Barclays Capital Investor Seminar

New York, 17 June 2009

Robert E. Diamond Jr.

Good morning and thanks for joining us today.

I'd like to welcome all of you to this investor seminar on Barclays Capital,

both our audience here in New York and those listening in from London.

As you know we had to reschedule this event because of our announcement last week, so I hope it's been easy for our UK audience to join us today.

I'd like to reassure you that when we hold our next investor day, it'll be both in London as well as New York.

We're joined on the line by Barclays Group Chief Executive, John Varley,

and I'd also like to welcome here in New York, Chris Lucas , Barclay's Group Finance Director

Robert Le Blanc, the Group Risk Director, our Head of Investor Relations, Stephen Jones, thank you all for joining us in New York.

I'm going to start this morning by talking about how we see the outlook for the investment banking industry

Then Jerry del Missier, President of Barclays Capital, will tell you more about our strategy and execution

And after that Rich Ricci, Chief Operating Officer of Investment Banking and Investment Management, will focus on the operating platform and controls at Barclays Capital

We'll talk for about an hour in total and then we'll take your questions for the second hour.

I'm aware as I stand here this morning that this investor day was originally scheduled for last September

In the event it had to be postponed because we were in the midst of the Lehman acquisition.

The collapse of Lehman Brothers last September marked a turning point for the industry

It triggered a major loss of confidence over and beyond the impact of the sub-prime crisis,

and there's been such turmoil in financial services and investment banking since then, that opinion has been divided over its impact on our industry.

So I want to start today by covering:

the outlook for the industry as a whole,

the impact on industry consolidation

how regulation might change

and then to look forward to how priorities have changed

and what I think it will take to succeed given the new environment.

Our focus today is on Barclays Capital

but I want to set it here - on this slide- in the context of the broader Barclays group

It's this model which has enabled us to steer through the market turmoil of the last two years.

We believe this is the right model for Barclays as John has talked about this consistently over the past couple of years -

it's given us diversification both by business and geography.

And if you look at what's happened in the industry in the past year, those institutions that have failed, were largely operating in one market or focussed on one product;

those forced to change structure were the stand -alone investment banks;

so if the crisis has shown us one thing,

it's that the integrated universal banking model gives greater stability in a time of market dislocation.

If I turn now to investment banking

you all know just how challenging 2008 was for the industry

and clearly revenue pools last year suffered as a result.

Any period of market dislocation brings uncertainty so it's not surprising to see a range of future earnings projections here:

The chart on the right hand side uses data from McKinsey

It takes four different scenarios for the industry,

depending on the length and depth of the downturn

But what reassures me - and I think it will reassure you - is that revenues in 2011 are likely to be in a similar range to those in 2006.

In a best case scenario they're closer to 2007

and even in the worst case scenario,

the revenue pools for global investment banking are still pretty significant

at well over $250 billion.

Just as important, over the last 5 years at least 75% of these revenues have been client driven

so most of these revenues will be captured by those with the best client traction:

in other words, those with a true global client franchise.

The last slide gave you an outlook for 2011

This slide looks at this year - and another thing that reassures me is that the industry's already seeing a return to growth this year

If you take first quarter revenues from 2006 onwards, first quarter 2006, first quarter 2007, first quarter 2008, first quarter 2009 in a range of areas you see the same pattern;

2008 revenues dropped away but in 2009 they are beginning to bounce back

This year global debt issuance, for example, approached the levels that we saw in 2006;

international bond issuance is running at the highest in all four years;

you can see the enormous leap in government borrowing –

we've used the US Treasury here as a proxy, but you'd see similar patterns elsewhere in the world;

you can also see a sharp increase in equity issuance,

both on the London Stock Exchange

and in the US, where May this year was the busiest month for equity issuance since record keeping began.

Of course this blossoming of issuance also impacts secondary markets where we're beginning to see

larger volumes,

widening bid offer spreads

and higher market shares, particularly for those firms benefiting from market consolidation.

I've used this slide before – and I'm using it again because I think it paints a vivid picture of just how much has changed since last autumn

On September 8th last year I spoke at a conference

I talked about the way the industry was going to consolidate and the impact that consolidation would have

but even so, I had not anticipated how sudden and how dramatic the change would be

We've seen the demise of Bear Stearns, the bankruptcy of Lehman Brothers, we've seen the near collapse of AIG

then the mergers of Merrill Lynch with Bank of America,

of HBOS with Lloyds

and Wachovia with Wells Fargo

We've seen increasing government ownership in the US and Europe,

We've seen a change in business model for Goldman Sachs and Morgan Stanley

and a serious challenge to those dependent on a single product, a single market, or wholesale funding.

We've also seen some of those in the top tier retrench from what had been global ambitions

especially large financial institutions with significant levels of government ownership

they've been forced to pull back from their global ambitions

Many second tier European banks have also withdrawn from Pan European ambitions back to their domestic markets

Simply put the competitive landscape could not have changed more dramatically in such a short space of time.

So much so if you're one of the 5 leading players, today you're in a much more powerful strategic position today than three years ago.

In 2006 those 5 players accounted for 25% of industry revenues.

In the first quarter this year, they accounted for over 40% of industry revenues.

In other words, in the space of 3 years, the amount of business going to those 5 players has grown by over 60%.

And if you look at revenues for fixed income, currencies and commodities

Those 5 players now account for almost half of them,

That's an increase of almost 30% in just three years.

Let me give you some other examples…

Lets look at the first quarter of 2007 – that was the vintage quarter for our industry – and compare with the first quarter of 2009:

market share of the Top 5 players in Global M&A has jumped 64%

in secondary trading of European Government Bonds it grew 37%

and in US equity issuance it increased 20%

so the Top 5 have grown their market share disproportionately.

Perhaps more importantly, the barriers to entry are now much higher than they were 3 years ago.

To be in the top tier you must have a global platform and it must be able to serve global clients

the number of players with truly global ambitions and the number of players with truly global capabilities has significantly reduced in the last year.

So we believe revenues are likely to grow over time,

we're already seeing growth in 2009 in many areas,

and those firms that have done well from consolidation are seeing stronger growth than others.

There are other changes facing the industry as a result of market dislocation.

We all have lessons to learn from the past two years

and of course new regulation will impact how we run our businesses;

I welcome this as an important part of re-building a strong healthy financial system and banking industry.

Lets start with first principles. First, it's clear that banks will be operating

with more capital,

with less leverage,

and with higher liquidity,

and in a regulatory environment that's both more focussed and more globally coordinated.

We'll all have to manage and allocate capital more rigorously with a much greater focus on returns, not just growth

corporate lending of course will continue, though it's likely to be far more strategic and far more relationship driven

there'll be a premium on businesses that deploy capital on behalf of clients, rather than proprietary trading

and activities which require excessive capital, risk weighted assets and leverage will adapt or disappear

So for example, the warehousing of assets on the balance sheet over the long term is no longer viable

that was clear immediately with sub-prime mortgage assets

it's becoming more clear with commercial real estate.

The originate and distribute model will adjust

so banks absorb only those assets they can be sure of distributing

and securitisation will certainly continue albeit in a simpler form.

We'll see less special purpose vehicles off balance sheet,

large proprietary positions that consume capital but don't advance client relationships will be much harder to justify,

and every institution will make trade-offs between activities that consume high levels of capital and those that consume less

preserving capital for relationships and activities that are strategically important, with a focus on maximising returns.

There'll also be a much greater focus on liquidity

and liquidity has a lot to do with brand, a lot to do with reputation and a lot to do with confidence

but it also comes down to funding and risk management

there's no better way to diversify your funding

and diversify your risks than the integrated universal banking model.

Banks that are diversified by business, by client base and by geography will simply have a strong competitive advantage.

There'll be far greater transparency as well:

whether its through disclosure on

the levels of exposures,

the structure of products,

risk management processes,

or compensation plans.

Stress tests are also an important part of transparency and we support them:

we think they're a vital piece in the regulator's toolkit

and should be a regular part of the supervisory process

And we also want to see new market developments

New market developments such as centralised clearing and settlement mechanisms

which are important to reduce operational and counterparty risk.

So will the world look different in a year or two? Absolutely.

there'll be much greater focus on return on capital

there'll be much greater need to manage liquidity

and there'll be much more transparency for investors, for regulators and for market participants

This should be a world which both the industry and investors find reassuring, because confidence is critical.

Of course profitability is critical too, so let me talk more about that.

In all periods of market dislocation, priorities change.

and the thing that strikes me most in this environment

is that our clients need us more than our clients have ever needed us.

Put yourself in their position for a second:

whether they're corporates, financial institutions, or governments

whether they're hedge funds, pension funds or private equity firms,

they're all facing similar issues:

it could be about accessing capital, about deleveraging, about increasing liquidity, about managing volatility, about restructuring the balance sheet, it could be about market consolidation

Whereas in the past they had plenty of banks and non banks they could turn to and the financial markets were very liquid

today there are fewer institutions that can help them.

So the most important factor in selecting a bank today is the ability to create a deep relationship;

that decision will be relationship led, not transaction and it will not be price led;

and the concept of a strategic relationship has today become more important than ever.

In a world with more demands on capital, in a world with less leverage and tighter regulation, clients will develop fewer but deeper relationships

and as a result, they'll chose firms that can serve them globally across a full range of products.

Let me give you some examples of how growth is being driven by the issues our clients face right now, beginning with re-equitisation.

Businesses across the board have to reduce their leverage and increase their equity capital

UK corporates have raised more than £36 billion of equity so far this year

and as I said earlier, US equity issuance was higher than ever in the month of May at almost $50 billion we see this need continuing as clients have to refinance their debt and revise their capital structure

It's a very similar story with risk management:

volatility has surged from the middle of 2007 onwards,

look at intra day currency volatility this year is over 20% for example

and that compares to a traditional level of 5 to 10%

in other words industry volatility is running at more than double the historic norm

Or take oil for example

which was priced somewhere between $60 and $80 a barrel in 2006

shot up to $145 in the middle of 2008

collapsed to $40 at the beginning of 2009

today it's trading at more than $70 a barrel.

That level of volatility can have a devastating impact on corporate performance

so the demand for strategic advice on risk management has never been greater

whether it's currency risk, duration risk, credit risk, or commodity risk

clients are looking to us to provide strategic solutions

they want us to help protect their balance sheet, their liquidity, their profitability,

ultimately their share price,

investors now scrutinise risk management as closely as financial performance.

Maybe one of the greatest areas of growth in the next couple of years is going to come from governments around the world

governments who've increased their borrowing

and government who have invested directly in private enterprises

to mitigate the impact of the downturn

This is creating opportunities, in the near term through distressed asset programs for example,

and over the longer term

through government debt issuance

and the need to re-privatize government owned institutions

In the US alone, the government will have to raise $2 trillion of new debt during the course of 2009.

So clients have new and challenging priorities

and there are fewer financial institutions well placed to respond.

Given this backdrop, what are the important attributes for success?

First it won't surprise you for me to say that, success will come down to client focus

Remember – even before the turmoil at least three quarters of industry revenues were client driven.

But it's not just about placing the client at the heart of the business.

It's being able to provide them with strategic advice and strategic solutions

and for that you need a full range of businesses that are truly integrated,

there's no place for product or geographic silos .

To be a successful firm you also need scale and high quality execution.

In a world where the leading players are growing their share of the market faster

successful firms will be those with a global client franchise

and a global technology and operating platform that can serve those clients.

Third, financial discipline and a focus on returns;

In a world where there's a premium placed on capital and liquidity

successful firms will be those who can allocate their capital and manage liquidity

in such a way as to maximise returns.

And in a world where risk management has never been more important, successful firms will be those with revenues that are well diversified

by business,

by geography,

by client

in other words, there’s a clear advantage for the integrated universal banks.

We’ve been through a period of dramatic market dislocation which has been painful for all of us

But the successful firms will be those who’ve emerged better positioned to serve client needs

and better positioned to take advantage of the opportunities that I‘ve talked about today to deliver sustainable shareholder returns.

I’m going to hand over to Jerry now to tell you how Barclays Capital can take advantage of this.

Over to you Jerry

Jerry del Missier

Good morning and thanks Bob
I'm going to cover three things today:

First, how the Lehman acquisition has enabled us to become a leading player in the US
and strengthened our portfolio of businesses

Second, how we're going to build on that platform to create a top tier equity and M&A business in Europe and Asia

And third, how that growth will enable us to build a world class global franchise underpinned by very clear principles:

client focus

financial discipline

and strong risk management.

But let me set the context first
In many ways, this is the best business environment Barclays Capital has seen for a long time
because as Bob has said, clients need us more than ever for help and advice, whether it's

raising capital,

risk management,

balance sheet restructuring

or industry consolidation

A perfect example of this is the government bond market which Bob mentioned earlier
first quarter issuance this year was roughly double that in 2007

the average spread has tripled

and volatility has doubled

We've seen a similar story with the corporate bond market
where global issuance in the first quarter was more than double the same period 2 years ago.

And it's this demand which accounts for the fact that even in 2008, when industry revenues were declining,
underlying income at Barclays Capital, excluding net credit market losses, continued to grow.

That growth has continued into 2009

as we're benefiting from market turmoil and industry consolidation.

Of course it helped that we were well positioned before the market downturn:

we went into 2007 with 4 Top 3 global businesses

fixed income rates, currencies, commodities and debt capital markets

all built from regional into global franchises

supported by investment in technology and a single delivery platform

That investment meant that when volatility surged from 2007 onwards we were able to manage volumes

when many others were not.

The number of clients transacting directly on our electronic trading platform, BARX,

has grown almost 5 times over the past 5 years

Going into 2008 we saw significant growth in market share in the FICC businesses

because we were benefiting from the market dislocation.

We'd also started to make headway in the US

where we generated 40% of our revenues in 2008

compared to 30% in 2007.

Had we held our investor day last September I would have told you then that one of our key strategic priorities was the build out our US franchise

we believed the market turmoil offered us a window of opportunity

Of course that conference never took place because we announced the acquisition of Lehman's US operations

and we set ourselves the goal of integrating the business within a hundred days

in order to take full advantage of that market environment.

We now have an integrated management team

with an expanded Executive Committee to reflect the growth in the business,

which Skip McGee and Jerry Donini from Lehman have joined

as Global Heads of Investment Banking and of Equities.

The integration was helped by the fact that the two firms were a good fit:

both organisations were very client centric,

both had a strong commitment to building flow businesses,

and both believed in the power of research and technology.

Now that the integration's complete, we have a business that's very well balanced between Europe and the US:

In quarter one this year client production was broadly similar in both

And you can see that net income in the US has more than tripled

from 540 million pounds in the first quarter last year

to 1.8 billion pounds in the first quarter this year

most of which was driven by the FICC businesses.

We don't yet have a similar scale in equities and M&A

and I'll come back to talk more about later.

If there's one thing that demonstrates the power of the Lehman acquisition it's the transformation of our credit business

We now have critical mass in the US for the first time

so in the first quarter this year we were number one in the agency business

we were market leaders in high grade and high yield credit trading,

and in corporate bond trading our market share was 14%

compared to 4% for the same in quarter one last year

We now have a top tier global credit business:

our client franchise has more than tripled in the past year

and our flow business

and client production have quadrupled

from the first quarter last year to the first quarter this year

And we're using that strength to transform our European business

and take advantage of market conditions

because the emergence of a credit market in Europe has been accelerated by current capital constraints on banks

so if you look at the chart on the left hand side here

you can see that while lending has fallen dramatically

bond issuance has increased significantly.

and we expect that trend to continue in a world with greater demands on capital.

At the same time, clients are under pressure to improve their capital positions and restructure their balance sheets

so in addition to tremendous growth in flow business

there's also a need to provide bespoke solutions for clients to manage credit exposures.

The Lehman acquisition also gives us the opportunity to build businesses in Equities and M&A

areas we withdrew from 12 years ago

because we didn't have the scale to compete in a way that made sense for shareholders.

scale in the US is critical in these businesses

because it represents over 50% of the global revenue pool.

Now that we have that scale these businesses, along with Prime Services, represent an incremental revenue opportunity of 5 billion pounds per annum for Barclays Capital in the medium term

they should also enhance return on capital over time

as they tend to be less capital intensive

Together these 3 businesses represent over a third of the industry revenue pools in 2011

and building them out now is a strategic priority

so that we can benefit from the trends driving growth in the industry that Bob talked about earlier

including re - equitisation and consolidation.

I'd like to explain how we're building that in the US, starting with the Equity business

Pre acquisition, Barclays Capital had a successful niche equity derivatives business in the US

which has been completely transformed by Lehman's market leading cash equities platform

and research capability.

We wanted to get the business up and running as quickly as possible:

so by the end of September we'd re-launched US equity research covering 975 stocks

we have functionality across the core components of the cash business

all the Lehman products went through a Barclays sign off process

covering credit risk, market risk, and other controls.

By the end of October, we'd established links to all the US exchanges

fully integrated the two teams

and targeted the top 200 clients as a first priority:

we were trading with three quarters of them by the end of that month.

We also completed the acquisition of Bear Wagner, a market maker on the New York Stock Exchange, in May

and we've combined this within our existing business

so that Barclays Capital is now the Number 1 market maker on the NYSE

with a market share of almost 30% at the end of May.

We're currently ranked Number 5 in US equity underwriting

we have 1500 clients – fives time more than our initial client base

and we're trading with 95% of the former Lehman client base.

Our equity business is profitable,

running ahead of budget,

and accretive to return on capital

This rapid build out of our US Equity platform has also allowed us to enhance our prime services business,

which was previously fixed income and Europe led

we've been building both our infrastructure and balances in stock lending

and our sales team has grown by more than 50%

which allows us to cover a wide group of both hedge funds and asset managers.

If I turn now to Investment Banking……

Pre-acquisition, we had a US investment banking client base of about 500

Post-acquisition, that's trebled to 1500.

And we're now able to offer a full range of services

adding equities and M&A to our traditional debt and risk management business

and allowing us to become one of their key relationships.

the M&A market was quiet in the first quarter this year

But we had a share of 20% placing us in the Top 5

Some of the transactions we worked on include:

the largest M&A deal of the year – Pfizer's acquisition of Wyeth;

as well as Walmart , CV Therapeutics, and Indymac Bancorp

On any one of these transactions Barclays Capital could have won the a management mandate and Lehman could have won on advisory

but neither could have captured the breadth of business we've won as an integrated firm

The build out of our investment banking business has also helped our traditional businesses:

In the last year we've moved from 11th place to 4th in US investment grade debt, for example,

and we've been involved in almost 60% of all US debt issuance this year,

including the 6 largest deals.

It's early days but our investment banking fee income has grown 9 times

from the first quarter last year

to the first quarter this year.

So Lehman has transformed our position in the US

Now I want to tell you how we're going to build on that to create top tier Equities and M&A businesses in Europe and Asia over the next 3 years

We'll do this in the same way that we've grown businesses in the past on a pay as you go basis:

leading with content first – establishing strong research coverage

building a scalable technology platform

hiring the very best talent

and drawing on the strength of existing Barclays client relationships

Establishing a top tier European equity and M&A business is a logical extension

of bringing together world class capabilities in the US

with a very strong set of client relationships in Europe.

We plan to follow the same template in Asia

focusing on Japan to start with

and then building out selectively market by market in a way that's aligned with the opportunities

Since the fourth quarter last year we've hired 360 people in Europe and 240 in Asia

and we plan to hire a further 300

with the build out largely completed by the end of this year

We also believe there are significant opportunities for synergies with the rest of the group

working with Barclays Wealth for example to distribute equity offerings, , and coordinating entry strategy into new markets with Retail and Commercial Banking

in the way we've done in South Africa with Absa Capital.

Building these businesses is not just about investment though
it's also about quality of execution

so let me talk now about the principles which underpin that, starting with clients.

In many areas we have a market leading client franchise which is reflected in industry awards;
but we prefer to track the health of our client relationships with internal measures

the chart on the left shows you the growth in production from our top 500 clients

this doubled between 2006 and 2008 pre-acquisition

and then doubled again between 2008 and 2009 post-acquisition

We've organised the firm to cover clients holistically rather than via product silos
so we have an integrated global sales force

with relationship management integrated between origination and distribution.

One measure of the success of this approach is the number of products which clients buy from us.
Now we define our product range in 12 broad categories;

and in 2006, 40% of our top 200 clients bought products from 7 or more of those areas;

by 2008 that had risen to 60% of our top 200

and today we're nearer 70%

which illustrates the trend that Bob talked about earlier of deepening strategic client relationships.

The other way we've talked about this in the past, is to show you the number of clients generating revenues above a million pounds.
Last year we had over a thousand clients

generating more than a million pounds on an annualized basis

so we've updated the measure to 10 million pounds:

And if you compare the last 4 years from January up until May
in 2006 we had 20 clients generating 10 million,

by 2008 this had risen to 32,

and so far this year, there are 92.

So our model is very client focused

We also have a robust set of financial disciplines in place

alongside a strengthened and consistent approach to managing risk throughout Barclays Capital.

One of the lessons of the last 18 months has been that managing to a broad set of measures and limits is critical

we assess and set limits on risk appetite at a firm wide level

looking at market, credit and operational risk

with a broad range of metrics as well as profitability.

These include impact on capital, balance sheet and liquidity,

as well as return profiles across all these areas.

Limits are approved centrally and each business takes ownership of these at a desk level

To embed this approach in the culture of the firm there's a process of constant peer review

so for example, every business line has to review its 3 year rolling business

with the most senior management of the firm at the Executive Committee.

That includes a review of origination and distribution

so we look at the plan both from a client perspective as well as product area

To monitor risk being taken on to the books each deal goes through

and the senior business sponsor is held accountable by representatives from compliance, legal, credit risk, and market risk

as well as a range of other business heads who have no shared interest in the deal.

This approach is institutionalised across all our businesses and geographies

And to be clear, our FICC businesses today use less risk weighted assets

less DVaR

and less balance sheet than in 2008.

They also operate with a lower cost income ratio.

So in summary

We're operating in a strong business environment:

we're seeing increased client demand in the areas Bob described earlier,

and we're benefiting from industry consolidation

which gives us an immediate competitive advantage

The Lehman acquisition has not just transformed the scale and strength of our US businesss

It's given us a platform to build top tier global businesses in Equities and M&A

and it's given us a very significant barrier to entry

Against that backdrop we believe Barclays Capital can continue to generate returns of 15 to 20% over the cycle

Thanks very much – I'd like to hand over to Rich Ricci now.

Rich Ricci

Thanks Jerry. Good morning and Good after to those of you in London.

The approach we've taken to growing Barclays Capital over the years has been what we call built-to-last

which includes an emphasis on several factors

that I will cover in this presentation:

First is execution:

quality of execution is one of the major differentiators in our business

and we attach a great deal of importance to it

because it's quality of execution that drives sustainable performance and returns for shareholders

Second, scaleable platforms:

both Bob and Jerry have talked about the importance of these

to serve clients on a global basis

to deliver high quality execution

and to manage high volumes efficiently with a cost advantage

But it's not just client facing platforms that are important:

we also have a strong technology infrastructure enabling us to track performance closely,

and manage our risks and controls

And since risk management and capital management are vital for generating predictable outcomes and maximising returns

we've strengthened our approach,

placing a greater focus on balance sheet and liquidity management which I'll talk about in greater detail later in my presentation.

So let me give you some idea what 'building to last' means in practice, starting with execution.

A great example of this is the Lehman integration.

The clarity and speed of that integration was crucial in retaining the Lehman client franchise and to take advantage of the market conditions,

so we set ourselves an aggressive time scale of 100 days to complete it

We took the immediate decision to rebrand the Lehman businesses,

including the building here in Times Square.

This was completed on the second day of integration

and we've been operating as a single brand and identity since then.

Within 3 weeks all the Lehman businesses were up and running, with many businesses open sooner than that

integrated client coverage began on day 1 with calls to former Lehman clients to explain the situation

and what the new Barclays Capital could offer them

We're working with about 95% of the Lehman equity clients, as Jerry said,

and it's a similar picture across all the other businesses;

there were almost no client losses to other investment banks

We moved quickly to put together a senior management team bringing together talent and leadership from both firms

And we immediately transferred all complimentary business processing from Lehman systems onto Barclays systems

this was important to manage risk

and ensure the right controls were in place

in the volatile trading environment which followed the Lehman bankruptcy

and the speed of the entire integration was underpinned by our earlier investment in a scaleable Barclays Capital operating platform

We completed the integration in January this year

you've seen for yourselves the scale of transformation

and as I say, the quality of execution was critical in delivering a strong performance;

this was a very significant factor in driving record revenues in the first quarter.

A second area to which we attach a great deal of importance is cost management

As you know we proactively manage our cost income ratio and flex our costs over the cycle:

Typically about 40-50% of our cost base is flexible

and we proved this during 2008, which was a difficult year, as we substantially reduced those flexible costs

and achieved a top quartile cost income ratio of 72%.

You'll recall we took a similar approach in the downturn of 2002

and on both occasions tight cost management has been a significant contributor to sustaining profitability.

We've maintained our cost discipline as we've integrated Lehman

and we've kept staff ratios in line with previous levels

both in terms of front and back office and in terms of seniority.

You've seen us grow in the past on a pay as you go basis

and we'll continue with this approach as we build out our businesses in Europe and Asia

Our hiring will be selective and aligned with growth opportunities

and we'll continue to target a top quartile cost income ratio over time.

Our operating model and infrastructure strategy are also designed with cost-efficiency in mind;

we run our support functions – such as IT, operations, and finance - through global and regional hubs

so our global infrastructure hub in Singapore, for example, serves both the whole of Asia,

and the rest of the business globally.

We also have hubs in major financial centres for the front office to serve clients across regions

Hong Kong for example provides execution capabilities across Asia as required.

This disciplined approach to managing costs will not change as we execute the strategy we've laid out today

Technology is another important tool in managing costs and efficiency and that's one reason for our continued investment in global scaleable platforms for our clients.

Jerry talked about our electronic trading platform, BARX, which we launched in 2002:

A major driver behind this was the recognition that

clients wanted increased connectivity to the markets

volumes were going to increase considerably

and many assets classes were being commoditised

We saw an opportunity to capture a greater share of client business if we could process high volumes at low cost

so BARX was designed to be scaleable

not just in terms of volumes,

but also in terms of asset classes and geography.

Barx started out as a platform for fixed income and foreign exchange trading

it now caters for a wide range of asset classes as you can see.

As Jerry said the number of clients directly transacting on BARX has grown 5 fold in the last 5 years;

Notional traded volumes in Foreign Exchange, Money Markets, Fixed Income and Equities

had a compound annual growth rate of 49% during that time;

and these volumes are well distributed across the globe.

BARX has drawn clients into our business

and enabled us to manage high volumes efficiently at low cost,

giving us a strong competitive advantage.

And importantly we will take exactly the same approach as we build out the equities platform to support the execution of our strategy

this will give us a differentiated platform

that is better for clients

and through scalability better for us from an efficiency and control perspective

As Jerry said, financial discipline and risk management are core principles underpinning our business build out:

The finance and risk functions are of course independent of front office

and as you've heard, we manage to a wide range of measures,

in addition to profitability, credit and market risk.

Capital management has always been a core focus;

and this will continue as we seek to optimise returns to shareholders on capital invested

as Bob mentioned the skilful allocation of capital is critical in a new environment

so we have processes and controls in place around balance sheet and capital utilisation to enable us to do this

We pay attention to absolute balance sheet size and liquidity;

and these measures have taken a higher profile in this environment as you'd expect.

This has lead to changes where new limits and targets for balance sheet and capital consumption have been set

not just at business line level but at the desk level too,

Balance sheet and RWA use by business is reviewed on a monthly basis by the executive committee

and desks are charged market rates for capital usage and funding

and incentivised to reduce balance sheet and capital usage

Let me explain how this translates into the published balance sheet.

This slide gives you a breakdown of our balance sheet in relation to that of the group

and you can see that, as at the end of December,

Barclays Capital represented about 80% of the assets

The majority of this is accounted for by the gross up of derivatives balances amounting to 917 billion pounds as per our published accounts

We view this part of the balance sheet in a very different way from our adjusted tangible assets because these net out at a counterparty level.

In other words, they represent receivables and payables with the same counterparties

and these are subject to enforceable netting agreements recognised under US GAAP

and under US GAAP the balance sheet would have been 917 billion pounds smaller than was published.

It's worth noting that since the year end this number has significantly reduced by over 300 billion

as market conditions have changed

and as we've taken steps to actively eliminate offsetting contracts with the same counterparties

So far this year we have already collapsed 146 thousand contracts, at no cost and with no capital impact

We expect to make further significant reductions by eliminating contracts throughout the rest of the year.

Barclays Group aims to reduce gross adjusted leverage over time

and clearly Barclays Capital has a large role in this.

At the end of last year, Barclays Capital had adjusted tangible assets of 681 billion pounds

which is two thirds of the Group total,

so let me give you a more detailed breakdown.

We've ordered our adjusted tangible assets here according to liquidity,

with cash or cash equivalents at the top

through to less liquid credit market exposures at the bottom

At the top of the page the largest contributors are cash and balances with central banks and reverse repos

These are highly liquid, short dated assets driven by client business

the repo market is extremely liquid

and high quality collateral can in many cases be counted as a cash equivalent.

The second and third box here gives a breakdown of our securities inventory including governments and agencies

corporate debt,

equities

and other securities

governments and agencies are the largest component representing over a third of our total securities inventory.

These are an important part of our client focused strategy:

they support our market making and trading businesses

and we expect these assets to turn over on our balance sheet very rapidly

Corporate loans represent about 9% of the balance sheet

and as Bob's said, corporate lending will continue to play an important part in supporting key client relationships at appropriate pricing levels.

Net derivatives represent 10% of our balance sheet,

and our credit market exposures were about 6% of our balance sheet at the end of 2008

Between the fourth quarter of 2007 and the first quarter this year speaking in dollars

The US residential mortgage exposures have decreased by 57%

commercial mortgages by 33%

and CLO and other exposures by 40%

as we continue to actively mark and reduce our exposures

Monoline exposure had risen by the end of Q1 as a result of deteriorating mark to market on the underlying (not through any new additions)

but our coverage has also increased through larger provisions

and we have still not had an underlying security or structure default

and we continue to build our reserves and look at restructuring opportunities to reduce our overall exposures

We're continuing to actively manage all of these assets

and we'll update the market when we announce our results in August.

Overall we expect our adjusted tangible assets, RWAs and thus capital utilisation to be significantly lower at the end of June than at the end of 2008

This reflects actions we've taken to deploy our balance sheet efficiently

as well as the strengthening of sterling against the dollar.

On the liabilities side of our balance sheet

our ratio of secured to unsecured funding has strengthened significantly

and the duration and term of our unsecured funding has also lengthened significantly

improving our overall liquidity position

We expect the proportion of our balance sheet that is cash and liquid to increase over time:

and as I said earlier, increasing liquidity is built into our business plans

as well as the way we run the business day to day.

In summary, we run the business with a strong emphasis on quality of execution

quality of execution is what drives sustainable performance and returns for shareholders

and underpins our confidence in building out our equities and advisory businesses in a disciplined and controlled manner

You can expect us to use the same cost disciplines as we continue to grow the business:

investment will be self funding, on a pay as you go basis,

and we continue to target a top quartile cost income ratio over time.

And as you've heard we've instigated a heightened set of balance sheet disciplines

with an increased focus on managing the balance sheet and liquidity

in order to maximise shareholder returns.

Thanks very much - I'm going to hand back to Bob now to sum up

Robert E. Diamond Jr.

Thank-you Rich

Before we open the floor to questions I'd like to say a few words if I could about the journey we've travelled at Barclays Capital over the last 12 years

and when I say "we", I mean the people you see here today

this team has been together from the very beginning

in 1997 we set out with a very clear mission

to be the premier European Investment bank in risk management and financing

and we began with a very strong base in the UK

with the introduction of the single currency in 1999

we saw an opportunity to compete with other European banks

And success in Europe was essential if we were to build a business in the US

we knew we couldn't launch in the US without a competitive edge

and we got that from following our clients there

our first dollar deals were all done for clients we'd done business with in the Euro or sterling

But by 2003 we had been successful but we recognised that we had to accelerate our growth to be able to compete,

our ambition was to be the premier European investment bank

but we still had significant gap to close between us and our European competitors

so we launched that year in 2003 the Alpha plan that was an ambitious plan

to deepen our European client franchise

it was a plan to grow market share in the US

it was a plan to invest in asset classes where we had a gap to catch up with top tier rivals in Europe the result was that we doubled revenues, profits and scale over the next 3 years

And we changed our mission statement

to be the premier global investment bank in risk management and financing

When the market started to crack in 2007 we set ourselves two clear goals:

First, to be profitable through the turmoil,

and despite significant write downs we've done that.

but probably more importantly we set an objective to emerge from the turmoil better positioned,

so we focussed immediately on the opportunities that would emerge, right here in the States.

In that respect the Lehman Brothers acquisition was absolutely transformational

We now have real scale in the US

We now have a platform from which to build an equities business where we can compete profitably

We now have a platform to build an advisory business where we can again compete profitably

We can now honestly compete with the top 3 players

And so we've changed our mission statement again and it's again very simple.

the words risk management and financing have disappeared

and our future direction is summed up here….

Our aim is clear – it's to be the premier global investment bank.

Thank you very much – we're happy to take your questions