BARCLAYS

14 September 2010

BARCLAYCARD US INVESTOR MEETING SPEECH

Amer Sajed, CEO Barclaycard US

- Thank you and good evening
- During the next 20 minutes, I'd like to talk to you about Barclays, Barclaycard and our strategy going forward
- First, let me set the context by illustrating how Barclaycard fits within Barclays
- And talk a little about the strong growth we have achieved in recent years
- Barclays is a large global universal bank that earned £5.3bn PBT in 2009 -- $8.1bn U.S. The business is made up of retail, corporate, investment bank and wealth management businesses. Last year the retail businesses accounted for 34% or £1.8bn of total PBT.
- Barclaycard is one of the four businesses that make up the Global Retail Banking unit – headed up by Antony Jenkins. In GRB, you'll find our businesses that provide financial services to consumers such as deposits, debit cards and lending in the UK, Western Europe and Barclays Africa.
- Last year, Barclaycard represented 40% of GRB's profits.
- Barclaycard has provided a solid record of growth for GRB. You can see that our receivables have grown at a compound annual rate of 17% from £17.5bn in 2006 to £28.1bn in 2009.

- At the same time, we have delivered a strong record of profit growth increasing from £522 million in 2006 to £727 million last year.

- The net result is that Barclaycard has delivered 12% compound annual profit growth in the last three years.

- When you take into account the economic conditions of recent years, that is a significant achievement and a real contribution for our Global Retail Banking unit.

- We have accomplished this through a combination of sound organic and inorganic growth.

- In the UK we successfully integrated the Goldfish portfolio which we acquired in 2008.

- In the US, growth has been achieved through a partnership model which I will cover in more detail shortly.

- At the core of our success has been the ability to deliver year on year performance while still investing for the future and we intend to continue this approach as we move forward.

- Another key factor has been the diversity of our business model.

- Barclaycard has grown and diversified over time beyond the UK to become a broad based, international payments business.

- More than half our 2009 income came from outside our UK consumer credit card business – that happens to be the business I ran until earlier this year before coming to the US.

- Our international income is driven by our businesses in the US, Germany and South Africa,

    - And, we also have a joint venture with Swedbank in Scandinavia – called Entercard

- Income from non-consumer credit cards was driven by four different businesses:

    - Our merchant acquiring business, called Payment Acceptance, provides retailers and other merchants the ability to accept card payments at point of sale and on-line;

    - Commercial Payments, provides corporate, travel and procurement cards to UK businesses and government agencies;

    - Barclays Partner Finance, provides point of sale finance products; and,

    - Secured Lending, which includes a product called Firstplus.

- This model has been very important during the turmoil of recent years

- It provides diversification:

    - across geographies and economies

    - across income streams,

    - and across consumer and commercial customers.

- It is this model and our track record for execution that underpins the confidence we have in our plans for the future

- Looking forward, Barclaycard has three key growth priorities:

  - First, we intend to build on our already strong position in each of our existing markets

    - We've been making good progress against our ambition to increase earnings outside the UK

    - In 2006 our non-UK income was 19%

    - By the end of this year it will be closer to 40%

    - and just over half our customers are now outside the UK.

  - Second, we will continue to diversify our product set beyond consumer credit cards

    - Some examples here include our Payment Acceptance and Commercial Payment businesses.

    - We are already well placed in the UK and South Africa

    - but there are still strong opportunities for growth.

  - Our third growth priority is to be a leader in payment innovation

    - It is clear that the payments landscape is changing at a rapid pace.

    - We intend to keep ahead of these trends, and continue Barclaycard's tradition of being a market mover

    - For example, in the US, we are getting deeper into mobile payments by partnering with key players in a program we will announce later this year

    - This growth will of course be underpinned by rigorous on-going risk and cost management

- And woven throughout is our focus on Lives Made Much Easier – our business vision launched by Antony Jenkins earlier this year.

- I'd like to spend some time exploring the first of these growth priorities in more detail – 'leading positions in existing markets'. When you look at the markets in which we operate today you can see we have demonstrated the ability:

  - to swiftly establish scale and market share,

  - and to build on that platform over time

- We have also been able to share our deep product knowledge and capabilities cross-border, as we do with

  - our joint venture in Scandinavia,

  - with Absa Card in South Africa,

  - and across Barclays Group businesses in our African markets of Kenya, Botswana and Egypt and in our Western European markets of Spain and in Portugal and Italy where we recently purchased existing card portfolios.

- In UK consumer credit cards we are a top 3 issuer and we have been one of the market leaders for four decades

- It took us just four years to become the #2 consumer credit card issuer in Scandinavia through our joint venture with Swedbank

- and it is a similar picture in the US, the business I now run.

- Some of you will remember that Barclaycard acquired Juniper Financial here in the U.S. in 2004,

- a small boutique player with $1.4bn of receivables and a No. 18 market position.

- 5 years later in 2009, we had grown to a No. 9 position with receivables of $11bn.

- This has been achieved by both acquiring and establishing new partner-branded card portfolios

- Our primary business model in the US is to issue partner-branded credit cards to major US companies including;

    - Barnes & Noble,

    - L.L.Bean,

    - Apple, and,

    - US Airways

- These partner-branded cards have attractive characteristics:

    - They have very loyal customers who accumulate rewards that they can use at their favorite merchants;

    - Over one third of these customers pay an annual fee;

    - Spend per active account is 7x higher than for our non-partner cards;

    - both delinquencies and credit losses are about half;

    - And, partners provide us with direct, meaningful access to their customers.

- We are competing and winning against the big card issuers in the U.S. for these partnerships

- Just this month we launched a partnership program with the National Football League and its 32 teams providing credit cards for NFL fans which were previously issued by Bank of America.

- We estimate that $80 billion in partnership portfolios will come up for renewal over the next 5 years

- So there is still plenty of future opportunity.

- For us, we will leverage our competitive advantage in the partner card space which is our deep understanding of reward cards and how to maximize the partner's marketing channels

- No conversation about the U.S. card market in 2010 is complete without discussing new industry regulations.

- So what is the impact of the Credit CARD Act on our US business?

- Just like every other US credit card issuer, income has been affected

- During our first quarter trading update, we cited a reduction in income of about $50 million - in line with our expectations

- And, we have been able to put in place actions to mitigate the vast majority of these impacts through a relentless focus on balance build, usage stimulation and retention

- The CARD Act and current economic conditions are driving consumers to consolidate their payment accounts. According to Synovate, the number of general purpose cards owned by a U.S. household began to decline in 2009 – for the first time since the early 2000s.

- We believe the partnership model, with its central value proposition linked to directly to a preferred travel entity, retailer or other provider -- gives our cards the advantage to be top of wallet

- In summary on the US business…

  - We have made strong progress in the US

  - We are seeing positive signs of economic recovery

  - and we are confident in our ability to continue building scale

- I've talked about our global business and US partnership model

- I now want to describe the strong risk management which underpins our business model

- Successful management of impairment has been a key factor in driving sustainable growth in recent years

- so let me spend some time showing you what we have achieved – starting with the UK

- This data comes from a weighted average of securitised portfolios

- It shows very clearly that when we look at charge-off rates,

- We have outperformed our key competitors throughout the past two years

- And the picture is similar in the US

- This data is from the Visa benchmark study with 6 of the top 7 US issuers in the peer group

- Again it shows us outperforming our peers

- We expect unemployment levels to decline modestly in the UK, Europe and the US

- Typically there is a lag between movement in unemployment and charge-offs

- of six to nine month in the US

- and nine to twelve months in the UK.

- Let's look at two key indicators of impairment - our 30 and 90 day delinquency rates.

- You will see that in both markets, they are stabilized or improving.

- We have achieved this performance through rigorous analysis and an excellent predictive capability.

- This is a core strength for us and we are able to leverage our specialized risk management center, right here in New York, to support other businesses in GRB.

- The balance between controlling costs effectively and investing in the future is core to our success at GRB

- Over the past three years we improved our cost income ratio and delivered positive jaws through:

    - strong income growth - both organic and inorganic

    - and tight cost management achieved which includes sharing resources with other GRB businesses for instance in India through Barclays Shared Services

- This has enabled us to continue investing in areas for future growth.

- Our investment in long and short term initiatives as a percentage of income has increased by 120 basis points since 2006.

- To have stood still or simply reduce costs would have been short sighted.

- In summary, Barclaycard has a strong and diversified business model

- with a track record of delivering year on year performance

- while still investing in the future.

- We will deliver strong profit growth by continuing to:

    - grow scale in our existing markets – with a focus on international,

    - diversify our product set, customers and income beyond consumer credit,

    - and lead in payment innovation.

- Thank you for your time tonight. I'd be happy to take your questions.