

**UBS Financial Services Conference
Rich Ricci**

Thank you and good morning.

I want to talk to you today about three broad themes.

First, how Barclays has strengthened and deepened its foundations over the last three years: in response to the financial crisis of 2008, as a defence against the continued economic storm, and in expectation of changes to regulation.

Second, our view of the emerging regulatory landscape: the belief that strong banks want strong regulation, and why we are well positioned to manage through the changes to come.

Third, the progress we are making towards our return on equity goals, in both Corporate & Investment Banking and across Barclays: through our focus on the needs of clients, investment for growth, and discipline on costs.

Clearly, we stand at an important crossroads for the global economy.

Much has been done in recent years to reshape the financial services industry, and Barclays today is stronger and more resilient than it was when the storm clouds of the global recession first began to gather.

In the turmoil of 2008, we raised capital privately and we raised it swiftly.

Since then, our Core Tier 1 ratio has almost doubled, to 11%, our total capital ratio is now 17%, and our potential loss absorbing capital is around double that.

We have reduced our leverage from 28x to 21x today, and our liquidity buffer has increased around five times, to stand at £166bn.

£100 billion of that pool is cash held with central banks, £25 billion is in UK government bonds, and a further £20 billion is in bonds of other strong governments around the world, including Switzerland, the US, and Japan.

Liquidity stress tests show that even in the worst case scenario, where the wholesale markets close completely, we have a sufficient buffer to maintain business as usual, even without management action.

We've already refinanced our 2011 term maturities, and have started to pre-finance some of those maturing in 2012.

Our liquidity pool represents more than 12 months of wholesale maturities.

Barclays today stands on strong and deep foundations of capital, liquidity and funding, and we have taken decisive action to strengthen our balance sheet.

As a result, we have seen a significant inflow of funds, as investors seek a safe haven in uncertain times.

We've raised £54 billion in term liabilities over the last 18 months, including £6 billion of term funding raised in the very tight markets of the third quarter.

In August we priced a two billion Euro, 3-year covered bond at 52 basis points over mid swaps, and just last week we priced a GBP 2.3 bn equivalent UK RMBS transaction at attractive rates

We have significant funding flexibility going forward; we retain access to unsecured funding markets, and we have a high proportion of unencumbered assets that could be used to access secured funding markets on competitive terms.

In more recent months, we have acted quickly and decisively to reduce our exposures in the Eurozone.

Our sovereign exposure to Spain, Italy, Greece and Portugal now stands at £8bn, down 31% from the position just three months ago, with Greece at just £23m.

The vast majority of that is in short-term bonds held to hedge interest rate risk, or facilitate our role as a leading primary dealer, market maker and liquidity provider to our clients, and we continue to manage the situation as it develops.

There can be no doubt, though, that the storm clouds remain, albeit, perhaps, less bleakly than when they gathered in 2008.

The second half of the year continues to be a difficult period for the financial services industry, with significant uncertainty undermining confidence in the markets.

High levels of sovereign debt, coupled with weak economic data, have raised doubts about the ability of major economies in the developed world to avoid a return to recession, and the ability of emerging economies to sustain high levels of growth in the face of a slowdown in Europe and the US.

Extended deliberation on the policy response in Europe has done little to ease the gravity of the situation, and lack of clarity on the implications of new regulation created further uncertainty.

The markets responded to that uncertainty as they always do; with volatility and stress, a significant drop in client demand and volumes across most asset classes, and pressure on margins.

That market response was reflected in the performance of the industry as a whole over the third quarter.

Our performance at Barclays was resilient compared with many on the street though, and the strength of our client-focused business model once again demonstrated its value.

For the first nine months of the year Barclays achieved an adjusted profit before tax exceeding £5 billion, excluding own credit, up 18% from the same period last year.

It's a result delivered equally across retail and investment banking, showing the diversity and balance of our business, and the value of the universal banking model.

It also demonstrates continued progress towards our 13% return on equity goals for 2013, with improvements to return on equity, to 8.1% from 6.5% last year, and our cost:net income ratio, to 74% from 78% last year.

While the broader economic environment will always have a material impact on our business, and the cycle of deleveraging is likely to result in depressed growth over the medium term, Europe is unlikely to be on the brink of crisis for every quarter to come.

We have shown through our results that we are more than capable of enduring difficult economic conditions, and our focus now is not on the past but on the future.

Our industry is at an inflection point, and the future will, in large part, be defined by changes to the regulatory environment in which we operate.

The maps for that landscape, while not yet available in sharp relief, are nonetheless being drawn, and will have a significant effect not just on the financial services industry, but on the future growth and stability of the economy.

In the current climate, growth will need to come from the private sector, where the most basic requirements for growth are confidence, and access to funding and capital.

The best way for the market to provide those is through well-regulated and secure financial institutions, operating in competitive markets.

That does not mean a return to the way things were.

We need different regulation of the way the global financial services industry works.

Regulation, when implemented effectively, reduces systemic risk, and creates a level and fair playing field on which to compete.

Strong banks want strong regulation.

Much of the work done so far is encouraging, and seems to be addressing many of the right areas.

The stressed conditions we experienced in 2008 made it clear that banks needed to operate with more capital, more liquidity and less leverage, and huge strides have already been made here.

As I mentioned, today we are carrying over five times the liquidity we were in 2008, we are already broadly in line with the ICB's recommendations on additional loss absorbing capital, and we're well on our way to meeting Basel III levels of regulatory capital well ahead of the deadlines.

As well as increased capital, we need increased transparency to ensure the system is safe and sound, particularly in derivatives markets, so that regulators can understand the instruments being used, and identify where there is excessive concentration of risk.

We fully support the move to electronic trading and clearing, and are one of the few banks to have been active in OTC derivative clearing over the last ten years, as well as one of the first to electronically clear a derivative trade.

We are actively engaged in the implementation of Dodd-Frank in the US, and MiFID in Europe, as well as Basel III internationally, and are working through the several thousand rules that comprise each of those legislative approaches, to fully understand their real-world impact.

Significant focus is also being given to the size and operating model of banks, otherwise known as the "too big to fail" problem.

Of course we should never again be in a position where taxpayers money is used to support the financial system, but we need global universal banks, to serve increasingly large and international clients, with an increasingly complex set of needs.

Breaking up the banks is not the answer here, and we're pleased that was the view supported by the UK Independent Commission on Banking.

The Commission acknowledged the benefits of diversity and the need for flexibility, and while ringfencing wasn't our preference, and it wasn't our recommendation, it's an approach that we can make work, but it needs to be done alongside the guidelines on recovery and resolution.

These steps towards certainty are positive, but we must be absolutely clear that in addition to attempting to make banks safer and more secure, another impact of regulation will be an increase in the cost of doing business, and a potential increase in the cost of credit for consumers and businesses.

This isn't new news, and that increased cost of doing business drives our focus on revenue, cost, and adjusting the shape of our business to ensure we can continue to deliver strong returns to shareholders in a new regulatory environment.

This changing regulation, especially Basel III, has a disproportionate impact on some specific areas of the industry, particularly in fixed income.

It will reduce margins, especially in areas like securitised products and structured credit, and therefore increase the move to larger-scale flow businesses.

At Barclays Capital we're well positioned for that change: we're leading the market in flow businesses including Rates, Credit, FX and Commodities, and we are well placed to benefit from polarisation in the industry as smaller players with less capacity fall away.

We've taken early action to scale back or re-model our securitised products and structured credit businesses, reducing bespoke structured credit exposures by over 60% since 2009, and we'll continue to manage our RWAs closely in these areas.

Alongside this reshaping of our business, we have continued to make progress in selling down legacy assets, even in a tough market with widespread deleveraging across the industry.

Our credit market exposures have gone down by over £7bn this year, and an overall decrease of 1.3 billion pounds coming in the challenging third quarter alone.

Our client-focused business model, as well as being a source of real strength in challenging times, means that there is little impact on our business from changes to the rules on proprietary trading.

The changes we have made to our business in response to a new regulatory environment are not just at the macro level.

We have been allocating capital at a desk level since 2007, and business decisions are made at a desk level on RWA usage by client. Our approach to managing risk emphasises the links between businesses from a returns perspective, and focuses on the long-term capital implications of trading decisions.

The future of regulation will be significantly different from the past, but we are ready for it, and our focus now is on the needs of our clients, and the growth and cost discipline needed to meet our return target for investors.

So while the second half of the year has been challenging, particularly for the Corporate & Investment Banking business, our performance in the third quarter was resilient relative to peers, and there are several clear signs that our franchise is strong and healthy.

The 15% year-on year decline in third-quarter revenues we saw in Barclays Capital was less than half the decline of our peers, who saw an average decrease of 39%.

And our quarter on quarter decline of 22% was again half that of our peers, who declined 40% on average.

Those numbers reflect the strength of our client franchise in Barclays Capital.

It's a franchise in which we continue to invest for growth, broadening and deepening our client coverage.

Amongst our top 500 clients, 12% more are trading with us in all three regions than a year ago, and the number trading seven or more products has increased by 7%.

In our core Fixed Income, Currencies and Commodities business we have continued to strengthen our leadership positions, and maintain our market share, with revenues significantly above the industry average.

It's not just in revenue that the strength of the FICC business is clear; we achieved the joint #1 market share in the recent Greenwich US Fixed Income survey, up from #3 last year, and we were awarded Best Flow House in Western Europe, and Best Debt House in North America by Euromoney.

In FX, we have the number two market share globally, and over the last nine months we have seen record client volumes in FX spot, forwards and swaps.

In Rates we are ranked number one for Euro, Dollar and Sterling.

We continue to see strong momentum in our Equities business, and the investments we have made in the platform are paying back.

Our Equities business globally grew 2% in the first nine months of this year, in a market that shrank by 6%.

The Equities build in Europe is now virtually complete, and last month we reached the milestone of 500 companies under research coverage, just two years after we started.

That's the fastest build ever executed, and represents 20% growth a quarter for the last eight consecutive quarters.

In Asia, we are now the top Non-Domestic Bank for Equities in Japan, trading over 10% of market volume.

Our Hong Kong cash market share reached an average of 3.8% in September, the highest monthly average to date, and we've nearly completed our Asia Pacific build-out, with India and Taiwan live as at the end of August, and Korea on track to go live in Q1 next year

We also had our best-ever quarter for Prime Services, up 24% from Q3 2010 and up 4% from Q2 2011.

That was driven by a 27% increase in Fixed Income financing revenue, all-time high execution volume in Futures in the third quarter, and Equity Finance balances up 20% on the third quarter of 2010.

In Investment Banking, we were ranked #1 in US IPOs, excluding self-led, up from #6 last year, and #3 in the UK.

We acted as bookrunner on two of the largest IPOs this year, HCA Holdings and Kinder Morgan, and we have had a role in seven of the top 20 M&A deals announced this year on a global basis, with a very strong pipeline.

In Europe, we have just won our 22nd Corporate Broking mandate since March 2010, which is a remarkable achievement given that we only started building the business 18 months ago.

In the UK we topped the ECM league tables, and were voted best Equity house by Euromoney.

Turning to our Corporate business, we returned to profitability in the first nine months of this year, with an adjusted profit of £106m, compared with a loss of £414 million for the same period last year.

That was the result of good income growth in the UK, with around 1,200 new clients won this year, and an improving impairment rate in Europe and the rest of the world.

We're also maintaining our focus on cash and trade builds, and are on track to begin the migration onto our new cash management platform, Barclays.net, in January 2012.

Bringing the Corporate & Investment Banking businesses closer together is delivering revenue synergies, with the number of capital transactions for corporate clients five times higher in the first half this year than the same period last year, and revenues from those transactions more than tripled.

We've also been able to offer corporate products, such as cash management, to our investment banking clients, resulting in 16% income growth year-on-year.

In the first nine months of this year, Barclays Wealth has made over 100 introductions to Barclays Corporate, a 275% increase on the year before, demonstrating the benefits of bringing the best of Barclays to all of our clients, by running Barclays in a more integrated way.

As we said at our Investor Seminar in June, the majority of our investment in the business has now been made, and our costs have stabilized.

But we're not done on costs.

We were also clear in June that in bringing Barclays Capital and Barclays Corporate together we're targeting significant cost synergies, which we are delivering in three ways.

First, we're eliminating duplication and integrating management, support functions and infrastructure wherever possible.

Second, we're moving to lower cost locations to be in line with best practice.

Third, we're managing down all discretionary spending.

Taken together, we believe we can reduce our run rate costs by about £250 to £300 million by 2013, allowing us to reinvest in the business on a selective basis and ensuring that we meet our commitment on returns.

So as I look back on how far we have come since the dark days of 2008, I can say confidently that Barclays today stands on stronger and deeper foundations: in funding, in capital, and in liquidity.

We have achieved that by raising capital privately and continuing to generate profits, changing the shape of our business to reflect how we use capital, and actively managing our exposures and legacy assets.

We withstood the shocks to the global economy in 2008, and today we stand stronger still.

The regulatory landscape of the future is still emerging from the fog of rule-writing and consultation, but as a strong bank, we welcome strong, well considered regulation, and we are well-positioned to manage through the changes to come.

Our focus on clients has consistently shone through in the stability and resilience of our results, even in these challenging markets.

Our disciplined investment for growth, staying true to our pay-as-you-go approach, is broadening and deepening our global franchise.

By running Barclays in a more integrated way, we are achieving synergies in both revenue and cost, and bringing the best of Barclays to all of our clients, and targeting appropriate returns for our shareholders.

As I said at the start, we stand at an important crossroads, and the storm clouds have not yet passed.

But Barclays has taken the decisive action required to strengthen our organisation, to prepare for the next stage of the journey, and to face the future with confidence. Thank you very much.