INTRODUCTION

• Good morning
• Thank you for inviting me to speak to you again at this conference
• Seems like a long time since I spoke with you last year and a lot has happened over that period
• Want to talk about a couple of things today:
  1. First, want to recognise that the environment has fundamentally changed, and that there are some important lessons to be learned
  2. Also want to talk about the revenue growth and return opportunities we see for Barclays given this environmental backdrop – specifically those arising from the power of the combined Lehman / Barclays Capital business
• As last year, I will cover these points in the context largely of Investment Banking and Barclays Capital
• I am mindful of group wide recent events – APS, FSA stress test, proposed iShares sale – I can answer questions on these afterwards.
2008 was an incredibly challenging year for financial services, and investment banking, in particular. The shock that began with sub-prime caused investors to withdraw based on fears of the scale and transparency of risk in the bank sector. That in turn froze liquidity and began the crisis - changing the competitive environment more than anything in the last thirty years.

Three broad themes impacted the competitive environment for investment banking:
1. Consolidation and the disappearance as standalone entities of some industry titans
2. Restructuring of business models, and a trend of increasing direct government ownership in the sector eg mortgage only monolines
3. Retrenchment within investment banking

Resulting in fewer firms that provide truly global services to clients

This is an excellent opportunity for Barclays to provide risk adjusted returns to shareholders.

Of course one of the key events that occurred in 2008 was the bankruptcy of Lehman Brothers. For Barclays, it was a generational opportunity to accelerate our strategy and has given us real opportunities to do more business, with more customers and thus to generate returns for our shareholders notwithstanding the challenging market environment.

This transaction was in line with Barclays Capital’s strategy to build out the US business and with Barclays overall strategy to expand the global Barclays Capital franchise. We discussed this with the Barclays board as early as July 2007.

We took the deep European client base of Barclays Capital and combined it with the deep US client base of Lehman Brothers.

It provided opportunities in the high return Equities and M&A product areas where previously Barclays Capital had been cautious, recognizing that without a US bulge bracket footprint it was challenging to build from scratch.

This provided a new set of revenue growth opportunities for the combined firm which I will cover through this presentation.

Slide shows that there was only one strategic transaction, that was private (no government intervention) and cross border - Barclays acquisition of Lehman Brothers North America.
Like all acquisitions, an effective and successful integration was critical to delivering value to shareholders and clients.

Barclays executed the integration quickly to deliver on this:
- Re-branded the Lehman businesses quickly to maintain a single face to clients
- Established transition management team to clearly lay out the people responsible for the successful integration
- Resumed business as soon as physically possible to ensure minimal disruption to our clients’ needs
  - During the first week alone:
    - Opened for business as a market maker on the floor of the NYSE and our Research was published and distributed to clients under the Barclays Capital name
    - Supported IBD clients in important transactions with combined value of close to $2bn
    - Many of our trading businesses (e.g., FX, Rates, Commodities) began trading as a combined business
  - Within the first month, 44 identified product lines were up and running
  - By year-end, had onboard all of our ~3,000 priority clients in cash equities, cash fixed income and IBD, as well as the vast majority of our priority clients in futures
- Re-contracted the staff who were key to resuming the business quickly and also critical to creating value in the business
- Continued to focus on clients - critical to capturing the value promised by the integration of the businesses

Barclays completed the integration within 100 days of our acquisition.

We are now operating as one firm:
- One brand and identity
- One risk and governance process
- Enhanced management team
- One set of goals and objectives

Moving quickly was imperative since, with such challenging market conditions, clients needed us to be there – and we have been
• Looking forward, what can we expect as a combined firm?
• The revenues across investment banking pre-write-downs were significantly impacted by the economic turmoil in 2008
• We should not lose sight of the significance of the pain from the write downs which have impacted us all in the industry
• Key Industry lessons need to be learnt
  - The transparency of balance sheet must improve
    o Risk is not generic between or within asset classes and this has been borne out through this crises
  - Risk concentration must be managed.
  - Industry capacity to hold assets on balance sheet has declined and this will impact origination models. Lehman and Bear Stearns showed that it’s not the size of the balance sheet but what’s on it.
  - Industry participants will need to work with regulators and embrace regulatory change that increases transparency
• These lessons will rightly be an area of focus as firms manage their legacy books
• But it is also important to keep sight of opportunities to generate strong risk adjusted returns from serving fundamental client needs
• Of course, predicting the timing of recovery in this climate is extraordinarily difficult – broadly speaking I believe financial stocks are past the most difficult point, however recovery will take time
• Predictions in 2010 show wide variance between the bullish view and the bearish view
• Tough market environment will continue and the financial liquidity crisis has manifested into a broader economic downturn
• However, given the changes to the competitive environment, opportunities will exist for participants who continue to be able to meet fundamental client investment banking needs
• Even in 2008, there was still a significant revenue pool in excess of $200bn
• In Barclays Capital, we believe the new competitive environment and our integration with Lehman will offer us opportunities to grow revenue and return through winning market share, adding new capabilities, and bringing these to an even larger client base

• Let me now move on to how we’re executing around these growth plans
Two of the new businesses we’ve added with the integration of Lehman are equities and M&A.

These businesses have good growth opportunities, and are good return businesses - critical in the current environment.

**Equities**

- Good opportunity in the market as re-equitisation of firms becomes a key theme.
- We have transitioned from an equity derivatives business to a full-service equities house with a top tier or top 3 ranking across all products and services in US equities (cash, programs, flow derivatives and event driven).
- With leverage in the markets decreasing, there will be increasing demand for equity capital.
  - In the UK, equities issuance has soared as UK companies have pursued equity issuances to replace bank debt.
  - London-listed firms have raised more than £20bn via rights issues.
- Thus, a good opportunity exists to meet fundamental needs of the clients and we will grow this high return business globally into Europe and Asia.

**Investment banking / M&A**

- Investment banking and M&A will also see strong demand as firms undergo restructuring, M&A and capital raising.
- IBD is now able to deliver broader product capabilities to an ever greater pool of clients.
  - Our combination with Lehman in North America aligned our strength in fixed income and risk management with M&A and equities.
  - Advisory also creates deep client relationships which provide good opportunities to introduce financing and risk management capabilities.
  - For example, we have recently been involved in key parts of the Pfizer and Roche transactions, including financial advisory, risk management, and financing.
  - Both Lehman and Barclays Capital would not have won the breadth of mandate we are now winning alone.
- As with equities, we are continuing to build-out these capabilities in Europe and Asia.

- Barclays Capital will see the benefit of the combined franchise across these high return and growing businesses for the full year in 2009.
• The combination with Lehman has also enhanced our position in key products and is seeing us grow our market share

• For example, in debt capital markets while market volume is 20% lower in 2008 versus 2006, our market share has increased significantly from ~5% to 9%

• Barclays Capital had a global business but was top-tier in the UK and Europe

• Adding a top-tier US franchise from Lehman enhanced our position in the market and also added the power of an extraordinary secondary market engine. Biggest and most pleasant surprise was the power of this machine

• And now, contrary to expectations of further reduced volumes, the market has shown strong volumes in the first quarter of this year
  - Expectations now indicate that 2009 could be a record year for corporate bond issuances

• The strength of combination is perhaps best demonstrated by the 2009

• YTD number 1 position in Yankee Bonds with 23% market share

• This is important because as the sector rebounds, our enhanced position will allow us to continue to grow our market share by playing to our strengths

• Keep in mind how we drive business revenues and returns – margins have never been wider, and we are increasing market share – We are a Top 3 IG Debt house

• And there are many other examples of how the combination is driving revenue growth

• In Credit trading, the power of the secondary business of Lehman has transformed our capabilities
  - #1 Market Share and Relationship Quality in High Grade and High Yield in the US
  - Also a top 3 dealer in Agency Pass-Throughs (volumes are going to be quite high here for a while) and Agency CMOs

• There are also opportunities in Governments/sovereigns which will see significant growth given the government stimulus programmes and funding required for these plans
  - Barclays Capital was already strong in Europe, and Lehman added a US top-tier franchise so we are now uniquely positioned across key markets to take part in this opportunity and win market share
  - In US Treasuries, we are the #1 primary dealer in several Fed categories
    o Our overall market share in Q1 is up 40% from 2008
    o We are up versus last year in almost every category

• Municipalities, which will similarly benefit from government stimulus plans, is a new income line for us where dealer consolidation over the past year and mistakes by competitors positions us strongly to win market share

• Since Oct 2008 when Barclays and Lehman combined, the firm is ranked in the top 3 in lead underwriting for tax-exempt long-term deals greater than US$500m with c.15% market share

• All of this together demonstrates our the ability to be the number 1 fixed income house globally
• We are also increasing our penetration in areas that we were already strong in, but now have an enhanced and larger client base against which to leverage
• Commodities and FX are already Top 3 businesses globally but we still see tremendous revenue growth opportunities in the businesses
• In the current market environment of increased volatility, there is particularly strong client demand for risk management – commodities and FX are two crucial areas for clients
• Barclays Capital continues to benefit from key developments and demand in the market:
  - Many clients come to us due to our strong quality of service and execution capabilities, particularly as our competitors retrench
• In commodities, Barclays Capital is already the leader across a broad set of underlying assets – metals, hybrids, European Power and Gas, emissions
  - In other underlying assets such as Crude Oil and Refined Products and US Power and Gas, we are within sight of the number 1
• In FX, we have also shown our strength and capabilities
  - In 2008, we were ranked number 3 overall. We were the first new bank to break into the Top 3 in FX in 7 years
• The Lehman integration has increased penetration with clients for commodities and FX, among others, and specifically in the US and in the energy sector
• So, we’re winning market share and increasing penetration in our areas of strength
• We’re also capturing opportunities resulting from changes in the competitive dynamics in the market
  • Prime Services is an example where significant opportunity exists
    - We saw the dislocation of competitors in the business as a market share opportunity for those strongly positioned
    - Few of the traditional top 5 players have not been affected
    - There are few new entrants to the business. Prime Service is a scale business with high entry barriers eg risk management and technology
    - And Lehman has added an equity franchise, which will significantly drive equity-related Prime products, and critical scale in the US
• Similarly, our Emerging Markets businesses is an area where we see another opportunity to close the gap to the top tier
  - But to do so thoughtfully through building out scale where Barclays already have businesses
  - For example take Absa Capital in South Africa where we have taken a third tier business and made it top tier within the context of our broader retail and commercial business in that territory
  - Lehman again provides new opportunities through the addition of ECM and advisory capabilities - often critical to client business in the emerging markets – as well as a larger US client base for whom our emerging market product capabilities will offer opportunities
• This has led to a step change in the growth ambitions of our Prime Services and Emerging Markets businesses – and we are confident we can execute on these top tier ambitions
SLIDE – STRONG EARLY SUPPORT FROM CLIENTS

- The litmus test is the amount of business clients are doing with the enlarged Barclays Capital
- Note that the March YTD 2009 trading volumes and regional client figures are a few days short of a full quarter as these were compiled for data up to the 26th of March – yet we still see strong growth over Q1 2007, which was a particularly strong period for Investment Banking
- In FX, volumes have grown 97%, over Q1 2007 levels. A few examples...
  - 1/3rd of our total production now is from ex-Lehman sales people, who represent 1/3 or our sales force and client trading volumes
  - And we continue to receive industry awards and ongoing positive feedback from clients around BARX FX
- In Fixed Income, we have seen growth of 65% over the 2007 figures
  - We are already or are competing for No.1 in all products globally
  - And we are also #1 in all currency issuance for all international bonds
  - And we expect to see increased Fixed Income volumes with the government stimulus programmes
- The vintage quarter from Barclays Capital and Investment Banking was the first quarter 2007 which puts this growth in perspective
- While not included on the slide because of the magnitude of growth, Equities is a particularly dramatic example of how our combination with Lehman Brothers US equities businesses has enhanced our trade volumes
  - We are actively trading with c.90% of Lehman Brothers’ top Equities clients. All Top 50 US Cash clients are actively trading with Barclays Capital
  - Have executed several different types of transactions that are clear indicators of the strength of the combined franchise
  - Barclays Capital Market Making now the largest NYSE specialist Designated Market Maker by names and volume
- The final lens is regional, and you can see that combination has fundamentally changed the quantum and contribution of our US businesses
  - This is why we integrated quickly to capture the client franchise and its momentum. Client flows are now 40% from US business
- Our expanded franchise in the US is important for several reasons:
  - Americas accounts for highest portion of global IB revenues
  - US represents the largest capital market globally
- Want to put these numbers in context
  - Bear in mind that year on year growth figures in Barclays 2008 earnings presentation only included the partial contribution from the acquired Lehman businesses
- 2009 will be the first year that we see the full-year effect of increased business from the Lehman combination, as well as our overall increased capabilities.

- These volumes provide an indication of the growth we believe strong execution can deliver for the combined firm.
SLIDE – CONCLUSION

- It has been a painful period, and several things are clear
- First is that we are now operating in a new financial services sector
  - Competitive environment has changed
  - Regulatory environment in which we operate is changing
- Second is that we understand that there are lessons to be learned from our experiences during the financial crisis – most importantly the importance of return on balance sheet
- As I mentioned earlier, we have experienced our share of pain. But we will remain focused on managing our risks as we navigate through this crisis both in terms of managing our legacy assets, and making sensible risk adjusted decisions looking forward
- The markets will of course remain challenging, but revenue growth and return enhancement opportunities remain for those open for business
- And in Barclays Capital not only do we see opportunities from the shake-up in the competitive environment, but we are also operating as a larger combined business for the first time with deeper capabilities, a better footprint and a larger and growing client base
- All of this is reflected in the way our underlying businesses have begun 2009 – and we will continue to focus on execution as we manage risk, manage cost and stay close to our clients
- This will position us to deliver shareholder return in the market environments ahead for 2009 and 2010
- Thank you very much