BARCLAYS

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Nomura Financial Services Conference
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1. Good morning

    I'd like to thank Nomura for the opportunity to speak this morning and all of you for attending.

2. We have reported strong year on year profit growth in H1 2010,

    resulting from a substantial improvement in impairment,

    combined with resilient income growth despite relatively subdued market conditions.

    We've generated higher returns, both on an increased equity base and on risk weighted assets.

    We've managed capital tightly, leverage was stable, and we further strengthened our liquidity position

    while continuing to support customers

    as we extended £18 billion of gross new lending in the UK.

3. Turning to the headlines for the group, profit before tax was £3.9 billion, up 44% on the first half last year.

4. Taking into account the impact of:

    own credit,

    gains on acquisitions and disposals,

    and gains on debt buy backs,

adjusted profit before tax was £3 billion, an increase of 22%.

5. Income was 8% higher at £16.6 billion

    Adjusting for own credit and debt buybacks to give a sense of the underlying performance,

    income increased 5% year on year

    and 7% relative to the second half of 2009.

6. Impairment of £3.1 billion improved by 32% year on year,

    or 12% compared to the second half of last year.

7. Improved impairment resulted in strong growth in net income of 25% to £13.5 billion

8. Costs grew to £9.7 billion reflecting the continued build out of our business, and the cost income ratio was 59%.

    I'll talk more about this later.

9. Return on equity was 9.8%,

    on tangible equity it was 12%,

    and return on risk weighted assets was 1.5%.

    Earnings per share grew 27% to 20.9 pence

    and we announced a second interim dividend of 1 pence for the quarter

    bringing the dividend for the first half to 2 pence.

10. As the regulatory outlook becomes clearer, and provided that the economic environment does not worsen, I would expect our pay-out ratio to increase over time, though not to the 50% or so dividend distribution at which our policy operated before the onset of the credit crisis

11. Moving from Group figures, I would like now to spend sometime reviewing our businesses in turn starting with Global Retail Banking - GRB

12. While income of £5.1 billion was broadly stable, profits increased 7% to £901 million.

13. Profits at UK Retail Banking grew 61% to £504 million

    This included a net gain of 85 million on the acquisition of Standard Life Bank and a 72 million net pension benefit.

14. Loans to customers were up 11% to just under £114 billion driven by growth in the UK mortgage book including Standard Life Bank.

    Gross new mortgage lending amounted to £8.5 billion,

    resulting in net new lending of £3.3 billion.

    The average loan to value of the existing mortgage book was 42% on a current valuation basis.

    On new lending the average loan to value was 51%,

    so we're growing market share with a conservative risk profile.

15. Customer deposits grew 10% to £106 billion

    Two thirds of this increase was Standard Life Bank.

16. Our loan to deposit ratio in UK Retail Banking at the end of June was 107%.

17. At Barclaycard, income was down 3% to £1.96 billion.

    Most of this reduction was the impact of the US Credit Card Act

    which had a significant effect on all US card issuers.

    We've made adjustments to our business in order to mitigate the impact of this.

18. Impairment charges decreased by 3% year on year

    and were broadly flat on the second half.

Delinquency trends in our largest books, UK and US consumer cards,

have improved compared to the second half.

19. Expenses grew 6% reflecting an increase in staff related costs

    and investment in marketing, including the launch of Barclaycard Freedom

20. Taken together, this resulted in profits decreasing by 15% to £317 million.

21. In challenging market conditions, Western Europe Retail Banking delivered profits of £10 million.

    This included a gain of £29 million from the acquisition of an Italian cards business from Citigroup.

22. Income decreased 12% reflecting a higher cost of deposits.

23. Impairment improved 10% year on year and 30% since the second half.

    Just to remind you, our retail mortgage book in Spain has an average loan to value of 56% on current valuations.

24. Costs increased 12% to £495 million

    This was largely due to the acquisition of two new card businesses in Italy and Portugal,

    as well as the addition of 60 new distribution points

    as we continue to build scale in those markets.

25. Our loan to deposit ratio has improved as deposits grew 35% year on year, compared to asset growth of 11%.

26. We're working to improve profitability and achieve a more balanced funding profile in Western Europe.

27. At Barclays Africa, profits increased 8% to £70 million

driven by strong income growth of 10%

and a 24% improvement in impairment.

Expenses grew 12% to £285 million as a result of increased investment in infrastructure and higher staff costs.

28. Moving on now to Corporate and Investment Banking, and Barclays Wealth…

29. I'll start with Barclays Capital where profit before tax, excluding the impact of own credit, grew 31% to £2.5 billion.

30. Top line income before write downs and own credit was £7.1 billion which is 32% down year on year,

reflecting the extraordinary market conditions during the first half last year.

On a quarterly basis, top line income was only 15% lower in the second quarter this year than the first.

31. Total income increased 30% to £7.9 billion.

Taking into account:

a reduction in credit market losses of £3.4 billion,

gains on own credit of £851 million,

and a £1.6 billion decrease in credit market and other impairment,

net income grew 80% to £7.6 billion.

32. This slide shows income trends on a quarterly basis.

You can see a healthy progression in total and net income across the last four quarters.

giving an indication of the real operating leverage in the business

as credit market write-downs and impairment levels reduce.

33. Looking at top line income by business line…

34. The reduction in Fixed Income, Currency and Commodities in the second quarter was a good performance given lower levels of activity across the industry.

35. Investment Banking was also impacted by lower levels of advisory activity.

36. Equities and Prime Services saw top line income growth in the second quarter

    even though the environment was subdued,

    reflecting the build out of our cash equities business.

37. We're pleased with this overall performance and the trends relative to the market which reflect the strength of our client franchise.

38. Our continued focus on risk management underpins our business and shows the benefit of the client driven strategy for trading activities in BarCap that you hear us talk a lot about

    The pattern of daily trading revenue at BarCap is an important market risk indicator.

    Recently, we had a right handed distribution of profit were the majority of business days were positive with only a few loss days

    The first half of this year has been trending similarly with a slightly flatter distribution, but a continued high concentration of profitable days

    The figures are a tangible illustration of the diversity of BarCap's income across asset classes, regions and clients where we had 6 trading businesses generating over £500m in H1 income

39. Barclays Corporate reported a loss before tax of £377 million.

    Profit growth of 3% to £379 million in the UK and Ireland

    was more than offset by losses which were driven mainly by

    higher impairment in Continental Europe

and restructuring charges in New Markets.

40. Income decreased 14% to £1.4 billion due to:

    the non recurrence of an £83 million gain on debt buy backs in the first half last year,

    increased funding costs,

    and reduced risk appetite outside the UK.

41. Operating costs grew 8% or £61 million, which was more than accounted for by restructuring costs of £93 million in New Markets.

42. Impairment charges increased 32% to £949 million.

    There was an increase in Spain of £433 million

    largely driven by increased severity assumptions for the property and construction sector.

    This was partly offset by a significantly improved performance in the UK and Ireland and New Markets

    where the impairment charge reduced by £212 million as default rates and insolvencies decreased.

43. Deposits grew 18% in the first half to more than £68 billion, with most of the growth in the UK.

    Lending fell reflecting general market trends.

    This resulted in a loan to deposit ratio of 119%

    which is a very significant improvement from 150% a year ago.

44. We are focusing these businesses on the most attractive customer segments, product areas and locations, in order to deliver a return to profitability.

45. At Barclays Wealth, profit before tax increased 27% to £95 million.

46. Income grew 22% and costs 20%.

Cost growth included £33 million as we started our strategic investment programme.

We expect to invest a further £80 million in the second half.

47. Absa Group announced an 18% increase in profits to 5.6 billion rand for first half.

48. Absa Capital, Absa Cards and Absa Wealth are reported within their respective segments in the Barclays Group.

49. At Absa, profits increased 23% in sterling,

helped in part by strengthening of the Rand during the first half.

50. Income and costs increased 14% and 19% respectively,

and impairment charges improved by 4% to £282 million.

51. At this point in the economic cycle, and given its impact on our financial performance, I would like to spend some time looking in a bit more detail at impairment

Overall, impairment is down 32% from the first half of last year.

Most business areas have had reductions in impairment, with wholesale dropping sharply, and retail declining more gradually.

There has been a significant reduction in impairment at BarCap, while BarCorp international is the only area to have seen an increase, with a £433m increase in Spain

We maintain or guidance for the full year of a 15 to 20% reduction in impairment relative to 2009.

52. I said earlier that I'd talk in more detail about operating expenses:

This slide shows a breakdown of cost growth across the Group.

53. About two thirds of investment cost growth relates to the build out in Barclays Capital and Barclays Wealth

The balance includes restructuring costs in Barclays Corporate as well as acquisitions in GRB.

54. Performance cost growth reflects

levels of profitability,

and a £270 million increase in deferrals of prior year compensation.

It also includes long term incentive plans which are subject to performance hurdles.

55. The growth in regulatory costs includes a one off provision of just under £200 million

in relation to a review of compliance with US economic sanctions

as well as £51 million of bank payroll tax.

56. Moving on to capital,

at the end of June our Core Tier One ratio was 10%

and our Tier 1 ratio was 13.2%.

57. This slide shows the development of Core Tier 1 capital during the first half

with positive movements resulting from our continuing profitability and the exercise of warrants

offset by negative movements including a fall in the BlackRock share price.

58. Turning to the balance sheet,

adjusted gross leverage was stable at 20 times.

59. We've been operating in a range of 20 to 24 times over the last 6 months with some ebb and flow depending on overall activity levels.

We intend to run leverage within this range going forward.

We've achieved this at the same time as increasing the size of our liquidity pool to £160 billion,

which is more than 15% of our adjusted tangible assets.

We believe this is sufficient, pending the outcome of new regulation.

60. Before closing with a few comments on our ongoing strategic priorities, I'd like to make some comments about our liquidity and funding position.

61. Firstly, our model of self-funding in retail and commercial banking and wealth management continues to be a focus for us.

We've increased average deposit balances by 16% year on year,

compared to 5% growth in average assets,

and our group loan to deposit ratio has improved from 130 to 124%, as a consequence.

62. Secondly, we've continued to benefit from strong name recognition in wholesale markets, which is evident in our relative cost of funding.

63. Thirdly, we've raised £15 billion of wholesale funding during the first half,

which is more than enough to address financing maturing in the whole of 2010.

Our maturities for the next two years are well within our recent funding capability.

And you will have seen that we have issued in AUD and JPY in the last week or so.

64. I will finish my presentation with a brief summary of our strategic priorities – which remains clear despite regulatory uncertainty

We remain focused on continuing to increase the growth prospects of Barclays by diversifying our business and geographical footprint

We want to capitalise on the position of Barclays Capital in the post-crisis investment banking industry by building out our equities and M&A platforms, and by maintaining cost flexibility

We are executing our Gamma plan in Barclays Wealth, which a view to transforming the scale of this business

We are in the middle of developing the international arm of Barclays Corporate, and building strong links with Barclays Capital to support international expansion.

We seek to deliver against our four objectives for Global Retail Banking:

- Strong profit growth
- An improved loan-to-deposit ratio
- Depth, not breadth, by business line
- And generation of net equity

65. So to close, while the economic and regulatory outlook remains uncertain

we continue to manage the group with a focus on our strong customer relationships and risk management.

This has enabled us to generate higher returns, despite increased shareholder funds,

while maintaining strong levels of capital and liquidity

which positions us very well in the current environment.

66. Thank you very much – I will take some questions now