Robert E Diamond Jr. and Jerry del Missier speak at the Barclays Capital Global Financial Services Conference in New York

Bob Diamond:

Jason, thank you very much for the introduction, but thank you even more for everything you do to put this incredibly excellent conference together. And also, welcome everyone. Please feel free, both Jerry and I are very comfortable that there's going to be food being eaten and people coming in and out. We're not fussed by it, so please continue.

It was a year ago yesterday when I walked through kind of that entryway out there to make the first presentation at last year's Lehman Brothers Financial Institutions Conference, so it just brought back a wash of memories as I walked through there. And this year, you know, the tradition continues with the Barclays Capital Financial Institutions Conference.

And the anniversary is bringing up a lot of thoughts in terms of what's happened in the last year. As Jason said, we had our first time that we got all of our partners in Barclays Capital together, the new integrated Barclays Capital, yesterday, and it was a great opportunity for me to talk to everyone together, post the integration and post the successful first six months; for Jerry and Rich to address the troops in terms of the going-forward strategy. We had our executive committee all give presentations. Benoit de Vitry, who is the Head of our commodities and our emerging markets business, laid out that plan. Eric Bommensath, who runs our fixed income businesses, laid out that plan. Ivan Ritossa, who runs our currency businesses and our prime businesses, laid out that plan. Jerry Donini, who has done such a great job of building our - of running the equities business when he was at Lehman and now building it here, running it and building it, laid out that plan. We had our client facing people - Guglielmo Sartori, Skip McGee and Robert Morris - lay out the client side of the business. And our CFO, Patrick Clackson, and our head of liquidity and risk, Iain Abrahams, talk about our balance sheet, our funding, all the things going on in the business, and it was, it was fantastic.

And what Jerry and I thought what would be interesting today is for me to tell you how I introduced the session yesterday when we actually had our partners sitting in the room, and what I talked about to them in terms of our strategy, in terms of what we stand for and how we operate going forward, and in terms of what it means to be part of the Barclays group. And then Jerry is going to give -put some real meat on the bone in terms of the BarCap execution and strategy.

So, being over lunch time, we thought that would be an interesting and maybe somewhat unorthodox - but I would love to share with you those thoughts. So we had that opportunity yesterday to have those people here, and what I reminded them is that one year ago tomorrow, when I had the opportunity, along with Bart McDade and Jerry, to walk on the seven different trading floors at Lehman Brothers on Tuesday the 16 and announce that Barclays was going to acquire the U.S. broker dealer of Lehman Brothers, it was emotional.

We talked to thousands of thousands of people on seven different trading floors, and then in the auditorium, where we connected to all the investment bankers and salespeople in all the offices around the country. And I can remember as if it were yesterday what I said. And there were two things that were important to me. And thing one was that -- and I'm addressing the people from Lehman Brothers who had just been through an incredibly emotional period of months and months, but particularly that weekend. And what I said if you could put the emotion behind for a second, Lehman needed to do a deal. Lehman needed to be a part of an integrated universal bank. Lehman needed the access to the global financial markets. And if that's true, then there isn't a better combination in the world than Barclays Capital and Lehman Brothers.

But the second thing I said -- and it was surprising, I think, to a lot of people, but the second thing I said is that actually Barclays Capital needed to do a deal. We recognized, when the turmoil began in the middle of '07, that this was going to be an opportunity for BarCap, which had done a great job but it was European, sub-scale in America, and it was focused on risk management and financing in a wonderful way, but a big gap in the cash equity and advisory businesses. And so this combination gave the combined Barclays Capital a position that -- Jerry has kind of coined this phrase, but it's really, really important to listen to it carefully: today there is no European, no non-U.S. institution stronger in the U.S. than Barclays Capital. And there are no U.S. institutions stronger outside the U.S. than Barclays Capital. And that's a very interesting and a very good position to be in.

And it's not just the strategy. If you look back to last year, you should recognize both the boldness of the decision and the execution of the decision. Because we have seen strategic moves all over in this industry and other industries, but it was really bold. Think back to that Tuesday. The week before, Fannie and Freddie had been virtually nationalized. Within a few hours of our decision, Merrill Lynch had been forced into Bank of America, and AIG had been rescued by the U.S. Government for billions and billions. And before we opened for business on Monday, both Goldman Sachs and Morgan Stanley had become bank holding companies.

Some people look at us today and say, “Hey, you got Lehman Brothers for a good price.” Well, I will remind everyone in this room that there wasn't another bank in the world, not Citi, not Goldman, not JP Morgan, not a Chinese bank, not a Korean bank, not an Indian bank, not a European bank, not a Middle Eastern bank; nobody made a phone call, no one had an inquiry, no one else had a bid.

So the boldness, the willingness to act was 100 percent a function of the fact that we had been thinking about this opportunity for quite a while, so even though we're in the midst of that turmoil, we still had the boldness to act.

And I think the other thing is the execution. Jason said this. If I tried to make a list of the successful integrations in investment banking it would be a very, very short list. This execution, from technology to brand to clients, was done in less than 100 days, and we opened on January 1 this year ready to march. And you have seen the results that we have already achieved this year. But it didn't end with that week. We executed that -- or the team executed it, I should say, because it was an incredible execution and integration, but they did it when, you know, going forward within a matter of weeks, Royal Bank of Scotland and Lloyds both were bailed out by the government in the U.K., and we agreed a capital plan that included 6 to 7 billion pounds in capital raising for Barclays, and our own decision internally, that it was time to sell our iShares business. We saw Wachovia, we saw WaMu, we saw a number of institutions across Europe begin to fail.

So, as Ben Bernanke was quoted as saying in the book that just came out, "In the Fed We Trust," this was the period of most stress and most risk ever in the financial markets and it was during that environment where this team executed a nearly flawless integration. And I think that's important for our partnership to feel good about and to understand as they go forward.

So what is important going forward? As Jerry will bring to life, strategically Barclays Capital is in a very strong position today. And we must get questions every day, who do we compete with? We don't care who the competition is. We can't do anything about who the competition is. What matters for the partners in Barclays Capital today is that we all agree with what we stand for.

And what we stand for is clients, and execution, and culture, and delivering as one firm. And if we can focus on those four things; that the clients are always at the very, very center of everything we do. It's how we allocate our time, and it's how we allocate our risk and our capital. Not to separate proprietary businesses, but to our client businesses. If we can stay focused on execution -- because I tell you what, our business model being an integrated universal bank and our strategy are not magic, and they're certainly not secret. What differentiates us from the other people with a similar business model and a similar strategy is not our strategy and it's not our business model, it's our execution. It's the ability to deliver on our promises. It's the ability to execute in a world where it's going to be even more important that we get the allocation of risk and the allocation of capital right day in and day out, and that we execute around people in the same way that we execute around risk and capital.

And it's around the culture. The partnership of Barclays Capital will perpetuate a culture that is based on putting clients at the center of what we do. It is based on focusing and execution, but mostly it's a meritocracy and behavior. How we behave matters. We really do have a no-jerk policy. And people that are outstanding at what they do, if they can't get along with their partners and can't act on a team, they have to leave. There are no excuses and there are no exceptions.

And lastly, it's about one firm. If you walked into my office any time in the last six months, you'd see that the white board of my office in big letters has right at the top, "One Firm." It's why Jerry has relocated after over a decade in London, and after 20 years in London I relocated to New York, because we're going to be sure to make -- we are going to make absolutely sure that we do everything we can to be here and make sure that we integrate two very, very strong cultures, but two different firms so that we operate as one firm and we deliver for our clients as one firm.

The third thing I talked to our partnership about -- and there are 940 partners in the new Barclays Capital -- is what it means to be a part of Barclays group. And this is particularly relevant, not for the legacy BarCap people because we have been a part of Barclays and we have known for a long time what a strength that is, but particularly for the Lehman people, this is new. And it's how we're operated. A very, very strong and supportive board of non-executive directors chaired by Marcus Agius, but a really strong and effective executive committee. John Varley is the Chief Executive, myself as the President, Frits Seegers is head of global retail and commercial banking and Chris Lucas is the CFO. That's how we operate: four people on the executive committee. Decision making is quick, it's fast, it's effective.

And if you really want to think about the Barclays group, as I said to our partnership, think about the environment we have been in, in the last two years, starting in kind of the summer of 2007, when it was clear that the markets were going to go somewhat haywire. We certainly underestimated how haywire, but we certainly knew something was amiss.

And look at the big decisions that the Barclays group has made: around the willingness to walk away from ABN AMRO, around the boldness to hold to the what we knew was right and acquire Lehman Brothers a year ago, around the decision on capital when the U.K. Government was bailing out Royal Bank of Scotland and Lloyds and would have loved to have given government funds to us, and we stuck to a private capital plan. We raised 6 to 7 billion pounds, primarily in the Middle East, probably the last big dollop of equity that was raised for five or six months.

Around the decision on the asset protection scheme, around the decision on the strategic positioning of the minority stake in BlackRock-BGI combination rather than have all of the regulatory issues of a full ownership of BGI. If we look at the decision making that's gone on at the Barclays group over the last two years, it gives our partners a real sense that we're part of a group that's very, very supportive and very effective of managing through the difficult market environment. I think it's not surprising that of all of our peer group, we have the best total shareholder return this year, and we're one of only two banks that has a higher share price today than a year ago tomorrow, or a year ago yesterday, when the Lehman -- when Lehman went into bankruptcy.

And then the last thing I talked about before handing over to Jerry was what I expect of the partnership. And what we expect of the partnership is very, very clear. We're really well positioned now.

We have integrated these two businesses together, and there's no one that has a stronger strategic position than, than we have now. The key is that we need a partnership that is engaged, that recognizes it's their job to help everyone in the organization to understand what we stand for around clients, around execution, around culture and around operating as one firm, and that each and every partner has a responsibility to perpetuate the culture that put us in this strong a position with our clients.

Anyway, thank you for listening to that. I thought it would be interesting to hear how we presented the opportunity to our clients, and now I'll hand over to Jerry.

Jerry del Missier:

Bob, thank you very much. Good afternoon. I'm going to cover three things today. First, how the Lehman acquisition has enabled us to become a leading player in the U.S. and strengthened our overall portfolio businesses; second, how we're going to build on that platform to create a top tier equity and M&A business in Europe and in Asia; and third, how these businesses are underpinned by a very clear focus on financial discipline and strong risk management.

Let me set some context first. For the last two years we have been operating in extremely challenging market conditions. But in many ways, this is the best business environment Barclays Capital has seen for a long time. Clients need us more than ever for help and advice, whether it's raising capital, risk management, balance sheet restructuring, or industry consolidation. Now, of course, it helped that we were very well positioned going into the downturn. We went into 2007 with four top-three 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 in 2007 onwards, we were able to manage volumes when many competitors weren't able to. And going into 2008, we saw significant growth in market share in the FICC businesses, because we were benefiting from the market dislocation.

But while successful, these businesses were sub-scale in the U.S. The opportunity that Lehman presented not only gave us scale, but a world-class platform upon which to build a global equity and M&A business. One year ago, when we announced the acquisition, we set ourselves the target of just 100 days to get the new business up and running in order to take full advantage of the market environment. We now have a fully integrated management team with an expanded executive committee reflecting the growth in the business. Skip McGee and Jerry Donini have joined from Lehman Brothers as heads of investment banking and of equities.

The integration was helped by the fact that the firms were actually a very good fit. Both organizations had a very client-centric orientation. Both had a strong commitment to flow businesses, and both believed in the power of research and technology. Now that the integration is complete, we have a very balanced business between the U.S. and Europe, and in the first half of this year client production was broadly similar in both regions.

Now, the next slide shows that top line revenue in the U.S. has nearly tripled from 1.6 billion pounds in the first half of 2008 to over 4.5 billion pounds in the first half of this year, most of which was driven by the FICC businesses. And if there's one thing that demonstrates the immediate power of the Lehman acquisition, it's the transformation of our credit business.

We now have critical mass in the U.S. for the first time. So, in the first half of this year we were market leaders in high-yield and high-grade credit trading, and in corporate bond trading our market share was 12 percent versus 4 percent in the same period last year. We now have a top-tier credit business. Our flow business, our client production have quadrupled, from the first half last year to the first half this year.

Now, Greenwich Associates provides the benchmark study by which we measure the performance of our businesses, and in its recent survey, Barclays Capital was ranked the number one fixed income house in the U.S. for overall market share, overall service quality and quality of sales, trading and research, and excellence in six sub-asset classes within fixed income.

Now, the success of our FICC businesses has come from our ability to grow regional businesses into global ones, and the Lehman acquisition gives us the ability to do the same 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 U.S. is critical for these businesses, because it represents almost half of the global revenue pool. Now that we have scale in these businesses, along with prime services, we have the opportunity to add an incremental 5 billion pounds of revenue per annum over the medium term. And they should also enhance return on capital, as they tend to be less capital intensive businesses. Together these three 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, including re-equitization and consolidation across a number of different industries.

Now, in the first half of this year, three-quarters of Barclays Capital's top line income has come from our FICC businesses. These are businesses that are already well-established in all major product areas and geographies. By comparison, our equities and M&A business still lack scale in Europe and Asia, and I'd like to explain how we're now going to set out building those businesses, starting with equities.

Now, pre-acquisition Barclays Capital had a successful niche equity derivatives operation in the U.S., which has been completely transformed by Lehman's market leading cash equities platform in research capability. Now, we wanted to get that business up and running as quickly as possible, so by the end of September, we had reestablished our research coverage, covering 975 stocks and mapped in all the systems to have functionality across all the core components of the cash business. All the Lehman products went through a Barclays Capital sign-off process covering credit risk, market risk and other controls. By the end of October, we had established links to all the U.S. exchanges, fully integrated the two teams and had targeted the top 200 clients as a priority, and we were trading with three-quarters of them by the end of that first month.

We also completed the acquisition of Bear Wagner, a market maker on the New York Stock Exchange in May, and this has made us the number one market maker on the NYSE with a market share of just over 30 percent. We are currently ranked number six in U.S. equity underwriting. We have 1,500 clients, five times more than what we originally had. And we're now trading with virtually all of the original Lehman client base. Our equity business is profitable, it's running ahead of budget, and it's accretive to return on capital.

And this rapid build-out of our U.S. equity platform has also allowed us to enhance our prime services business, which was previously fixed income and

Europe-led. We have been building both our infrastructure and our balances in stock lending, and our sales teams have grown by over 50 percent, which allows us to cover a wide group of both hedge funds and asset managers.

And if I turn now to origination and advisory, pre-acquisition we had a U.S. investment banking client base of about 500. Post-acquisition that's tripled, to about 1,500, and we're now able to offer a full range of services, adding equities and M&A to our traditional debt and risk management offering. This allows us to be one of the key relationships. And though the M&A market was quiet in the first half of this year, we had a share of about 20 percent, placing us in the top six. Some of the transactions we worked on include the largest M&A deal of the year, Pfizer's acquisition of Wyeth as well as Wal-Mart, CV Therapeutics and IndyMac Bank Corp. Now, on any one of these transactions Barclays Capital could have won the risk management mandate and Lehman could have won on advisory. But neither could have captured the full breadth of business that's available to the combined firm.

The build-out of our integrated investment banking business has also helped our traditional franchises. In the last year, we have moved from number 11 to 4th in U.S. investment grade debt underwriting, for example. And we have been involved in over 50 percent of all U.S. investment grade debt issuance this year, including the six largest deals.

So, Lehman has transformed our business in the U.S. 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 three years, and we'll do this in the same way we have grown businesses in the past, on a pay-as-you-go basis, leading with content first, establishing strong research coverage, building a scaleable technology platform, hiring the very best talent and drawing on the strength of existing Barclays Capital relationships. Establishing a top tier European equity and M&A business is a logical extension of bringing together a world-class capability that we have in the U.S. 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 of last year we have hired over 600 people in Europe and Asia, and the build-out will largely be completed by the end of this year. Our European business in equities goes live in November and in Japan in January of 2010. Now, we also believe there will be continued significant opportunities for synergies with the rest of the Barclays group. Working with Barclays Wealth, for example, to distribute equity offerings, and coordinating our entry strategy in new markets with global retail and commercial banking in a way that we have done with Absa Capital.

Now, in order to successfully and sustainably build businesses, we 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 two years has been that managing to a broad set of measures and limits is critical, and we assess and set limits on risk appetite at a firm-wide level. We look at market, credit and operational risk with a broad range of metrics as well as profitability. And these include impact on capital, balance sheet and liquidity, as well as return profiles in all of 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 peer review. So, for example, every business has to review its three-year rolling business plan twice a year with the most senior management of the firm at the executive committee. That includes a review of origination and distribution, so that we look at the plan from both a client side and by product area. To monitor risk taken onto the books, each deal goes through either a capital commitment group, if it's a private deal, or a transaction review for significant public deals. And the senior business head has to be held accountable by representatives from compliance, legal, credit risk and market risk, as well as a range of other business heads to have no vested interest in the deal. This approach is institutionalized across all of our businesses and geographies. And to be clear, our FICC businesses today use less risk-weighted assets, less DVaR, and less balance sheet than they did in 2008, and they also operate with a lower cost income ratio.

So in summary, we're operating in a strong environment. We're seeing increased client demand in the areas that we have been focusing on, and we're continuing to benefit from industry consolidation which gives us an immediate competitive advantage. The Lehman acquisition has not only transformed our -- the scale and strength of our business in the U.S., it's given us a platform to build top tier global businesses in equities and M&A, and it's created a very significant barrier to entry. Against that backdrop, we believe that we can achieve over time our stated goal of an average return on equity between 15 and 20 percent over the cycle.

Thank you very much