BARCLAYS

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Good morning and thank you for being here.

I would like to thank Goldman Sachs for inviting Barclays to speak today at its European Financials Confernece.

[Slide: Our Strategy remains unchanged]

We continue to believe that the Universal Banking model is the best one for all of our stakeholders.

It's the model that's enabled us to build a bank

that's diversified by business, by geography, by customer and by funding.

It's the model that's enabled us to offer the best solutions for customers and clients,

and it's the model that's enabled us to operate profitably throughout the crisis,

offering security for customers and stability to the financial system.

As a result we have emerged from the crisis in a stronger position.

That was reflected in our 2010 results

when we reported profit growth of more than 30% and an increased dividend.

We’ve also made a good start in 2011 with profit before tax, excluding own credit and gains on acquisition and disposals, up 10% to just over GBP 2bn.

We recognise however that it’s been a difficult time for shareholders over the last 3 years

and we are focussed on rebuilding value for them.

I will talk about how we’re doing this in a moment

but I want to set the context first by talking about the environment in which we operate.

Over the last three years we have engaged with regulators and central banks around the world, including

the FSA and Independent Commission on Banking in the UK,

congress and regulators on the Dodd Frank legislation in the US,

as well as international bodies such as the Financial Stability Board and G20.

We have engaged with them in order to provide them

with the input and understanding they need to make their analysis and their recommendations.

[Slide: Barclays of today versus 2007]

In that time dramatic change has taken place, and it is change for the better.

Barclays is a good example of this.

Since 2007:

our capital ratios have more than doubled - our core tier 1 ratio stood at 11.0% at the end of the first quarter;

our leverage has reduced by over a third – our adjusted gross leverage operated in a range of 20 – 22 x throughout the first quarter of 2011;

and our liquidity pool has more than tripled and stood at over £160bn at the end of the first quarter.

Frequent stress tests are now part of the regulatory process:

we undergo stress tests in the UK,

stress tests around the world,

and our own internal weekly tests that are extremely rigorous.

We've adopted the recommendations on compensation made by the FSA, the Financial Stability Board and the G20

a much higher proportion of compensation is deferred and paid in shares

with the possibility of clawing back payment if necessary

A great deal of progress has been made on central clearing of financial instruments and on greater transparency

We've also significantly increased the level of information that we disclose.

So we are today a safer and sounder institution operating in a safer and sounder financial system.

But that does not mean that we have done enough.

On the contrary.

We welcome the work of the Independent Commission on Banking for a very good reason.

The status quo is unacceptable.

We don't ever want to see a rerun of 2008

Stronger and more effective regulation will help prevent that.

So we share a common objective with the ICB –

ensuring that taxpayers never again have to rescue a failing bank.

[Slide: Supporting Regulation]

We believe it's in everyone's interest that all reform addresses 3 critical questions:

First, will it create a safe and sound financial system where the tax payer is protected?

Second, will it help drive economic growth and job creation?

and third, will it result in a consistent approach internationally

so that UK-based banks can compete globally and London remains a leading financial centre?

Given the change that has already taken place,

we think the key answer to these three questions is to establish orderly resolution and recovery plans

in particular, to create mechanisms that ensure customers continue to have access to essential banking services even if a bank fails.

If we had confidence that banks, in particular large banks, could fail without systemic risk

then many concerns about “too big too fail” would be addressed.

We have given this a lot of thought at Barclays,

we have invested a lot of time and effort,

and we are changing the way we operate.

We are one of the most advanced in developing these plans with the FSA,

and we expect to have them fully in place within the next 12 months.

The ICB’s interim report is both thoughtful and far-reaching.

It will have a fundamental impact on the industry.

We’re currently working through the detail of the questions it raises and when we have a fuller picture we will be able to assess their proposals in relation to

the costs they add,

the challenges this presents for returns and dividends,

and importantly, the impact on the broader economy.

While there has been speculation about Barclays moving headquarters

I want to assure you that Barclays has not had any discussion with US regulators

or for that matter with regulators anywhere else in the world - about relocation.

We will always consider what is best for our shareholders

but that does not mean that we wish to move.

We continue to engage with the Independent Commission on Banking,

the Financial Stability Board

and the G20 to achieve the best outcome for all of our stakeholders.

[Slide: Our focus is on execution]

While there continues to be uncertainty in the regulatory environment

we are staying focussed at Barclays on what is most important - and that is our quality of execution.

That means delivering on our promises in four key areas:

capital, returns, income generation and our role as good citizens.

It is our execution against our promises in these 4 areas

that best illustrates the balance we are seeking to achieve between risk and growth

so I'll talk to you briefly about each of these.

[Slide: Capital - Track record of capital generation]

I have already commented on the strength of our current capital position.

Whatever the outcome of regulation

we believe we can manage accordingly

because of our ability to generate capital.

We have generated £7.7 billion of equity since 2008

£10.5 billion since 2005

and we're allocating capital carefully in order to increase returns.

[Slide: Returns – Internal focus on Return on Equity]

You will not be surprised when I say that we believe our current return on equity must improve and that we are making tough decisions in order to change this.

Our position is that each business we operate has to be top tier in the minds of customers and clients

It must also generate sustainable returns comfortably above our cost of equity

and within the risk limits which we and our regulators set.

Let me give you a few examples of actions we are taking to improve or eliminate businesses that are not currently generating returns on this basis.

In Barclays Capital we are committed to reducing our credit market exposures

which is why we've exited almost half of them in the last three years

and will continue to do so in 2011.

On Protium, just under a billion dollars of the principal was repaid during the first quarter of this year

and we also released $307 million - or £190 million - from the provision taken last year over the first quarter as underlying asset valuations improved.

At the end of March the loan was held at $10.2 billion in our books

compared to $12.6 billion when the loan was first advanced in 2009.

Since the end of March we've received a further principal repayment of $572 million.

In line with the commitment Bob Diamond made in February at the time of our 2010 Results Announcement,

we have also agreed a restructuring of the Protium management agreement with C12 Capital Management
after our purchase of third party investor interests in Protium.

This will enhance our ability to sell the assets on an accelerated basis over the next 3 years

and release the underperforming capital held against Protium to be redeployed in better returning businesses.

In respect of other credit market exposures we are also making progress.

We have agreed to sell 570 million dollars worth of commercial real estate loans

to Crexus Investment Corporation at prices consistent with their book value.

This sale was not included in the first quarter numbers.

We are taking action in Spain to return the business to profitability and sustainable returns.

We are exiting our business in Indonesia which was subscale,

withdrawing from our retail business in Russia, and replacing Barclays Financial Planning with online execution in the UK.

[Slide: Cost programme]

Another important way we can boost returns is by reducing costs.

Our plan is to take at least a billion pounds off our cost base by 2013

and we have identified £500 million of cost savings for the year

or £250 million, net of restructuring charges,
of which we took £69 million in the first quarter.

This is spread across all parts of the group and includes all cost categories.

To give you an example of the kind of changes we're making,

as part of our One Africa Strategy we're combining the central operations of Absa and Barclays Africa

into one regional centre in South Africa.

The work currently done in Dubai for Barclays Africa will be relocated to Johannesburg by the end of the year

reducing costs and helping to deliver synergies across the African business.

We're also consolidating management of the property estate,

our procurement and supplier management

and our accounts payable activities.

[Slide: Income Growth – clients and customers]

Of course driving income growth is also integral to boosting returns.

We see very clear opportunities to grow income

both by business and geography

whilst maintaining the conservative risk profile, whether in relation to market risk or credit risk,

which we believe to be appropriate and which we have adopted for some time

Let me give you just a few examples:

In Barclays Capital, for example, growth in our Equities and Advisory businesses

has helped to offset what we believe to be a cyclical reduction in revenues in Fixed Income Currencies and Commodities.

In Barclaycard, we've grown our portfolio both in consumer and business cards.

Earlier this year we announced the acquisition of over a million consumer accounts in the UK from Egg,

with gross receivables of £2.3 billion,

as well as 60,000 business card accounts in the UK from MBNA,

with outstanding balances of £130 million.

We can operate these portfolios more profitably than others because of the scale of our business.

In our cards business we have a leading market position, the benefit of scale, and strong technology

We are a market leader in Wave and Pay cards,

and this year we're launching the very first service in the UK

for customers to make contactless payments with their mobile phone.

This is the beginning of a transformation in the way people pay for goods on the high street

and Barclays is leading the way.

Another example is Africa, one of the fastest growing markets in the world

Africa represents a competitive advantage for Barclays

because we're present in 11 countries across the continent

and we are a top 3 bank in 9 of those.

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

Africa already generates about 15% of our revenues,

and we are now aligning Absa in South Africa more closely with our other operations across Africa to execute a “One Africa” strategy,

to capture the potential revenue synergies we see across the continent,

and to enhance our competitive position.

We’re also continuing to invest in the Gamma programme in Barclays Wealth

and we’re seeing strong income growth as a result, especially in the High Net Worth business.

[Slide: Returns: Target RoE 13%, RoTE 15%]

Taken together, the combination of:

fixing or exiting businesses with poor returns,

reducing costs,

and growing top line income,

enables us to target a return on equity of 13%

and a return on tangible equity of 15% by 2013.

At end of the first quarter we reported good progress against these goals.

Excluding own credit:

return on equity was 10.1%

return on tangible equity was 12.1%

and return on risk weighted assets was 1.5% .

Our targets for returns are ambitious but achievable

and Barclays is not ramping up risk in order to achieve them.

The risk on our books may fall or rise, within our limits, depending on market and client volumes

but our risk appetite is set both by the Executive Committee and the Board

and it has not changed.

[Slide: Income and Risk]

The slide you see here looks at our total income performance on a quarterly basis since the beginning of 2009

and compares this with the total impairment charge taken in that quarter

and also with the average Daily Value at Risk run in Barclays Capital for each quarter.

As you can see, these measures of credit and market risk have declined without having had a noticeable adverse impact on income.

As client business volumes increase, for example as a result of higher loan demand and greater customer flows for market-related products,

we would expect income to grow without materially ratcheting up impairment or DVaR as a percentage of income and thereby maintaining our conservative approach to risk.

[Slide: Citizenship]

Our fourth key area of focus is Citizenship

At Barclays we believe that as an industry we have not done enough to restore trust with our customers.

Nor have we done a good job of explaining how banks contribute to society

by helping to create jobs and foster economic growth,

and by supporting the communities in which we live and operate.

At Barclays we know that we have to do a better job for customers.

We accept that the number of complaints we receive is too high and we're working hard to reduce them.

The management team led by Antony Jenkins in Retail and Business Banking has committed to making customers lives easier;

customer service lies at the heart of their strategy

and it is key to delivering success in these businesses.

You will have seen in May that we announced that we would not be pursuing further legal action regarding the retrospective application of the FSA's new policy on the sale of Payment Protection Insurance to retail customers in the UK.

We have provided one billion pounds against the future cost of redress and administration against our second quarter numbers

and we are working hard to address our customers' complaints.

One of our most frequent complaints is about the time it takes to replace a debit card

so we have focussed on improving this

and have reduced the wait from 5 days to 2.

We have a lot further to go on customer service, but we are making progress.

Now let me talk about our role in creating jobs and economic growth which has never been more important

because with public spending cuts, the mantle of growth has shifted to the private sector.

Here are some of the most obvious ways in which we contribute:

Barclays employs almost 150,000 people around the world.

In 2010 we created 2000 new jobs.

We created opportunities for about 3000 students on our internship program over the last 3 years

and we have hired 4000 graduates in full time posts,

so Barclays makes a serious contribution to job creation.

But we also help other businesses to create jobs and to grow:

we have £500 billion of loans and advances extended to our customers around the world;

new lending to UK business and households in 2010 amounted to £43 billion;

and we helped over 100,000 people in the UK start up in business last year.

These are important contributions to economic growth.

We also support the communities in which we live and work,

by contributing £55 million a year to a wide range of local activities

and by supporting our staff who volunteer for causes that they believe in.

We have contributed in this way for many years

because we believe it's the right thing to do

and we will bring more focus to our activities in this area

to make sure their impact is as positive as possible.

There has been a lot of positive change in recent years but it is not enough.

You will have heard Bob Diamond say - and I'll repeat it - the status quo is unacceptable.

Strong banks need strong effective regulation.

[Slide: Summary]

Until the outcome of further regulation is clear, however,

we are managing through a period of considerable uncertainty.

And what we're focussed on, in that environment, is delivering for our shareholders.

We are committed to executing on the priorities I've outlined this morning

because by doing so we believe we can achieve the appropriate balance between growth and risk that will deliver stable returns in excess of our cost of equity.

We have the right model and we have the right strategy.

We are committed to executing on our promises;

our promises on capital, on returns, on income, and on citizenship.

By doing this we believe Barclays - and our shareholders - will be among those that benefit as the industry evolves.

Our focus is on achieving just that.

Thank you very much