Morgan Stanley European Financials Conference

24 March 2015

Antony Jenkins, Group Chief Executive

Slide 2: Antony Jenkins, Barclays Group Chief Executive

Good morning. I am delighted to be asked to open the Morgan Stanley Financials Conference this year.

Today, Barclays is a very different – and much stronger – business, than it was two years ago when I last spoke here. Looking back at my remarks from 2013, I was encouraged by how far we have come. But I was also struck by how consistent the strategic challenges for our business and our sector remain.

In a world where growth is harder to come by, I am more convinced than ever that cost will remain the strategic battleground for our sector over the coming years. And as banking, and financial services more generally, experience increased levels of technology-driven disruption, I believe the ability to adapt and innovate will be the defining characteristic of the winners in our sector over the next decade.

So today I want to talk to you briefly about three things. First I want to update you on Barclays – where we are and where we're going. Then I'd like to focus on the impact of technology-driven change on our sector. And finally I'd like to talk to you about the very significant progress we are making on our cost programme.

So let me start talking to you about Barclays. It is not quite a year since I set out our plans to reshape the Group.

I said then that we needed to change Barclays to meet the challenge of generating sustainable returns in a new operating environment, where capital requirements are higher and growth is harder to come by. I said, as a result, that we would no longer seek to do

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everything, for everybody, everywhere, but instead seek to operate in those areas where we have capability, scale and competitive advantage. That we would build a focused, international bank: stronger and more balanced, and run for returns.

I set out clear 2016 financial targets by which we – and you – could track our performance.

Slide 3: Financial highlights

When I set out our 2014 results earlier this month, I was pleased to be able to report good progress.

Adjusted PBT, EPS, TNAV and ROE were all up for the year, despite the substantial changes we have made to the business in 2014. We increased Group adjusted profit before tax by 12% and attributable profit by 27%. Despite a statutory loss driven by exceptional items, we continued to distribute to shareholders, with a dividend of 6.5p, 38% of our adjusted EPS.

Now I share the frustration of our shareholders at the impact that legacy conduct issues continue to have on our financial performance. Resolving them is an important part of our plan for Barclays and I expect to make further progress in the course of 2015.

We drove our costs down in 2014, with a £1.8 billion reduction in the total Group adjusted cost base, equivalent to 9%. Compared to income, which was down 8%, this gave us positive jaws for the year.

The Core business, the future of Barclays, performed well, with a profit before tax of £6.7 billion, and delivered an RoE of just under 11% excluding CTA. It is testament to the resilience of the new, rebalanced Group that we were able to achieve this despite a weaker performance in the Investment Bank. 2014 was a year of transition for the Investment Bank, however we have been encouraged by its performance in Q4 of last year.

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We also made strong progress in the rundown of Non-Core, with RWAs down by £40 billion over the year, including the sale of Spain, taking down the amount of equity by £4 billion to £11 billion in the Non-Core.

We continued to maintain a sharp focus on our balance sheet, and achieved a substantial improvement over the year in terms of both CET1 and leverage ratios. The Group's CET1 ratio reached 10.5%, including the sale of the Spanish business – 140 basis points higher than at the end of 2013. BCBS leverage exposure reduced to £1.2 trillion, giving a leverage ratio of 3.8% at year end.

Slide 4: 2016 Transform financial targets

So where does this leave us relative to our targets? On capital, the CET1 ratio of 10.5% positions us well for achieving our target of more than 11% for 2016, and our end-state target of around 12%. Leverage of 3.8% is close to our 2016 target of above 4%, and is already slightly ahead of our regulatory minimum requirement for 2019.

We continue to make distributions to shareholders, and are close to our objective of a 40-50% payout. With a 10.9% RoE for the Core business excluding CTA, our target level of above 12% looks within range. On costs, we are well ahead of plan – and I will go into more detail on our cost performance in a moment.

Finally, we are making progress in the run-down of Barclays Non-Core, which means the drag on Group returns in 2014 was just above 4% – well within the 3 to 6% tramlines we set, and on course for our target of below 3% in 2016.

We still have much to do, of course, and there is no room for complacency. But we are on track to deliver our plan, and we can see the new Barclays emerging, much more balanced and delivering sustainable returns.

So, two years since I spoke to you here last, I believe Barclays is a stronger business with better prospects than at any time since the financial crisis.

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Slide 5: Approach to technological development

Now I want to turn to the effect of technological disruption.

Technology-driven change is nothing new in financial services and Barclays has always been a leader in new technology – from the world's first ATM to the first bank website. But until the last few years, our sector has not felt the full disruptive impact of technology that other sectors have experienced, largely because of the complexity of financial services.

The disruptive forces that technology can enable are familiar to other businesses: speed, data, cost savings, customer expectation, and disintermediation. And the impact of these forces will be felt with increasing frequency across all aspects of our business and in all geographies. Think of the rise of peer-to-peer lending models and the integration of contactless payment into mobile phones, or the way in which mobile technology in Africa is enabling payment systems that are skipping generations of infrastructure.

So, how do we respond to this challenge?

There are three key principles we think of at Barclays: First, we actively support new technologies – we have a lead in innovation and so a significant opportunity in the new, diverse, digital world.

We are investing in start-up initiatives, including the Accelerator, a programme we set up in London to support Financial Technology start-ups, allowing them to tap into Barclays' knowledge base and work with the leading Techstars community. The Accelerator allows us to influence the development of disruptive technologies with our partners, and develop new markets that align with the strategic objectives across our business. We have already supported 11 FinTech start-ups to date including Aire, a responsible credit scoring company, and Squirrel, a financial wellbeing platform. Following its success in London, the Accelerator programme has now been launched in New York. Similarly the Escalator, based in London and Manchester, provides a physical platform to co-create with high growth start-up companies, and we have already supported 2,500 companies through it.

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Second, we are committed to invest to maintain our own leadership in technology. Think about Pingit, our mobile payment platform. I often talk about it – with good reason: we now have just under 1 million active customers. And the recent launch of Pingit to Twitter's 13.5 million UK users makes us the first UK bank to allow people to pay each other and small businesses using just their Twitter handle. But I don't usually make a point of saying that Pingit is a free service disrupting a payments sector in which we are an incumbent leader.

So why would Barclays invest to develop a free technology to disrupt ourselves? Because we believe that maintaining our leadership position is critical if we are to take advantage of the new commercial opportunities that inevitably come out of technological innovation.

Take our bPay Band, an 'open market' wearable contactless payment product that can be linked to any UK credit or debit card and used at over 300,000 contactless payment terminals across the UK. Following a successful trial in 2014, bPay will be launched to the market more broadly in 2015, and will allow you to pay for travel, shopping and even access the gym, all through one mini contactless chip on your wrist, further driving uptake of contactless payments – we see this as having even more utility – in which we are a clear leader.

Slide 6: Leading the way in technology

And third, when we invest in new technology, we look for the triple win: the opportunity simultaneously to reduce cost, improve control and enhance the customer and client experience.

Let me talk about this in a bit more detail.

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Slide 7: Technology continues to enhance the customer experience

The triple win is perhaps most obvious in retail banking. Our PCB business has the UK's best in class digital platform. Over 80% of all payments and transfers in Personal banking and over 43% of all unsecured lending is digital.

On average, customers use mobile banking thirty times a month, but visit a branch less than twice a month – and we have more than 3 million active Barclays Mobile Banking customers, I hope some of them are in the room today. This means that we can adapt our branch network to changing customer expectations, freeing our staff from routine processing work, allowing them to have higher quality interactions with customers – and a better customer experience.

This includes our Digital Eagle programme – specially trained colleagues in branches who give help and advice to our customers on all new technology – not just Barclays' platforms, but apps like Skype and Facebook too – which has dramatically improved and accelerated adoption rates of new technology.

Increased automation also improves control and reduces the risk of human error. Eligible customers can now take out an unsecured loan on Barclays Mobile Banking in just six taps – and two of those taps are to confirm the customer's understanding of the terms of the loan, and their agreement to accept these terms. No queues, happier customers, better control, reduced error and lower cost.

But the triple win from technological innovation is not just a feature of retail banking. Our Corporate business has launched the Barclays biometric reader, a new device to allow complete ID and V, identification and verification, through an image of veins in your finger. Vein patterns are unique, and unlike fingerprints, they are extremely difficult to spoof or replicate, helping our customers and clients to combat fraud.

And we have just started rolling out a pilot for digital corporate client onboarding that will reduce onboarding time by 50%, increasing control, and transforming the client experience.

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Slide 8: Technology continues to enhance the customer experience

Barclaycard – which I sometimes think of as a Tech business first and foremost – has always been a pioneer in new technology, from the launch of the UK's first credit card, to chip and pin and now contactless payments. Barclaycard remains in a unique position, supporting both consumers and merchants, allowing us to lead cards and payment innovation. The introduction of contactless technology on Transport for London, complementing the Oyster Card system, is a great example of this.

Our Africa business is pursuing a similar programme of branch automation to the UK, significantly reducing our floor space requirements. And we have also recently automated cheque paying, saving time and cost, and reducing error.

But some of the most exciting opportunities for technological innovation are in our Investment Bank. Here, we have used the restructuring announced last year as an opportunity to step back and think about the optimal applications architecture.

This is driving our systems re-engineering effort, which will further reduce the IB's cost base, improve control and enhance the service we can offer our Investment Banking clients. This is particularly true in our Macro business, where we expect the largest benefits from automation and consolidation. In the past, our IB, like others, often set up new asset classes with their own individual system and platforms. While this may have been understandable in a time of high growth and rapid expansion, it is inefficient and costly for the Group.

So the plans I laid out last year involve a large scale industrialisation project in the IB. We are migrating all our rates, commodities and emerging markets products onto our FX risk platform, allowing us to decommission old technology stacks and slim the back office. We have already made good progress in streamlining the 1,500 IT applications used to support the front office; eliminating 50 last year, with a further 150 to be decommissioned in the course of this year.

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And two weeks ago we announced an agreement with Sungard to create a utility that centralises middle and back office functions for cleared derivatives across the entire post-trade derivatives industry, resulting in a more sustainable industry operating model and cost structure, while still providing clients with value-added services.

Slide 9: Strengthening Controls

Of course, these changes bring challenges, most notably around cybersecurity, which puts any organisation at risk of regulatory sanction, reputational damage and financial loss, service failure and the loss of customer confidence.

We therefore continue to invest in technology and people to protect against emerging threats. For example, we have recently hired the former head of the European Cybercrime Unit at Europol as Chief Information Security Officer, to help us combat these new threats.

We continue to place emphasis on the soundness of our detection, as well as our prevention capabilities. We have reorganised and refocused our cybersecurity operations, with the aim of enhancing our defence by applying live intelligence on emerging threats, regardless of if they are conducted from outside, by hacking or use of malware, or inside. In this way, we will move away from a reactive perimeter-focused defence, to a proactive approach, protecting our customers, our clients and our businesses.

Despite these industry challenges, overall, I am very excited by the opportunities that these technological changes give Barclays. We already have a strong leadership position in our sector in adapting to change and driving innovation, and I am determined that we will continue to accelerate in this area.

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Slide 10: Operating efficiencies delivering cost benefits

Now I want to talk about cost – where technology also plays a significant role. Costs are at the heart of our plan for building a sustainable business.

Two years ago at this conference I said that lower growth – certainly lower than the growth we were used to in the years before 2008 – will be a feature of our operating environment for the foreseeable future. At the same time, the need to hold increased capital against our activities means that no bank will be able to deliver sustainable returns over the medium term without taking a radical approach to cost. So we are pursuing a cost programme that is of a completely different scale and pace to anything that has been attempted at Barclays before.

In 2014, we demonstrated our ability to reduce costs fast, with a £1.8 billion reduction in operating expenses in just one year, both through restructuring the IB and the European retail businesses, and achieving technological efficiencies across the Group.

At the heart of our approach is aggressively targeting cost opportunities that are both permanent and at significant scale.

So, for example, in Personal and Corporate Banking, the largest of our Core businesses, we have decommissioned 135 applications, resulting in a third of all customer journeys now being automated, while our recently launched instant business lending product has a cost to income ratio of just 21%. The benefits of all this are clear in the improvement in the PCB cost to income ratio from 65% two years ago, to 55% today.

And we already have reduced our real estate footprint across the Group by 19% since 2011 – that's equivalent to eight of our 1 Churchill Place headquarter buildings.

We expect this to continue – we have committed to taking out a further £600m of costs across the Group this year.

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Slide 11: Operating expenses significantly reduced

We delivered Costs excluding CTA inside our £17 billion target for 2014, while CTA also came in slightly better than expected. The £1.8 billion reduction was largely driven by FTE reductions from Investment Bank front office restructuring; branch network transformation; and further restructuring of our European businesses.

We expect an increasing share of future savings to be driven by the automation of processes and systems simplification.

Slide 12: Group cost targets

While we are pleased that we beat our Group cost guidance for 2014, we are leaving our 2015 guidance unchanged at £16.3 billion, in the light of headwinds from the Sterling / US dollar exchange rate.

Nevertheless, we remain confident that our structural cost reductions put us in a good position for further improvements in cost to income ratios going forward. Our guidance on CTA spend remains unchanged also at £700 million for this year. We expect to take our Core cost base down to £14.5 billion in 2016, with just £200 million of residual CTA spend.

This does not mean that we will stop investing in driving efficiencies – just that we expect the payback on future investment to be such that we don't need to pull out a separate CTA spend.

Slide 13: Conclusion

So to summarise: We made good progress last year towards our 2016 financial targets. This included significantly strengthening our capital position and we are increasingly confident in our capital build towards end-state requirements. And even with a higher capital base, we continued to make progress on returns, with Core returns ex CTA close to

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11% in 2014 – and the Non-Core drag down to just over 4%, as we reduced the capital tied up in Non-Core by £4bn to £11bn.

This year marks the 325th anniversary of Barclays. In our 325th year, I am absolutely focused on ensuring that Barclays delivers attractive returns on a sustainable basis. This means achieving permanent, structural cost reductions, and investing for growth at the same time.

Our approach to technology is at the heart of both of these. We are committed to maintaining our leadership in this area and pursuing the triple win of: reducing cost, improving controls and enhancing the customer and client experience as we develop new products and markets for the digital age.

Thank you very much. And now I think we're moving next door to take questions.

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