



**Barclays PLC Q1 2012 Interim Management Statement**  
**Chris Lucas, Group Finance Director**

**[Slide: Name slide]**

Thanks Bob and good morning.

We're using adjusted numbers this morning, as usual, because they give a better understanding of the operating trends in the business.

These numbers exclude: a reversal on own credit of £2.6 billion, arising from an improvement in our credit spreads, and a further provision for PPI of £300 million. You'll find the statutory numbers in the document together with details of a small restatement relating to some activities in Absa which are now reported in Corporate Banking.

In general, my comments compare the first quarter this year with the first quarter last year.

**[Slide: Financial Highlights]**

Let's start with the headlines.

On an adjusted basis: profits increased 22% to £2.4 billion, total income grew 5% to £8.1 billion, and impairment improved 16%. As a result, net operating income grew 8% while costs increased 2%, and the cost income ratio improved to 61%.

**[Slide: Adjusted return on equity]**

Return on equity rose to 12.2%, above our cost of equity at 11.5% and return on tangible equity grew to 14.3%.

Earnings per share went up from 10.7 to 13.6 pence and we've announced a dividend of 1 pence for the first quarter.

We look forward to increasing the dividend once the industry has certainty about new capital requirements.

I'll talk briefly about the individual businesses, before I move on to capital, liquidity and funding; impairment and costs.

**[Slide: Adjusted profit by business]**

UK Retail and Business Banking profits increased 16% to £334 million, as impairment charges almost halved to £76 million driven mainly by unsecured lending. Income was broadly stable at just over a billion pounds with growth in current accounts, savings and mortgages offset by a reduction in fee income. Costs grew 2% to £666 million.

Europe Retail and Business Banking reported a loss of £43 million, which is a 27% improvement on the same period last year. Income declined 18% to £243 million, and impairment charges increased £3 million to £72 million as lower charges in Spain were offset by increases in Italy and Portugal. Costs fell 25% to £217 million, reflecting the benefit of restructuring activity in 2011.

Profits in Africa RBB increased 20% to £177 million, despite adverse movements in exchange rates. Income declined 4% to £830 million, impairment charges declined 26% as delinquency trends and recoveries improved, and costs fell 5%.

On a local currency basis, income grew 3% and costs were broadly flat.

Barclaycard profits increased 18% to £349 million. Income was up 3% to £990 million as growth from acquisitions was partially offset by higher funding costs. Impairment decreased 24%, and costs were up 13% as a result of the Egg, MBNA and Upromise acquisitions in 2011.

**[Slide: Investment Bank income]**

Total income in the Investment Bank of £3.5 billion was up 91% on the fourth quarter of 2011 and 3% on the first. This is an encouraging start to the year. Revenues in fixed income, currency and commodities increased 9% on the first quarter last year; Equities grew 1%, and income decreased in our Advisory business reflecting lower market volumes.

**[Slide: Encouraging start to year for the Investment Bank]**

Performance costs reduced by 2%. Non-performance costs increased, driven by regulatory and legal costs of £115 million. Excluding this, they fell 2% as a result of headcount reductions and efficiency savings across the business. The cost to net operating income ratio was within our target range at 63%.

Taken together, this resulted in profits of nearly £1.3 billion for the quarter.

**[Slide: Good progress in Corporate Banking]**

We've made a lot of progress in Corporate Banking where profits increased to £219 million. Income grew 10%, driven by a gain of £78 million in the valuation of loans held at fair value. Impairment reduced 27%, while costs declined 10%.

Within this, UK Corporate Banking profits grew 29% to £268 million.

Europe reported a loss of £76 million which is a 60% improvement resulting from much lower impairment charges in Spain as well as reduced costs.

Profits in other corporate markets improved to £27 million.

**[Slide: Adjusted profit by business - Wealth and Investment Management]**

Wealth and Investment Management increased profits by 30% to £60 million; income grew 7% to £451 million, costs grew 5% reflecting on-going investment, and clients assets grew £8 billion to £172 billion.

**[Slide: Adjusted profit by business - Head Office]**

Head office reported a profit of £83 million compared to a loss of £68 million last year, reflects a one-off gain from closed employee share award hedges, partially offset by higher regulatory costs.

Moving on now to capital, liquidity and funding.

**[Slide: Capital, Liquidity and Funding]**

Our Core Tier 1 ratio remains strong at 10.9% despite a small increase in risk weighted assets. We have nothing to add to what we told you in February about the impact of Basel III but we continue to make good progress with our preparations and we'll update you at the second half.

Our liquidity pool was £173 billion at the end of March. Over 90% of this consists of FSA eligible assets, including £130bn held at central banks.

Our wholesale funding maturities for 2012 are £27 billion and we've raised £12 billion during the first quarter, £7 billion of which was unsecured.

Adjusted gross leverage was 21x times, and 18x times excluding our low risk liquidity pool.

**[Slide: Impairment]**

Turning to impairment, the loan loss rate reduced from 76 to 63 basis points against a long term average of 93 basis points. Impairment in retail banking continued to improve, though at a slower rate than last year, while the trend was broadly steady in Corporate and Investment Banking.

**[Slide: Cost: Income Ratio improved to 61%]**

Costs increased 2% to 4.9 billion, excluding PPI. The PPI provision of £300 million, resulting from an increase in claims, was booked in UK Retail and Business Banking, and represents our best estimate based on the recent pattern of claims.

Despite income growth, performance costs of £900 million were held flat year on year.

Non-performance costs amounted to £4 billion, as the benefits of restructuring were offset by strategic investment in Barclaycard and Wealth and Investment Management as well as regulatory and legal costs in the Investment Bank.

As a result, the cost income ratio improved to 61%. We're on course to achieve our non performance cost savings of £2 billion by 2013.

**[Slide: Name slide]**

Turning to the outlook, while performance has been encouraging since the beginning of the year, market conditions are challenging and it's too early to determine trends for the full year.

So to sum up: we've reported profits of £2.4 billion, with profit growth in 6 of our 7 businesses. Income grew 5% to over £8 billion, our Core Tier 1 ratio was strong at 10.9%, and our return on equity increased to 12.2%.

There was a strong performance in all our businesses, and a better balance between them with an encouraging start in the Investment Bank, a significant turnaround in Corporate Banking, and strong results in UKRBB, Barclaycard, and Wealth and Investment Management.

Thanks very much - I'll hand you back to Bob.