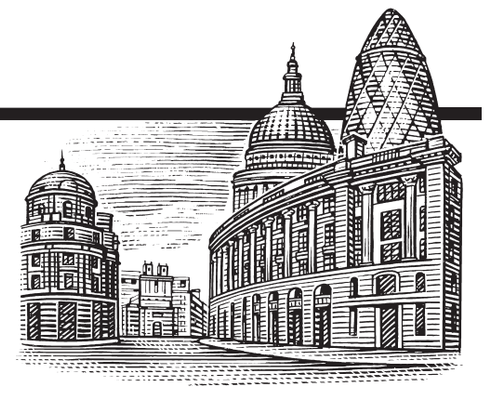
Lombard



Barclays' chariot swings low ahead of Staley's elevation to the top job

Bobby Chariot, an unhappy Scouse comedian invented by Alexei Sayle, epitomised the warm-up man bad enough to make the headline stand-up look good. That role fell to Barclays' finance director Tushar Morzaria in presenting disappointing third-quarter results yesterday. New chief executive Jes Staley, who starts in December, could be forgiven for feeling reassured by their pedestrianism.

Bobby's jokes always fell flat. So did the purported financial coups fronted by Mr Morzaria, once tipped for the top job himself. He highlighted adjusted profits before tax 4 per cent higher at £5.2bn over nine months. But the quarterly figures preferred by the City showed a 10 per cent drop to £1.4bn. The shares fell sharply.

Mr Morzaria talked up a 5 per cent fall in expenses with the brio of Bobby satirising his mother-in-law's weight. But the punchline for the market was that the costs of reforms such as ringfencing are overshooting Barclays' estimates. Provisions included £290m for topping up customers dealt with at disadvantageous exchange rates. That one could run and run.

Barclays' investors have not been reduced to "sleepin' in the Jag" and "takin' pills for me neerves" as Bobby was by his messy divorce. But the share price is flat over five years. The price to tangible book value is an unimpressive 0.8 times.

It would be unfair to blame Mr Morzaria for these numbers when you could as easily have credited him with strong half-year figures after Mr Staley's predecessor Antony Jenkins was hooked offstage. But the anticipation building up around the new boss is intense. He must provide a more engaging narrative than that presaged by an anodyne letter to staff on Wednesday.

Bobby Chariot's trademark question to audiences was "How yer diddlin'?" The answer with respect to Barclays is: not diddlin' very well.

Sugared pill

Time out, an established concept in nursery education could prove David Cameron's salvation in Europe. Suppose François Hollande and Angela Merkel, sugar rushing on the Ribena of banking integration, were hogging the reform sand pit. Mr Cameron could insist everyone sat cross-legged on the mat until the other moppets were prepared to play nicely with him.

This would represent a revival of the "Ionnina Compromise", a consensus-building mechanism central to a legendary EU sardine trading accord. It could be made to look like a veto to Brits but an affirmation of qualified majority voting to eurozoners.

The reform could therefore represent the glace cherry atop the gateau of concessions with which Mr Cameron might extract a Yes vote to continued EU membership from that part of the electorate that cares about business.

What else? Perhaps an agreement not to discriminate against the UK signed off by eurozone countries in the same spirit in which large companies promise not to be explicitly racist. Maybe also an endorsement of the EU as a multicurrency union that is creatively ambiguous on whether it will always remain so.

A blurring of dividing lines worthy of a da Vinci will be required in the drafting to reconcile UK eurosceptics and continental europhiles. Fudge is popular across the single market.

Their dark materials

Optimal Payments has suboptimal security. Live customer data held by the Aim-quoted money transfers group have turned up on the dark web, happy hunting ground of fraudsters and extortionists. Look hard enough and you may find plenty more extracted from quoted companies. Government officials say the identities of tens of thousands of Britons are for sale there.

Optimal is worth £1.5bn, even after an 8 per cent share price drop. It had been tipped as a UK tech hopeful. A big chunk of its operations — and this is where some security breaches occurred previously — are comprised by Skrill, an electronic wallet business previously chaired by Bob Wigley. The ex-investment banker failed to float the company, named with a slang word for money rather than in tribute to Skrillex, a musician of the kind only made bearable (we are told) by ingesting bulk amphetamines.

Instead of floating, Skrill backed into Optimal in a transaction officially termed a "reverse takeover", a deal type unofficially seen as posing transparency and governance challenges.

Optimal, which retained its original management, says it disclosed historic data breaches, though references are hard to find in the 500-page deal prospectus.

Never mind. Lombard's bet is that the problems of TalkTalk and Optimal will be put in context by a rash of similar cyber insecurity revelations. Online customer systems are inherently vulnerable without safeguards that neutralise their convenience. The genie represented by that public realisation is now halfway out of the bottle.

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Insurance

Aviva confronts sceptics over Friends Life deal

Chief executive unveils 23% jump in profits at life and pensions operation

ALISTAIR GRAY

Aviva's chief executive has confronted sceptics over the insurer's purchase of Friends Life, saying its latest financial results showed the £5.6bn transaction was "everything we expected it to be".

Mark Wilson yesterday acknowledged that much of the City was still not convinced about Aviva's all-share acquisition of its FTSE 100 rival, the biggest UK insurance deal since 2000.

But the New Zealander said the group was already reaping rewards from the tie-up with Friends as he unveiled a 23 per cent jump in quarterly new business profits at its life and pensions operation.

"I understood the scepticism at the time — historically not too many deals have worked in the UK," he said. "A lot of analysts and investors said we would be distracted."

"But this one has shown, for two successive quarters, we are getting the benefits of the deal. It's everything we hoped for and expected it would be."

He said Aviva had already generated £90m in savings from the integration, putting the group ahead of schedule in its plan to reduce annual costs by £225m by the end of 2017. About 1,500 jobs are expected to go.

The acquisition has divided opinion in the City.

Mr Wilson has pitched the deal, forged in the wake of chancellor George Osborne's historic pensions reforms, as a way to improve Aviva's cash generation and increase its financial firepower.

Yet Aviva shares, which had rallied strongly after he took the helm, have struggled for momentum this year on concerns the insurer has paid a full price for an acquisition in a mature market.

Aviva shares rose 0.8 per cent to 483p yesterday. Yet they remain at a discount to peers, trading at less than 130 per cent of the company's book value. Rival Prudential changes hands at about 320 per cent.

"Clearly the market doesn't yet believe," said Mr Wilson, who was hired almost three years ago after a shareholder revolt ousted his predecessor Andrew Moss. But he added: "As people analyse this, they will see that all we've been doing is what we said we would — and maybe a little bit more. The market will eventually see that."

Aviva's life arm generated £289m worth of "value of new business" — a measure of profits — in the third quarter, up 23 per cent from the same period a year ago assuming currencies were constant. Aviva disclosed it held 72 per cent more capital than required by regulators and signalled the looming Solvency II shake-up of insurance financial safety standards would be manageable.

The insurer said that it had taken further steps to strengthen its balance sheet in recent months, disposing of £2.2bn of commercial mortgage holdings and reinsuring a chunk of its UK general insurance business.

Mr Wilson added that the group was making progress turning round Aviva Investors, although the asset management arm endured net outflows in the period as £4.5bn worth of redemptions offset gross sales of £4bn.

In general insurance, the group lost 94p in claims and expenses for every £1 worth of premium income in the first nine months of the year.

New home: Wasps' Nathan Hughes is tackled during last week's win over Bath at the Ricoh Arena — Charlie Crowhurst/Getty

Good buzz
Wasps claims European rugby record

Wasps said that it now has the highest turnover of any rugby club in Europe as it posted a 229 per cent rise in full-year revenues to £21.4m.

The 148-year-old club, which currently lies seventh in the rugby union Premiership, bought the Ricoh Arena in Coventry for £20m and moved to the new ground last December. Since then, attendances have increased by 116 per cent to an average gate of just over 19,000 fans.

Wasps raised £35m with a seven-year, 6.5 per cent coupon, retail bond and still has a cash balance of £12.3m after paying off its debts, laying a new hybrid pitch that can cope with both football and rugby and refurbishing a hotel at the stadium into a Double Tree by Hilton. "On an annualised basis, since the move, we think we are the highest-earning club in Europe," said David Armstrong, the club's chief executive. "Revenue we are driving outside rugby is very important," he added. Bookings for conferences at the Ricoh Arena are up 15 per cent on the previous season.

Mr Armstrong said the club was substantially lossmaking in its old home, losing £3m-£4m a year. "These results show that in the seven months since we moved we have cut that to £1.6m and we have only owned the stadium for nine months."

Malcolm Moore

Healthcare

Forex blow for Smith & Nephew

JOEL LEWIN

Shares in Smith & Nephew fell sharply yesterday after currency moves hit revenues in a number of regional businesses of the UK medical equipment manufacturer.

Across Australia, Canada, Europe, Japan and New Zealand, revenue declined by $70m or 15 per cent to $400m.

Overall, the company's revenues fell 4 per cent year-on-year in the third quarter to $1.1bn. Its shares fell 4.7 per cent to £10.96 yesterday.

Smith & Nephew, which makes artificial hips and knees, also announced its expansion into "robotics-assisted" technology for surgery, spending $275m on US-based Blue Belt Technologies.

Chief executive Olivier Bohuon said the company was "convinced . . . that robotics will become mainstream across orthopaedic reconstruction in the foreseeable future".

This year Smith & Nephew was forced to remove some hip replacements components from the market after reviewing performance data.

The company suffered a 9 per cent decline in hip implant revenue in the third quarter, from $152m to $137m a year earlier. Hip and knee replacements account for about a third of the company's total revenue.

Mr Bohuon managed a relatively upbeat tone despite identifying "a market backdrop that remains challenging" in Europe.

City Insider

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Deutsche Bank
Porte tournante

If you can't beat 'em, hire 'em. Deutsche Bank, which yesterday announced 9,000 job cuts, seems to believe this is a winning strategy. In a drastic management shake-up, Germany's biggest bank promoted Sylvie Matherat to become chief regulatory officer. The former Bank of France official, who joined Deutsche last year, will bring a much-needed feminine touch to the management board — up until now exclusively pale, male and stale. But one veteran bank adviser sees an even bigger benefit. How better to improve the bank's toxic relations with regulators than to appoint someone to interact with them who speaks their language? Guess who's in charge of supervising Deutsche at the ECB? A fellow Frenchwoman and former colleague of Matherat at the Bank of France: Anne Lecuyer. *Mais bien sûr*!

TheHouseShop.com
Property play

A former managing director at Citigroup is raising money for a venture that pitches itself as the Airbnb of real estate. Sebastien Goldenberg and his entrepreneur business partner Nick Marr are looking to raise £2.5m for TheHouseShop.com. Property portals such as Rightmove, Zoopla and the agent-owned

OnTheMarket work by creating an online inventory of properties on estate agents' books. TheHouseShop.com lets private owners or landlords list their properties directly. Estate agents can also list their properties on the portal. Private sellers pay £34.99 a month to list on the site and there's no listing fee for estate agents. There's no commission charge either. "The desire for people to transact directly is increasing," Mr Goldenberg says. "They see what Airbnb is doing to the holiday industry. The online revolution hasn't yet happened in UK real estate." It's all a far cry from Mr Goldenberg's investment banking days, although with property prices still rising fast, maybe his old experience will come in handy. At Citi, he was global head of inflation trading.

Ben Bernanke
Contact sport

To the ballroom at the Mandarin Oriental Hotel for the launch of Ben Bernanke's book "The Courage to Act: A Memoir of a Crisis and its Aftermath". The former US Fed chairman declared to the audience that "central banking is a contact sport". Indeed, there was much backslapping between Mr Bernanke and Bank of England governor Mark Carney. The evening was hosted by Imperial College's Brevan Howard Centre for Financial Analysis (founded by hedgie Alan Howard). No mention of Mr Carney's recent contretemps when Brevan Howard partner Gertjan Vlieghe joined the Monetary Policy Committee in September. Mr Carney faced a backlash after the BoE's initial decision to allow Mr Vlieghe to keep a financial interest in his former employer.

Sir Howard Stringer
Cyber spook

Cyber-hacking watchers have a new leading indicator: Sir Howard Stringer. The Welsh-American businessman was CEO of Sony in 2011 when, along with others, it suffered an attack on its online video-game network. The hack exposed a mountain of confidential data to potential abuse. Next up was TalkTalk, where Sir Howard is non-exec director. Last week the UK telecoms company warned its 4m customers that it had suffered a "significant and sustained" cyber attack. Surely time for the BBC, where one-time journalist Sir Howard is also a NED, make sure its cyber security is up to scratch.