1. Good morning.

2. I start by thanking our hosts, UBS, for inviting me to speak today.

3. And I must admit to being a little wary: I last stood on a platform at an analyst conference on 7 October…..

4. …..and as I stepped off, I was immediately confronted with the accusation that we, along with all of the other big UK banks, had agreed to take equity capital from the UK Government.

5. I have spent the better part of the last seven months clearing up that inaccuracy!

6. You do not need me to tell you that, by any measure, the past months represent an unprecedented period in the history of the financial services industry.

7. Given the environment, every management team in the industry is heavily focused on the short-term…..
8. ....managing the impact of the on-going market dislocation....

9. ....and the continuing deterioration in economic conditions.

10. But we must not lose sight of what our shareholders expect of us through time – sustainable growth.

11. Getting that balance right, between the short and medium-term, is an important part of capturing the extraordinary competitive opportunities that this crisis has generated.

12. I intend to cover today:
   
   • Our view on the environment;
   
   • What Barclays is doing, and will do, to manage through that;
   
   • The opportunities we have pursued and continue to pursue;
   
   • And what you can expect from us over the coming months.

13. While the last 18 months have been the most brutal that any of us have ever experienced....

14. ....it seems possible that the worst of the crisis may now be behind us.
15. Market conditions are far from what we would have considered ‘normal’ two years ago....

16. ….and there will no doubt be further write-downs and losses across the sector.

17. But money market spreads have come in considerably from their peaks, and continue to trend downward....

18. ….and term liquidity is slowly starting to improve, particularly that denominated in US Dollars.

19. These signs are tentative, and markets remain fragile....

20. ….but they are important, because the thawing of the money markets is a necessary precondition for risk transfer to begin again.

21. Having said which, we now confront an equally ugly, if more familiar, crisis in the real economy....

22. ….with most of the economies where Barclays does business now in recession.

23. This recession feels deep and prolonged.

24. It too is brutal.

25. The exceptional measures taken by governments and central banks around the world will, in time, help stabilise economies and prompt growth.
26. But we must be realistic about when the inflection point will come....

27. ....and it seems to us likely that, with corporate failures and unemployment rates rising in many parts of the world, we are going to be living in difficult times, at least for another year.

28. As the economic crisis bites, the attention of governments and regulators has naturally turned towards putting in place reforms that will prevent a recurrence of the credit crunch.

29. Those decisions must start with a clear understanding of the causes of the financial crisis.

30. There is now, I believe, a strong consensus emerging as to what those causes are....

31. ....as well as the ingredients of the remedy. So I won't rehearse either today.

32. As the discussion that surrounds those remedies evolves, the banks must look to play an active role in shaping change in the industry.

33. It is clear to me that the heart of the solution is banks recommitting to the core functions of deposit taking, risk management, maturity transformation and credit extension.

34. So how has Barclays fared through the crisis so far?
35. I must start by acknowledging that all our shareholders have had a terrible ride the past 18 months.

36. I regret that fact greatly.

37. But we cannot control the price at which our shares trade.

38. So we must concentrate on creating the conditions which will enable the market, in time, to place a higher value on our shares.

39. In this environment, that means concentrating on financial performance, and, on that dimension, I believe we have performed relatively well.

40. Barclays was solidly profitable in 2008, generating pre-tax profits of £6.1bn.

41. This slide highlights the drivers of that performance and the change from the prior year period in each area.

42. Our performance in 2008 benefitted from various individually significant, and one-off, items.

43. We described those in a lot of detail at the time of our results announcement in February (all of which is available on our website).
44. But with or without the one-offs, Barclays was solidly profitable in 2008, and that mainly reflected strong operating profit generation.

45. You see that, again, in our Q1 2009 performance, which I will come to in a moment.

46. We have for some time been pursuing a strategy of strengthening our income quality by diversifying our business.

47. That diversification enabled us to generate record income of £23bn in 2008….

48. …and that income allowed us to moderate the impact of both increased write-downs and impairment – which were substantial….

49. …and lower volumes in some areas, resulting from the credit crunch.

50. We now have the ability to compare our 2008 performance with that of our major competitors.

51. This slide highlights our rank, versus a demanding international peer group, on key operating metrics.

52. Whether we look at total profit, cost-income ratio, income growth or return on capital….
53. ....Barclays was typically ranked in the top three in 2008.

54. Our performance in the first quarter of 2009 was similarly resilient.

55. We remained solidly profitable, with pre-tax profit of £1.4bn, which was a 15% increase over the prior year period.

56. That is important because recurring core profitability is central to our ability to strengthen our capital ratios and to pay dividends. On both of which, more in a moment.

57. Our Q1 profit performance was again driven by very strong income growth.

58. Income totalled £8.2bn, which is a record for us, and represented growth of 42% versus the prior year period.

59. We said at our results announcement in February that our focus this year would be on returns before growth.

60. That means we are working hard to capitalise on the opportunities that we seized last year.

61. Those show our focus on diversifying the business....

62. ....through organic growth across our international businesses, and through our acquisitions last year, to which I will return in a moment.
63. As in 2008, our strong Q1 income performance allowed us to absorb the impact of substantial write-downs and impairment.

64. Impairment totalled £2.3bn in the quarter, up about £1bn over the prior year period.
65. Half of that increase was driven by both volume increases (from acquisitions, and from new business that we booked last year) and adverse movements in foreign exchange rates.

66. ...and half was driven by economic deterioration and the maturing of our loan books.

67. One important consequence of the resilience of our operating performance, and other actions that we have taken over the past months....

68. ....is that our capital position continues to improve.

69. If I adjust the end 2008 pro-forma ratios to take account of the iShares transaction, our Tier 1 ratio was 10.3% and our Equity Tier 1 ratio was 7.2%.

70. These figures are calculated before the benefit of the equity we generated through our first quarter profits in 2009.

71. We recognise just how important strong capital ratios are to the market, and we intend to maintain our ratios well above the regulatory minima for the foreseeable future.

72. And we confirmed in March that, after the application by the UK Financial Services Authority of a detailed stress test to our balance sheet and profit and loss account....
73. ....our capital position and resources are expected to continue to meet the FSA's capital requirements.

74. Meanwhile, our funding and liquidity position remains strong.

75. We have continued to benefit from an inflow of customer deposits....

76. .....and have been able to extend the term of unsecured wholesale funding.

77. Many of you may know that, three weeks ago, we successfully closed....

78. ....a senior, unsecured, unguaranteed issue, with an 18 month tenor, of £1.5bn, at an all-in cost of EURIBOR +145bps.

79. Following this transaction, we have seen a marked increase in reverse enquiry from fixed income investors across the major currencies.

80. So what lies behind our financial performance?

81. The competitive field has opened up in an unusual way, across virtually all of our businesses. Let me share a few examples.
82. In 2008, we transformed our lending activities in UK mortgages....

83. ....where our net share of residential mortgages increased to 36%, from about 5% in 2006 and 2007.

84. We did that without shifting our risk stance – the average loan-to-value ratio on the mortgage book in the UK is 43%, on a current valuation basis.

85. Customer numbers have grown significantly in Global Retail and Commercial Banking, through the continued expansion of our retail distribution network, in GRCB Western Europe, GRCB Emerging Markets and Absa.

86. We now serve over 49m customers around the world, up from 34m at the time of the formation of Global Retail and Commercial Banking in mid-2006.

87. We have sharply increased client-driven activity levels in Barclays Capital, particularly in rates, currencies, commodities, emerging markets and prime services.

88. This slide gives you a good idea, versus what many would regard as the golden period of Q1 2007, of just how busy we were in Q1 2009.

89. It also illustrates the transformational nature of the Lehman’s acquisition.
90. Although January was a month of very high activity levels across the industry, what is observable so far in 2009 is the steady pace of client originating business dropping into Barclays Capital’s income line, each month.

91. The strategic steps which we have been able to take during the period of the credit crunch will, I believe, collectively generate significant income opportunities in 2009 and beyond.

92. I’m referring here to the organic growth in our distribution channels outside the UK.

93. ….to the acquisitions we made last year – Goldfish, Expobank and Lehman.

94. ….to the platform we bought in Indonesia.

95. ….as well as to the organic development of our businesses in Western Europe, and in India and Pakistan.

96. Aligned to that pursuit of income growth, we are intensely focused on managing and controlling the exposures that we have on our balance sheet.

97. ….and on the impairment, and the volume risks, created by the severe economic downturn.

98. Understanding those risks, and managing and controlling them actively, was central to our performance in 2008.
99. ….and remains so in 2009.

100. For example, in 2008, we disposed of more than £6bn of credit market exposures, through asset sales or paydowns.

101. ….and a further £5bn in the first quarter of this year.

102. In all instances, the disposals were at prices broadly in line with their marks.

103. 2009 is going to be another difficult year for the industry.

104. A year in which we must make clear trade-offs between growth and risk.

105. We will take advantage of the changed competitive landscape, and drive hard the opportunities we have created over the past years.

106. ….but, in doing so, we will put returns before growth.

107. We are, as a result, very preoccupied with:-

- the quantity of risk weighted assets and the returns they generate
- the size of our balance sheet and the scale of leverage
- growing customer liabilities in line with the growth in customer assets
- the relationship between income and cost
• and maintaining capital ratios that are well in excess of what are required of us by our regulators around the world

108. All of these rank ahead of growth in 2009.

109. And we are committed to resuming dividend payments in the second half of this year. Our approach in doing so will be influenced by the prevailing economic and financial environment.

110. We will be conservative, but we know that the resumption of dividends is very important to our owners.

111. Of course, the single most important influence on our ability to pay dividends will be continuing to generate profit.

112. While we are very focused on the day-to-day management of our business, we must also keep an eye on the future.

113. One day, the market’s attention will turn to profits again, with less focus on capital adequacy, and we need to be ready for that.

114. So let me talk for a minute or two about our framework for moving our strategy forward.

115. Lots of commentators say that the financial services industry is at an inflection point.
116. And it’s clear many things in the future will be different.

117. But for all the changes that will come about, we believe the long-term drivers of growth in the industry will remain substantially unchanged.

118. Our strategic priorities have been consistent for many years. They are:

- Becoming the best bank in the UK
- Growing our global businesses
- Developing retail and commercial banking businesses in selected markets outside the UK
- Operational excellence

120. On the first, I highlighted earlier the progress we’ve made in UK mortgages....

121. ....and I referred to Goldfish, which we bought from Discover, and which fits well with our UK credit card business in Barclaycard.

122. It would not have become available, either at all or at the price at which we bought it, in normal conditions.

123. In growing our global businesses, we have significantly increased the scale of investment banking, particularly in the US.
124. The new Barclays Capital ranked second as the underwriter for combined global equity and bond issuance in Q1, and we are now the number one market maker in equities on the New York Stock Exchange.

125. In addition, Barclays Wealth also benefited from the Lehman’s deal through the purchase of Lehman’s Private Investment Management business in the US.

126. The US wealth market is difficult to break into, and we now have critical mass, with a physical presence in ten major cities, enhancing our global scale in a business that is an important engine of future growth, to Barclays as a whole.

127. Turning to the third priority, developing retail and commercial banking businesses in selected markets outside the UK, we continue to move forward.

128. We now have businesses in Russia, Indonesia and Pakistan....

129. ....and we have, during the past two years, significantly increased the number of branches and sales outlets we have outside of the UK, enabling us to recruit large numbers of new customers and customer balances.

130. All of this means that the Barclays of today is very different to the Barclays of the beginning of the decade.
131. We now:-

- employ more people outside the UK than inside it;
- have more branches outside the UK than inside it;
- generate more profit outside the UK than inside it.

132. Our UK businesses will continue to grow through time, but at lower rates of growth than those outside of the UK.

133. The final strategic priority, operational excellence, covers the disciplines of risk, cost and capital management, which I have already outlined.

134. Our focus over the remainder of the year will be on the things I have described to you this morning.

135. Staying close to customers and clients to continue to drive income growth.

136. ....managing and controlling our risks.

137. ....and continuing to push forward our strategic priorities, where we can.

138. Our feet are firmly on the ground. We understand very clearly that the environment is, and will remain, difficult.

139. And it could get more difficult, if the economies of the world decelerate further.
140. But we must not, and will not, allow that to immobilise us.

141. We must, and we will, maintain strategic momentum, which will generate earnings and dividend growth over time.....

142. ....as we continue to manage the short-term impacts of the banking crisis and recession.

143. Judging by our experiences to date, our customers and clients will not be inactive. We must be ready to meet their needs.