs. Point taken and I note that you have significantly outperformed many of your peers on the cost/income metric even in this quarter. But just looking out one or two years can you give us any feel for what you intend to do with headcount in Barcap to adjust for, if you like, the new revenue environment? Thanks.

Answer : Bob Diamond
Well I don't think there is any big announcement here. I think we continue to manage. If we expected the third quarter this year to be the market environment for the next 4-5 years then you would be addressing it differently, but we don't. We do expect the balance of '11 and '12 to continue to be tough. I wouldn't expect as tough as the third quarter, but probably more similar to the first half. And if there are any big announcements on exiting businesses, you would have seen them. But there will be a constant management of the business. So no big announcement.

Further question
Okay one other follow-up, just on RWA's. Obviously the updated guidance you gave us around Basel 2.5 is helpful. Is there any additional commentary to make on general RWA management across the Group beyond what you have already said?

Answer : Chris Lucas
I think it is very much as we have said. There is day-to-day management of it, there is day-to-day focus and therefore I would expect to see some continued improvement. We have given you a view of Basel 2.5, which we think it is appropriate given how quickly it is before it becomes the requirement. We are working hard on Basel 3 and we will update you as and when it is appropriate, but there is nothing really to say beyond what I have said today.

Ian Gordon
Okay, thank you.

Bob Diamond
Ian this may be too general, but it is on that point. You know the recent promotion appointment of Benoît de Vitry into Group Treasury is a function of how much we think of funding liquidity, RWA management, all these things, it is much more of a core part of the day-to-day business. It's something that we manage across all the businesses because of the new environment we are in. So you should expect to see very, very fine tuned management of all the variables around that.

Ian Gordon
Thank you.

Question 6
Robert Law, Nomura
Morning everybody. Can I explore two areas please, firstly the margin issues that have been talked about. Within the Retail Banking, Wealth and Corporate Banking area, could you say what the sustainable margin was in the third quarter? Looking at the numbers I think comparing them to the first half it was about 2.4 up from 2%, but obviously there seem to be those gains in there. So how do we think about that and what do you think the right margin was?

And related to that, was part of the gain allocated to Barcap? Because if it has been allocated on the basis of risk assets, it looks like it might have been about £250 million in the quarter. Is that right?

Answer: Chris Lucas
If you start with the margin there is broadly I think a flat underlying margin and that is where I would be pointing you to in terms of going beyond guidance we have previously given. So I think flat levels. And there is some allocation to Barcap, but that is entirely consistent with what we have done in prior years.

Further question
So when you are saying flat Chris, can I just check you are talking about flat compared with roughly 2% reported in the first half?

Answer: Chris Lucas
A little bit more than that. I was thinking of flat in relation to last year's full year margin which is a bit above 2.

Further question
Okay thank you. And the second unrelated area was could you comment on the movements in the tangible book value, because it was certainly a lot better than I had? Obviously part of that is to do with the own debt and presumably the impairment on Black Rock reverses out in reserves. But were there any other movements in reserves during the quarter?

Answer: Chris Lucas
I think there was a currency translation, sorry, not translation, there is a cashflow hedging credit that goes through which is again one where we have a portfolio which we take the cashflows through the cashflow hedging account then reverse through P&L. So this is a gain in the cashflow hedging account.

Further question
And roughly how much was that?

Answer: Chris Lucas
About a billion pounds.

Further question
Great, so can I just clarify, for the year as a whole taking account of the gains booked in the third quarter, we are looking at a broadly flat margin for the traditional banking businesses for the whole of 2011 compared with 2010?

Answer: Chris Lucas
Yes.

Robert Law
Fine, thank you.

Question 7
Jon Kirk, Redburn Partners
Morning everyone. Just a couple of questions. Firstly back on margins, but thinking more about the outlook. You did mention that you are broadly flat in this period versus last year but actually you are expecting some downward pressure going forward. Can you just talk about the dynamics of that, because we can see things like you know deposit pricing getting higher, wholesale funding costs going upwards. Can you talk about customer pricing and what you are doing to try to counter those pressures?

And then secondly, just on asset quality, again I am particularly interested in your view on the Retail and Commercial banking businesses. Anything that you are seeing now in terms of forward looking indicators on credit quality that we should know about? Thank you.

Answer: Chris Lucas
You picked up the pressures on the margin very clearly. What we are doing though is working pretty hard on the asset margin and where

we can looking to reprice up. And clearly that has a period of time before it impacts because you have got a relatively small flow relative to the backbook. But there is quite a bit of work going on in relation to repricing of the asset book.

In terms of impairment and asset quality, we are seeing what I think we predicted which is a slowdown in the speed of improvement of impairment. So we have seen a very positive trend now over 18 months. That trend of improvement is slowing down, but it is not reversing yet. If we look at the early stage indicators for 30 days and the 90 days overdue, we are seeing a little bit of build-up, but it is still early days to be able to determine quite what that means in terms of impairment going forward. You will notice that our impairment number with loan/loss rate was 74 basis points for the nine months, it was also 74 basis points at the six months. So there is I think the first signs of that slow down in improvement. And we will have to see how it plays out, but I think our overall position is that the quality of our asset book has been extremely strong and something we are very pleased with.

Further question
Okay thanks. Just back on the margin again, I mean should we, to be blunt about it, should we be expecting margins to contract a little bit excluding hedging gains and what have you. But underlying picture, should we be expecting a contraction in margins in 2012?

Answer : Chris Lucas
I think some contraction, but small.

Jon Kirk
Okay, thanks very much.

Question 8
Peter Toeman, HSBC
Morning. I was just trying to see if you could give some more colour on this £559 million of hedging activities, that particular gain, and whether that has any relationship to the gains on product structural

hedges of £711 million that you recorded in the first half of the year? I mean if I took one from the other, would I come out with a meaningful number?

Answer: Chris
No I don't think so, the £559 million is the overall net hedging benefit, the £711 million I think related to just the changes on the hedges of the product hedges last year.

Further question
And most of that 559 came from in the third quarter?

Answer : Chris Lucas
Yes

Peter Toeman
Thanks

Question 9
Andrew Coombes, Citi Group,
Morning, if I could please ask one question on the capital and then one on the Barcap equity results. On the capital, I just wanted to clarify that you have seen a 5% Q on Q growth in your tangible book value, RWA's down 1%, the capital is flat. And I am assuming that is just because the fair value and in-debt gain is stripped out of the capital calculation?

On Barcap you gave some colour around the strong FICC result and the hedging activities, I would be interested to know why equities is down 40% Q on Q? So what is the key driver there, is it the derivative business, the cash business or is it just weaker volumes or are there inventory losses in there as well? Thank you.

Answer : Bob Diamond
Let me take that one first and then hand over to Chris, Andrew. It was a tough quarter for volumes for equities in the third quarter. I think the perspective I have, given that this is a business that we are

investing in, in Europe and in Asia and a business that has been performing really well in the US since the Lehman acquisition, is that the business on a year to date basis is up 2% over last year, that is the key.

I think the second thing I would say is that this year we are number two in US IPO's. Our market share is just under 12%. We top the UK capital markets league tables with a market share of 11%. We hit our target in Europe which is to have 500 companies on our research covers. So we are really pleased with this. It was a tough quarter. The pipeline remains good. We are delighted given all the things that have happened around the capital charges and Basel 3 and everything else that we have this business as a part of Barclays Capital now. And frankly it is going well, but I will tell you that was a pretty brutal quarter for execution of business.

Answer : Chris Lucas
In terms of your second question, it was indeed the reversal of own credit for capital purposes.

Andrew Coombes
Okay, thanks very much.

Question 10
Fiona Swaffield, RBC
Hi, good morning. Just a couple of things and I know we have talked about it a lot, but the delta in the Head Office Q3 versus Q2 and trying to tie that in with the hedge or with I think you mentioned some cashflow hedges positive. I am just trying to understand whether we should be using -400 as a base because it seems such a significantly negative figure?

And then the second area was risk weighted assets. You mentioned £10 billion better than expected, so does that mean the mitigation stays the same, the £97 billion Basel 3 stays the same, so we are £10 billion better than we were originally?

Answer : Chris Lucas
I will answer your second question first. We are £10 billion better than we expected. We have still got more work to do to complete this, but I think it was a big enough change that it warranted highlighting to you.

In relation to the Head Office costs, the major deltas are the legal and regulatory costs that we incurred and also this currency translation adjustment. It has nothing to do with the hedge.

Fiona Swaffield
Okay, thanks very much.

Question 11
Chris Wheeler, Mediobanca
Yes good morning, could I perhaps ask a question on fixed income revenues. It appears to me that you have outperformed to your competitors across the board there, although obviously we have the hedging gain. Could you perhaps comment on how you think you have achieved that?

Answer : Bob Diamond
Well this is going to sound boring, but you know both Jerry and Richard talked about this in the past. We have a top tier FICC franchise. We have been a flow monster or focused on client business for well over a decade and all of a sudden, you know some of the second tier are talking about being flow monsters or driving customer depth and breadth. Our FICC franchise is clearly at the very top tier in terms of client flows. And I think that is why we continue to outperform in the top markets. I think you can also see us potentially under perform in up markets because we don't take as much proprietary risk. But we are very pleased with it, but I hate to say it this way it is going to sound a bit boring, but we were not surprised.

Further question

But I am guessing here you did take some market share? Are you fully confident about that?

Answer : Bob Diamond
Absolutely.

Chris Wheeler
Okay, thanks very much.

Question 12
James Alexander, M&G
James Alexander from M&G. Chris just a question on the hedge gains. You said it is mainly regarded as a normal thing to do to alter the hedges and not really a one off gain. But surely if you are altering them that often, that you are generating gains and losses on a fairly regular basis, doesn't that mean that they are more trading than hedging? I am just wondering what your Auditors might say about that?

Answer: Chris Lucas
It is done on an irregular basis, when you see some impact between the rates and the maturity of the hedges. We, as you would expect, cover this as all other issues with our Auditors and they are happy with it.

Further question
The regularity with which they might come through sounds strange?

Answer : Chris Lucas
It has come through twice in the last two years, but it may be more frequent or less frequent depending on what happens to interest rates.

James Alexander
Okay.

Question 13
Raul Sinha, JP Morgan
Hi, morning. First off if I could just follow-up from James' questioning before, how much of the gains were related to the fact that yield costs fell significantly in the quarter, obviously falling from the QE announcement from the Bank of England?

Answer : Chris Lucas
There will be a portion of that in there. It is quite hard to allocate it to specific events, but there is bound to be some of it in there.

Further question
Okay. Your liquidity pool is up over £20 billion in the quarter, can we talk about what impact it has had on the cost of holding that?

Answer: Chris Lucas
Yes you will notice it has come down against or it came down in the half year relative to previous periods. So there is some reduction in cost. But there has also been quite a bit of work to look at the instruments within the pool and there is some downward reduction, some downward level of cost that is not really massive at this stage.

Further question
Should we expect the liquidity pool to fall if let's say some unsecured funding markets remain frozen into next year?

Answer: Chris Lucas
You may expect it to move around, that is why we have it. But I think it is in the sort of range that we feel comfortable with.

Further answer : Bob Diamond
Well one thing I would say to that is, if you had asked that question at the half, that if there was a tough funding environment would it fall? It was a very tough funding environment, but during times of stress we see more deposits come to us. And we had an opportunity in a very difficult market environment with a lot of uncertainty around Europe, to build our liquidity pool which we felt was the right

thing to do, to be rock solid on liquidity in funding environments like this. But you shouldn't see it as a static number, you should see it as something that we manage.

Further question
Sure. If I could ask you to comment on the ICB and any updated thoughts there? And what gives you the comfort around managing to your RoE target? Is that basically an assumption that the ICB recommendations are so far out they don't really impact your medium term RoE target?

Answer : Bob Diamond
I think it is a little different than that. I think you know, I think the Independent Commission on Banking recommendations were clear that they wanted to see London as the premier financial centre. They were clear that they wanted London to be home to large successful international banks. They were clear that we had flexibility and they quoted a lot of the things that we talked with them about how to implement the ring fence. Much of the costs of funding are in the market already today because of the dislocations. I think having the glide path through 2019 certainly helps with the execution and implementation as well. But there are a lot of positive things in the report in terms of our ability to keep to our commitment to 2013.

Raul Sinha
Okay, thanks.

Question 14
Andrew Lim, Espírito Santo
Hi morning, I have just got a few questions please. Firstly on your liquidity portfolio, that part which is Government bonds, £53 billion. How much of that is AAA please? And can you confirm that the total £166 billion is unencumbered, i.e. there is no part which has already been vetoed of Government?

And then secondly, I note in the third quarter that Europe RBB had quite a substantial 21% increase in revenues versus the second quarter. Can you give me more granularity on why that is and whether that represents a step change going forward or if that is more oneoff in nature?

And then thirdly, I am just trying to figure out the impact of impairment of the BlackRock stake on your core tier 1 ratio, could you express that in bps terms, what the incremental impact of that impairment has been, i.e. not that part which has reversed that of the AFS reserve and then taken down as an impairment by what has become incrementally from what was passed from the end of the second quarter stage? Thank you.

Answer: Chris Lucas
The BlackRock stake has an impact on capital of around £1.3 billion in relation to the revaluation piece down. And that is the result of the stock price movement from 192 to 148 dollars. What you will have seen is that it is bound quite significantly subsequent to the end of the quarter.

In terms of the liquidity pool, I think substantially all of the Government bonds that are eligible for central bank purposes and therefore equivalent to the FSA definition of what can go in the ring fence are AAA, so a vast majority of them are Treasuries, with dollars, guilt's with sterling and Euros from AAA rated issuers for the Euro business. I didn't get the second part of the incumbered, I think the encumbered amount across the whole portfolio is about 7% and I think none of it is within this.

In terms of Spanish income, I think there is an element of challenging trading, but flat income with some upward trend. So I don't think it sets yet a new baseline, but we are working extremely hard to make it do so.

Andrew Lim
Okay, thanks very much.

Question 15
Bruce Packard, Seymour Pearce
Good morning, I just wanted to ask about the £146 billion of wholesale debt that needs refinancing in the next year? You sound quite confident about that, making statements about funding at attractive rates. But at the same time there is a £2.9 billion of own credit gain and that seems to just contradict that statement. So I was just wondering if you could talk about how confident you feel on that and maybe to the margin, pressure going forward as well in terms of the funding costs?

Answer: Chris Lucas
I think the piece that makes me feel comfortable is the performance in the third quarter which you must recognise, I think we all recognise is extremely challenging. And within that we were able to raise £6 billion of capital. £3 billion was through covered bonds and asset banks and credit cards. And as I said, we have a very small amount of our balance sheet that is encumbered, about 7%, so there is quite significant amounts of supply and demand there. I think the other part that makes me feel comfortable is the size and quality of the structured notes programme which has been a source of funding ever since 2008 and has been remarkably constant in terms of demand and opportunity to fund through it. And I think a combination of those two are at the basis of my comfort and confidence.

Further question
Okay thanks, and maybe just one quick last one which is a broader question in terms of the ICB and the business model. I think historically corporate lending, bond underwriting, wasn't particularly profitable, it was the cross-selling of the derivatives that was driving profitability. And I wondered whether the ICB changed that business model?

Answer : Bob Diamond
I don't think the ICB has had any impact on that at all. I certainly think we are looking for, over time, real opportunity in Europe as more corporates and financial institutions will be going to the capital markets and away from Bank funding. So I think there is a lot of positives in terms of the need for a more liquid capital market and more access from the capital markets because of higher capital levels and banks and therefore higher costs of credit. But the ICB will not impact it.

Bruce Packard
Okay thanks very much.

Question 16
Mike Trippett, Oriel Securities
Morning. I had two questions, one of which I think has been covered by Bruce's question. So a very quick question on costs. Could you just reiterate what the restructuring charge will be this year, or at least what the restructuring charge will be to get to your £1 billion of cost saves and how much restructuring was in Q3?

Answer: Chris Lucas
The total year to date restructuring was about £260 million. We are looking at the quantum of that for the end of the year relative to the progress we are making through the broader costs programme. I think we have already said to you that we expect the £1 billion pound target to be higher and therefore I would expect there to be some upward pressure on restructuring. But it will only be taken to the extent if economically it gives us a better answer to the cost savings that we are looking for. So some potential upward movement, but only if the cost programme delivers more.

Further Answer : Bob Diamond
And Mike keep in mind that what we said is that we take a billion pounds out of the cost base by 2013, but that for this year, we get a half a billion out, 250 net, so that kind of implies we are looking to around 250 is what would be likely in terms of restructuring. It

would be slightly higher than that, but the 250 net in terms of costs out of the business this year we commit to, it is done.

Mike Trippett
Great, thank you.

Bob Diamond
Okay, thank you everyone, appreciate the time.

End of Q&A