Thanks very much and good morning it’s a great pleasure to be here today and I’d like to thank our hosts Morgan Stanley for the opportunity to speak this morning.

[Slide: Execution Priorities]

Last year I told you that our focus at Barclays is on the quality of our execution and that we are concentrating on four priorities: Capital, Returns, Income Growth and Citizenship.

I want to update you on the progress we’ve made in these four areas this morning: in particular I will highlight why we are confident about capital in a post Basel 3 world, how we are working to deliver an increase in returns, why our client focus has resulted in market share gains and income growth in most of our businesses, and how we remain resolute in our commitment to citizenship.

Let me start by setting this in context with the headlines from our 2011 results. Despite the challenging economic environment, we delivered profits of £5.6 billion.

The contribution from our businesses in Retail and Business Banking broadly balanced those of Corporate and Investment Banking and revenues were well spread geographically.

This demonstrates the strength and diversification of the universal banking model.

While top line income declined, income grew in six of our seven businesses, and impairment improved 33%. We tightly controlled costs, which has enabled us to double our cost reduction target for 2013 to £2 billion. We also reduced performance related pay by 25%, though profits were down just 2% across Barclays.

We’re pleased that we were also able to increase our dividend by 9%.

Most importantly, we delivered these results by playing an active role in the real economy. Bank of England data showed that UK net lending was down 5% on 2010. At Barclays, our net lending to companies in the UK increased by 3%.
Let me turn now to our four execution priorities, starting with capital, liquidity and funding.

Barclays has one of the strongest equity capital ratios among international banks with a Core Tier 1 ratio of 11%, even after absorbing the full impact of Basel 2.5.

In fact, you can see from the way we've managed Basel 2.5 how we're able to respond to regulatory change.

When I look back over the last few years, the best decisions we took at Barclays was in October 2008.

When regulators told us that they wanted banks to raise the bar for equity capital, we decided then to raise capital swiftly and in scale, to put our ratios ahead of regulatory requirements.

By doing that we put a metaphorical sign up saying that Barclays was open for business. Having a strong capital position has allowed us to focus on our customers and clients, simply on our business.

[Slide: Basel 3 Core Tier 1 ratio pro forma]

Our capital position will also remain rock solid under Basel 3. This slide shows pro-forma calculations based on consensus retained earnings.

You can see an increase in our capital ratio of 150 basis points by the end of 2013 on a Basel 2.5 basis. We expect this increase to be impacted by Basel 3, and we will take action to mitigate this by further reducing legacy assets, by managing counterparty risk well, and by reducing securitisation positions.

This takes us to a pro-forma Core Tier 1 ratio of about 11% at the end of 2013 which allows for approximately £50 billion of risk weighted assets above a 10% Core Tier 1 ratio.

We see this as a suitable buffer to manage business growth, regulatory uncertainty, or volatile market conditions. We expect to be running with a Core Tier 1 ratio of 10% post 2013.

The statement from the Financial Policy Committee last week reiterates the advice it gave in November that banks should continue to build capital levels and we are in regular discussion about the practical consequences of this advice.

As you have seen, we have multiple levers to improve our capital position.
Our liquidity and funding position is also rock solid. Our liquidity pool at the year-end was more than £150 billion and we have been able to access funding consistently, even during the second half of last year.

There has been some improvement in 2012.

The European Central Bank’s LTRO increased market liquidity and mitigated short-term risks in the Eurozone. Together with stronger US economic data, this has led to a resumption of senior bank issuance.

Barclays strong relative capital position means we have benefited from stronger flows into banks.

Our 5 year credit spreads have tightened more than 150 basis points from 2011 peaks. They are now more than 25 basis points inside senior bank indices though of course, this has impacted the non-cash, non capital own credit element of the P&L.

We’ve taken advantage of these conditions, by issuing £11 billion of term debt so far in 2012, over one third of our plan for the year. £6 billion of this issuance was unsecured.

Today we’re recognised for our strength in terms of capital, liquidity and funding and as a result we’re seen by customers as a safe haven in times of stress.

That’s allowed us to improve our competitive position during the difficult markets in 2011; in UK Retail and Business Banking, in our businesses across Africa, in Cards, in Corporate and Investment Banking and in Wealth and Investment Management.

[Slide: Adjusted Return on Equity by business]

Let me move now to returns.

We recognise that our 2011 adjusted returns of 6.6% were unsatisfactory and that we have a lot more work to do but let me take you through what we did in 2011 using this slide to highlight our performance by business.

We said that we would either exit or improve those businesses with returns below our cost of equity.

We closed our business in Indonesia; we refocused Russia, the Middle East and India on Corporate and Investment Banking, moving away from subscale retail banking; we restructured our business in Spain and Portugal; and we closed Barclays Financial Planning in the UK.
Two of our biggest and most important businesses delivered a return on equity above our target.

UK Retail and Business Banking returns were almost 15% - up from 10% in 2010 and our cards business delivered returns of 17.4%

Our Investment Bank made profits of £3 billion in 2011, representing a return on equity of 10.4%.

While this does not yet meet our target, it’s a good performance relative to the industry and we were one of just a few firms able to deliver double digit returns in a very tough environment.

We reduced our credit market exposures by 37% to £15.2 billion during 2011. Since 2008, we have reduced these by 64% or £27 billion.

Risk weighted assets reduced 2% in 2011, despite having absorbed a £30 billion impact from Basel 2.5.

The reduction in RWAs over the last 3 years amounts to £41 billion. We’ve also been building areas that have low capital consumption and higher returns, such as our Equities and Advisory businesses. I’ll talk more about these later.

We continue to examine each and every part of the business to ensure success when changes in capital treatment are brought in under Basel 3 and we’ll talk more about this at an investor day in the fall, when we have more complete information on CRD4.

We told you that there are two businesses where we have been investing for growth. In Africa, returns strengthened to 10% and in Wealth and Investment Management they grew to 11%. We are targeting returns well above 15% in Wealth and Investment Management in 2013 as the Gamma plan delivers a business with high returns and low capital consumption.

Then we have two businesses that need fixing – Corporate Banking and Europe. Corporate Banking made a significant move from negative to positive returns during the year, and continued to perform extremely well in the UK and Ireland.

Fixing both Corporate and Retail Banking in Europe is a key priority. In Spain, we wrote off goodwill which decreased returns, and we clearly have a lot more work to do in Europe.

You’ll have seen that we accessed €8bn from the European Central Bank’s LTRO in February. We did this to provide funding stability for our businesses in Spain and
Portugal, as we continue to restructure them, as well as to reduce risk by improving the balance of assets and liabilities.

Our 13% returns target has been a vital factor in allowing us to make disciplined choices. We continue to believe that it is the right goal and that it is achievable so we are working hard to make a steady improvement through a combination of: capital discipline, controlling funding costs, restructuring or exiting businesses, growing revenues and reducing expenses.

I told you that we have doubled our cost savings target for 2013 to £2 billion. Importantly, we are able to do that because we are operating in a much more integrated way across Barclays.

This closer integration - where every business works together to deliver the best services from across Barclays - underpins our move to one global brand.

[Slide: Net income growth by business]

Turning to income, you can see that we were able to grow income in six of our seven businesses in 2011 despite the difficult economic environment. More importantly, we improved our competitive position across all of our businesses.

In UK Retail and Business Banking net operating income grew 11%, adjusted profit was up 60%, customers grew by 700,000, and we continued to grow market share across all our product offerings. We were named Best Current Account provider in the Consumer Moneyfacts Awards and we were ranked as best mortgage lender for the second year running.

In our cards business, net income was up 21% and adjusted profits were up 53% to a record £1.2 billion. We won over 3 million new accounts organically, or 5 million including acquisitions. Corporate business is a priority for Barclaycard and it grew by over 25% in 2011.

Most importantly, we continue to drive innovation for our customers and clients.

Barclays is now responsible for over 90% of contactless merchant terminals in the UK, we launched the first UK mobile phone payment scheme in 2011, and we have widened access to banking through mobile phones in Africa including “tap and go” and “cashsend” payments.

We also launched “Pingit” last month. This is the first smartphone app allowing customers to transfer money by phone, and as 50% of the UK population is expected to have a smartphone by the end of the year, this technology has real potential.
In our African business, net income grew 5% in sterling and 11% in local currencies. This translated into sterling profit growth of 26%, despite adverse currency movements.

We have operations in 12 countries across the continent, we are top 3 in 9 of those, and we are the largest bank in Ghana, the second fastest growing country in the world.

We now have a single management team driving our One Africa strategy to become the leading international player across the fast growing continent of Africa.

Wealth and Investment Management had its third successive year of double digit income growth and profits grew 27% while we continued to invest. We’re now in Year 3 of a 5 year program which will position the business in the top tier of the industry and make it a much more meaningful contributor to Barclays results.

Though income and profits were down in our Investment Bank, we continued to have real momentum. This is clearly evident in those areas where we have been investing.

We ranked top 3 in Mergers and Acquisitions in the world’s two biggest markets, the UK and US, and we advised on 9 of the top 20 global M&A transactions.

Our equities business was involved in each of the top 5 IPOs globally as well as the top IPOs in Japan and in India.

In the last 15 months we have won 18 new Corporate Broking mandates, bringing our total to 26.

This is a real achievement for a business that began in 2010.

Meanwhile our Number 1 Global Fixed Income unit is one of our traditional strengths, with a market share of 11%.

These results are indicative of our ability to maintain our position as a top tier player. In a world where the industry is polarising, we believe we will continue to gain share as weaker players withdraw from the market.

[Slide: Execution priorities Citizenship]

I want to turn now to Citizenship.

I recognise that there are those who are cynical about our citizenship agenda but we are as committed to Citizenship as we are to our other execution priorities.
We’re committed, quite simply, because our ability to be good citizens is critical to creating long term value for shareholders. This is not philanthropy - it’s about delivering real commercial benefits in a way that also creates value for society.

For me, becoming a better citizen means three things: it’s about what we do, particularly helping those customers and clients; it’s about what we do, helping those customers and clients create jobs and drive the real economy; and it’s about how we contribute to the communities we serve in so many other ways.

I’ve talked a lot about these themes before, so today I’d like to focus on some of the work we do with our communities that creates both economic and social value.

I recently spent time with a group in Johannesburg called ‘Big Fish’. This is a new initiative providing students from marginalised backgrounds with modern economy digital skills. Over 80% of those who participate move into ‘high skill’ jobs as a result, so it takes young people out of poverty and transforms their opportunities in life.

Naturally, training young people and getting them into work also contributes to broader economic growth.

I also went to Katine in Uganda, where Barclays provides support to a number of local savings and loans associations. These associations enable people to pool their savings and in return take out a loan. Barclays also creates special savings products for the associations but more than that, while I was in Katine, we gave an association their very first overdraft facility.

This is an important step, because the provision of credit is critical for the improvement of livelihoods and for economic growth. It’s an important step because it’s the first evolution from a community cooperative into true banking. It’s an important step because it’s the first move towards financial inclusion for a population which is largely unbanked.

More than 150 of these village savings and loans associations have been established in Uganda and they’re now being expanded to a further 10 countries, providing a source of capital, security and income for hundreds of thousands of people.

Here in the UK you will have seen in the press that we have agreed to take part in the UK government’s National Loan Guarantee Scheme. We’re doing this because we want to do everything we can to support our customers, and we believe this will help.
We are the first bank to sign up customers to the scheme and we’ve announced the first public transaction to raise funding this morning, so that we can get the benefit to customers quickly.

We’ve been able to do this because of our expertise in corporate and debt capital markets.

We know that Barclays’ success is inextricably linked to the prosperity of the communities in which we work.

We are committed to working with these communities, both because it’s the right thing to do, and because we are working to build sustainable markets with good long term growth potential.

As I look back over 2011, while we made good progress on a number of fronts at Barclays and our results were terrific in relative terms, we recognise that in order to achieve our return target we need to improve profitability substantially going forward. We are determined to do that – we will use all the means within our control to drive the business.

While it’s still early in 2012, we are encouraged by the start to the year. Corporate and Investment Banking has seen a pleasing increase in volumes both compared to the fourth quarter and the first quarter last year.

Our retail businesses are also seeing a good start to the year, continuing the trends we saw in 2011.

Looking at the external environment, we issued a global outlook report last week and I think it’s fair to say that we feel a bit more sanguine than others. In the US, the recovery now seems on firmer ground, with a stronger labor market, and better consumer spending;

Emerging markets continue to grow at a faster pace than developed economies, despite a temporary policy-induced slowdown.

In Europe, the credit crunch in the second half of last year has been significantly eased by the ECB’s injection of almost a trillion Euros which is still working through the system, but while the big issues look better today than at the end of last year, we are still cautious about the political and economic environment.

We also face ongoing regulatory challenge.
We have more clarity about the impact of Basel 3 and the Independent Commission on Banking than a year ago and we will continue to adapt the business in order to adhere to the new rules.

The last but most significant regulatory hurdle is resolution planning.

We believe that if all banks have proper resolution plans in place, especially those that operate across border, then banks could be allowed to fail, without becoming a burden on the taxpayer, and without systemic risk.

This was a major topic for central bankers and regulators at the recent BIS meeting.

Mark Carney in his role at the Financial Stability Board, and Paul Tucker from the Bank of England are leading players in this effort and we want Barclays to be the test case for delivering workable resolution plans so we’re working closely with regulators to deliver these plans in the first half.

Simply stated, we want to eradicate the words “too big to fail” from our lexicon.

In the meantime, we believe that we have the right model, we have the right strategy, and we have the right management team – a team that is totally focused on execution, in order to deliver sustainable returns over time for shareholders.

Thanks very much – I’m happy to take your questions.