

**Bank of America Merrill Lynch Conference Speech
Robert Diamond**

- Good morning

It's a great pleasure to be here this morning

and I'd like to thank our hosts, Bank of America Merrill Lynch for the opportunity to talk to you today.

I've just come from New York where I spent some time last week at the Clinton Global Initiative meeting

and I was struck by two things that President Bill Clinton said.

- The first thing was that this is a time for fact based analysis rather than emotion or rhetoric – said in the context of elections looming in the US.

The second was that this is a time for governments to work together much more closely with the private sector

and both of those strike me as important themes for all of us in the financial services industry today

because as we think about the future of banks and the role we want them to play in society

we need to make decisions based on serious analysis

and we need to consider how banks can help governments work with the private sector to tackle some of the economic issues we face today.

- It's with those thoughts in mind that I'm going to start today by sharing some views on the environment in which we operate

including the economic and market context,

the direction of regulatory reform,

as well as some high level trends we see playing out in the financial sector.

- Then I'm going to focus on Barclays specifically and how we're responding to that environment.

- This conference comes at a pivotal moment.

- At the start of the year there was strong economic recovery partly as a result of enormous fiscal and monetary stimulus from governments around the world

but just as that recovery was taking hold fiscal challenges took over,

especially in Southern Europe and Ireland.

- Momentum has slowed but we've managed the immediate impact of those challenges without slipping back into recession

and we're still seeing economic growth

we've revised our US GDP forecast for the next few quarters down to 2.5-3%, for example

but we believe the chances of a double dip recession are remote.

- The situation was helped by the European Union stepping in to help some member nations fund themselves.

Other countries, including the UK and US,

increased their focus on deficit reduction.

Government budget deficits are so large now in many developed countries

it's clear that government spending can not be a long-term driver of economic growth.

The problem is too great to be solved by increasing taxes

so it has to be managed by a reduction in public spending.

And that places a tremendous onus on the private sector to drive growth

and mitigate the impact of a shrinking public sector.

- There's good reason to be optimistic that the private sector can pick up the growth mantle.
- Within the largest US Corporates there's been tremendous de-leveraging and strengthening of balance sheets.

This slide looks at the balance sheets of non-financial corporates in the US

where cash and cash equivalents have increased over 80% since the end of 2008.

Cumulatively, US corporates now have \$1trillion on their balance sheets

In other words, the corporate sector has cash to invest

which suggests the private sector is well positioned to drive economic recovery

- Households are also in a much stronger position as household savings ratios have bounced back from historic lows

This has been particularly significant in the US

and even more so the UK

where the savings rate actually turned negative during the crisis

- Increased savings and a rebound in the value of assets such as securities and real estate has driven a significant increase in household net worth in the last 18 months

In late 2008 – at the height of the crisis – aggregate US household net worth fell by about 10% quarter on quarter

mainly due to collapsing asset values.

Since the second quarter of 2009, it's steadily increased back to mid 2005 levels

- So the potential for private sector led growth is there

and consumers are also in much better shape.

- But there's also a key role for banks to play in supporting future economic growth

we can help governments stimulate private sector growth as they make public spending cuts if the conditions are right

For the private sector to drive recovery, it has to have access to the funding it needs,

It has to be able to manage its risks,

and it has to be able to carry out business across borders,

So as new regulation's being formulated we have to evaluate it through the lens

of delivering a safe and sound financial system

combined with job creation and economic growth.

- Barclays supports the vast majority of reform measures adopted or proposed in the US, the UK and Europe.

Strong banks benefit from strong regulation.

- But it's critical that reform is carefully calibrated to ensure that the aggregate impact

across capital, liquidity and derivatives,

as well as recovery and resolution planning,

supports the broader aim

That is for banks to support clients – and ultimately governments -

foster sustainable economic growth

- I'm confident that we'll get to the right place as we discuss these issues

because it comes down to what clients need

and measures that unduly inhibit our ability to support clients as they invest in their businesses

will negatively impact economic recovery, employment and of course the tax base

- Nevertheless we're not complacent

we're very aware that we're operating in a changing environment

that we need to explain what banks do much more effectively to a sceptical public

and that regulation will drive further change.

- The first consequence for example is a much greater focus on returns.

Both debt and equity funding markets will be more challenging

funding will be more scarce and probably more expensive

as banks focus on generating adequate returns on higher levels of retained capital.

- Clearly this presents a whole new challenge in how we serve our customers and clients.

Whether they're large corporations or retail customers seeking a mortgage

they'll be looking for access to cost-effective funding.

- The best way to serve these customers and give them access to the funding they need

is to forge deeper and stronger relationships.

The most important factor in selecting a bank will be the ability to create a relationship;

Customers' decisions will be relationship led, not transaction or price led.

- In a world with more demands on capital, where clients and customers develop fewer but deeper banking relationships,

the most successful banks will be those that can successfully serve clients across all their needs

through a wide range of distribution channels.

They'll be able to generate more revenues and better returns on capital committed to support those clients

In this world there'll be a growing divergence between winners and losers.

- So regulatory change will favour business models that are client and customer focused

But it's not just about placing clients at the heart of the business

it's about being able to respond to their needs - in two different ways.

- Simple straightforward transactions need fast cost effective execution delivered through excellent technology

That means scale,

a global technology and operating platform,
and high quality execution.

Think about what the BARX platform has done for
Barclays Capital

- Then there's demand for sophisticated institutional quality solutions

not just from multi-nationals,

but from mid-size corporates,

as well as individual savers and investors

who now expect global exposure across a wide range of
asset classes.

And for that you need a full range of businesses that are
truly integrated,

there's no place for geographic or product silos.

- So the industry will be shaped by a demand for returns

and a focus on client centric business

but global growth trends will also be a vital factor

- The US today remains the dominant single market banking profit pool in the world,

but emerging markets are growing faster and achieving
real scale

Asia, and China in particular, led us out of the recession

and markets such as China, India, Africa and Brazil

will be key drivers of global economic growth in years to come

Banking revenues follow economic activity so it's no surprise that emerging markets revenue pools are expected to grow faster than developed markets.

- So let me talk now about how Barclays is responding to these trends

and why we think we'll benefit from this environment.

- Barclays has already made big changes since the beginning of the financial crisis
- This slide highlights the dramatic improvement in Barclays position

Since 2007, our core tier one capital ratio has strengthened from 4.7% to 10%

and our adjusted gross leverage has been reduced from the low 30s to 20x

In the same period, we've increased our liquidity buffer over 8x from £19bn to £160bn

the various stress tests Barclays has undergone show that the firm now has a far greater capacity to withstand a systemic shock.

In fact, in the recent stress tests by the Committee of European Banking Supervisors

Barclays was ranked among the most robust of all major European Banks

- Of course we have a lot of work to do to adapt to the new Basel framework

but from what we know and can see today,

we believe we have enough equity capital

and it is not our objective to turn to our shareholders for more.

- I know you are focussed on how our risk weighted assets will change under the new rules

It is hard to be precise or definitive, but we have already disclosed that the market risk impact on our RWAs could add £60bn, and we think the total impact of all the measures announced, including this market risk impact, could be 2.5 times that number before any management actions

- These measures, which are designed to make banks more stable,

will of course impact our ability to generate returns

In the first half we generated returns on equity of almost 10%, just below our cost of equity

- It's early days as we work through the implications of Basel III and our return profile is a major priority.

Chris and I are chairing a regular meeting with our most senior executives to review returns at a micro level across our all of our businesses and all of our products,

this is a fundamental input into our planning cycle

and is part of our performance metrics and incentivisation across the group

- Barclays is taking this seriously,

and our track record of delivering an average 18% return on tangible equity over the last 30 years,

gives us confidence we will be able to plot a path to generate acceptable returns to our shareholders going forwards.

- I said that successful banks will be those that are able to serve clients across all their needs through a wide range of distribution channels.

That's just what we're doing across the Group at Barclays.

- Global Retail Banking outlined their strategy earlier this year to redefine the customer experience- Lives Made Much Easier

through investment in distribution channels, products and technology.

Half our branches in the UK have been transformed in the last 3 years, for example,

and we've invested in leading technology

such as Barclays.mobi, which offers internet banking via mobile phones,

or contactless payments which allow you to pay for a coffee by swiping your card.

We're the market leader in this technology – with 25,000 contactless terminals in the UK

which delivered a 14% increase in transactions in the last year.

- And we're seeing clients respond to this investment:

UK Retail Banking has moved to the top of the major banking groups

in the National Customer Satisfaction Index.

- It's a similar story at Barclays Wealth where we're investing in technology and people in order to transform the customer experience.

- A global technology platform for Barclays Wealth

enables us not just to design, manage, trade, execute, and settle institutional calibre products and solutions on behalf of individual customers .

It also allows us to do it fast and efficiently,

with low risk of error,

reduced cost to serve,

and higher productivity.

- So we're investing in technology platforms to serve clients quickly and effectively.

We're also putting our best people in to run operations and technology to improve customer service.

Let me give you an example – Barclays Corporate has reduced customer complaints by over 50% since mid 2009

by listening to customers, finding out what caused them problems,

and then adjusting straight through processing to meet client needs.

- And if I look at Barclays Capital our position in various market rankings is evidence of our ability to deliver world class service to clients globally.

Unsurprisingly we're Number 1 in Global Debt and International Bonds issuance

Number 2 in US Debt

and Number 3 in Global Foreign Exchange

- M&A is a capability we added just two years ago and we've already significantly improved our position

we were the #2 player in M&A that completed during the first half in the US

and globally we were #4.

This includes some of the most notable transactions of the year:

For example, we're advising CenturyLink on its \$22.4bn acquisition of Qwest Communications,

Resolution on its £2.75bn acquisition of AXA's UK Life Business

and SAP on its \$5.8bn acquisition of Sybase where we also led the financing

- I want to conclude by talking about why we're well positioned given the global growth trends I talked about earlier.

The US is still the largest single banking market in the world

but the pace of growth in Emerging Markets is such that by 2012 they will rival the US in size.

- As we went into 2008 we knew that challenging market conditions could present opportunities to transform our business

The Lehman acquisition has done just that

It's transformed the scale of Barclays Capital in the US

as well as given us a platform from which to build out equities and M&A in Asia.

Year-to-date, M&A is up 10% over the same period last year

the market will improve further as the economy recovers

and as the cash that companies have built up is deployed.

Emerging markets will play an increasingly important role in that activity

as they become a more significant proportion of global economic activity and growth.

- There is a similar story in Equity Capital markets

we're bookrunner on HCA's \$4.6bn IPO

which is currently the largest IPO in the US backlog

as well as on Resolution's £2bn rights issue here in the UK.

We launched our cash equities business at the end of last year in London

and we're already the #3 market maker.

We have a great platform now from which to build our client franchise in Asia

- Our plans for Barclays Wealth follow a similar pattern.

The first phase of the Gamma Plan is to build out in the US

and from there extend the business in Asia.

Five years from now Barclays Wealth will be a much larger part of the Group

- But maybe the most exciting opportunity for Barclays is in Africa

In the last decade GDP in Africa has grown at almost 5% compound annually,

more than twice the rate of the developed world.

Its collective GDP of \$1.6 trillion equals that of Brazil and Russia

and consumer spending is growing at more than twice the rate of that in OECD countries.

- Absa gives us a leading franchise in South Africa

and a significant head-start on competitors

who are now looking to build scale in this region.

More importantly, the combination of Absa with Barclays Africa

which has a Top 3 position in 8 of its 10 African markets

gives us a unique footprint in the third fastest growing region in the world.

- So as I think about why Barclays will benefit from the trends I've talked about this morning it comes down to three things:

- We have the right business model:

as an integrated universal bank we can draw on a wide range of capabilities across the group

to serve clients across all their needs.

- We have the right culture – operating as one firm

and our model, combined with a one firm culture, is the best way of generating shareholder returns over time.

- We have the right strategy

with a focus on customers, as well as the largest and fastest growing markets

and with growth focussed on our customer led, low capital, and high return businesses in retail, Wealth, advisory and equities

positioning us to continue to deliver returns to shareholders over time,

as we have across the last 30 years.

- And we have a focus on outstanding execution.

When I look forward to my new role as Chief Executive I recognise that my number 1 priority is all about execution and delivering on our promises

- We'll continue to do that in the context of ongoing debate and discussion about the future of banks

which we look forward to engaging on

because as Bill Clinton said last week, these are serious times and serious topics

it's important that decisions are made on the basis of fact based analysis

and it's important that banks play a role,

both in establishing a safe and sound financial system,

and in helping governments work closely with the private sector to generate economic growth and job creation.

- Thanks very much – happy to take your questions