

Full Year Results 2009

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Chris Lucas

Good morning and thank you Marcus.

2009 was a year with a great deal of activity at Barclays:

we transformed our investment banking platform

and continued to build out our global equities and M&A businesses;

in retail and commercial banking, we grew income

and actively managed costs to mitigate the impact of market conditions;

we sold Barclays Global Investors and retained a stake in BlackRock;

and we have taken very significant steps to increase capital, reduce leverage and boost liquidity.

You can see the outcome of all this activity in the results that we've announced this morning

We delivered profit of £5.3 billion, excluding a gain of £6.3 billion on the BGI transaction,

and underlying profit more than trebled.

This resulted from a very strong income growth of 34%, well ahead of cost growth.

At the same time, our core Tier 1 ratio almost doubled to 10%,

adjusted gross leverage reduced to 20 times,

and we trebled our liquidity pool to £127 billion.

As you know we announced a new structure for the business in November.

We're reporting numbers under the old structure today

and will issue a restatement at the end of March.

In general my comments compare our results for the full year with those of the previous financial year.

If I look at how we performed on an underlying basis,

after reversing out all gains on acquisitions and disposals,

as well as movements on own credit,

and gains on debt buybacks,

profits more than trebled to £5.6 billion.

Looking at the group performance in more detail....

Income grew 34% to £31 billion

and cost growth was lower than income growth at 24%.

Discretionary cash compensation in 2009 was £1.5 billion.

In addition we made long term awards of £1.2 billion

which will vest over a three year period, subject to clawback.

Impairment grew 49% to £8.1 billion.

The cost income ratio improved from 62 to 58%,

earnings per share increased from 59 to 86 pence,

and the return on equity was 24%, including the BGI gain.

Excluding that gain, it was 8%,

reflecting higher levels of capital retained within the business.

Moving on to the divisional performance....

Income in Global Retail and Commercial Banking grew 7% in a difficult operating environment.

We reported profits of £2.5 billion despite

ongoing margin compression and an increase in impairment to £5.4 billion.

The cost income ratio improved by one percentage point to 52%.

Turning now to the individual businesses in GRCB.....

UK Retail Banking delivered profits of £612 million.

Deposit margin compression resulted in downward pressure of £755 million, net of hedging.

Impairment growth of £334 million was mostly in consumer lending.

As you can see on the slide, we worked hard to mitigate the impact of margin compression by actively managing both income and costs.

Overall costs decreased 3% despite continued investment in the branch network.

We refurbished 148 branches during the year,

bringing the total number refurbished since 2005 to more than 800.

This investment is enabling us to drive customer and business growth despite the difficult environment.

Year on year the number of savings accounts grew 10% from 12 million to just over 13 million

and our premier customers increased by almost 40% to 735,000.

The number of customers in local business increased 4% to 686,000.

Total loans and advances grew 5% to just over £99 billion.

Within this, gross new mortgage lending totalled £14.2 billion, including net new lending of £5.7 billion.

We wrote new business without compromising our risk profile.

Mortgage impairment charges were £26 million, or 3 basis points, on an £88 billion book.

At Barclays Commercial Bank income of £2.75 billion was broadly in line with last year.

Profits declined to £749 million as a result of increased impairment and margin compression.

We've actively managed the business to mitigate the impact of these factors.

Asset driven income and increased fee income compensated for the impact of margin compression.

Spending was well controlled and costs declined 3%.

Impairment grew by £560 million

reflecting continued pressure on corporate liquidity, rising default rates and lower asset values.

Nevertheless we benefited from a well diversified loan book

with relatively low exposure to property and leveraged finance.

New term lending was £14 billion and while year end balances were down, average lending grew 3%.

Average deposits also grew 3% to £49 billion.

At Barclaycard, profits of £761 million were the result of income growth of 26%.....

driven by an increase in customer balances and lower funding costs,

as well as a benefit from dollar/sterling exchange rates.

Income growth was offset by an increase in impairment of £700 million.

More than half this increase was in the international businesses

reflecting higher delinquencies as well as the impact of exchange rates.

Delinquency trends in both the US and UK stabilised during the second half, despite rising unemployment.

This was the result of early intervention to help customers in financial difficulty manage their payments

as well as tightened approval criteria.

Profits in Western Europe of £130 million included:

a gain of £157 million from the sale of a stake in our Spanish life and pensions business,

as well as a £67 million operating loss in Russia

and a restructuring charge of £24 million, mainly in Spain.

Income grew 18% to £1.7 billion with growth across all 5 countries

as a result of expanding the distribution network and customer base in recent years.

We now serve 2.8 million customers in Western Europe,

with over £70 billion in total customer assets and liabilities.

Costs grew 16% largely as a result of ongoing investment in the distribution network.

We added another 137 distribution points during 2009, mostly in Italy and Portugal,

bringing the total number in Western Europe to just over 1300.

The cost: income ratio improved one percentage point to 65%.

Impairment charges grew by £370 million year on year.

About two thirds of this growth was in Spain in our property and construction portfolios.

In GRCB Emerging Markets, income grew 5% to just over £1 billion.

This income growth was well balanced between retail and commercial and was broadly based,

except in India where income fell as a result of reduced lending.

Our mature businesses in Africa, Mauritius and the Seychelles generated a significant profit.

Costs in GRCB Emerging Markets grew 24% as a result of investment in infrastructure.

Impairment grew to £471 million, mostly in the UAE and India.

Taken together, this resulted in a loss in Emerging Markets of £254 million.

In GRCB Absa, profits in sterling were down 8% to £506 million.

Income increased 16%, reflecting average appreciation in the value of the rand against sterling.

cost growth was lower than income growth at 13%.

Impairment charges grew by £220 million to £567 million driven mainly by delinquencies in retail banking.

Against a backdrop of challenging economic conditions in South Africa we're controlling lending carefully

and focussing on growing customer deposits which increased 16%.

Moving on to Investment Banking and Investment Management and starting with Barclays Capital,

where profits almost doubled to £2.5 billion,

driven by very strong income growth in the UK and Europe

as well as our transformed scale and service offering in the US.

Top line income at Barclays Capital grew to £17.9 billion.

fourth quarter top line income was £3.6 billion

which is a strong performance relative to the sector.

Total income was £11.6 billion and taking into account

credit market losses,

losses on own credit,

and impairment,

net income more than trebled to £9 billion.

Looking at a break down of top line income:

Fixed income, currency and commodities drove income growth of 76% to £13 billion;

Equities and prime services more than doubled to £2.8 billion

with an especially strong performance in cash equities and equity derivatives;

and revenues in investment banking - which includes underwriting as well as advisory services - doubled to £2.2 billion.

Income growth was broadly based:

there are now 6 businesses producing annual revenues of over £1 billion;

44% of top line income came from the US,

and there was very strong income growth across the UK, Europe and the US during the year.

Increased income reflected growth in the client base as well as strengthened client relationships:

the number of clients generating revenues of more than £10 million grew by 38% to over 230.

Total credit market exposures reduced by £22 billion.

This includes net sales and pay-downs of £11.7 billion at or close to our marks,

as well as gross write downs of £6.1 billion;

and foreign exchange and other movements of £4.2 billion.

As you know we sold £5.1 billion of credit market exposures and £2.4 billion of other assets to Protium Finance during the year

We provided a loan of £7.5 billion to Protium to fund this purchase

and we're reporting the loan, plus accrued interest, within our credit market disclosures.

Costs grew to £6.6 billion

reflecting the full year impact of the Lehman acquisition

and the build-out of our equities and M&A businesses

The cost to net income ratio improved to 73%.

Headcount at the end of the year was 23,200

which is broadly similar to the end of 2008.

Compensation costs represented 38% of total income, a decrease of 6 percentage points.

We continue to manage our cost base carefully

and our goal is a cost to net income ratio in the lower half of a 65-75% range.

We completed the sale of BGI to BlackRock on December 1st

and reported a 26% increase in profits to £748 million,

including a recovery on the cost of support to liquidity funds

as well as the impact of dollar/sterling exchange rates.

At Barclays Wealth, income was broadly in line with 2008

and total client assets grew 4% to over £150 billion

with net new asset inflows of £3 billion.

Underlying profits declined 24%, adjusting for the sale of the closed life business in 2008

and the integration of Barclays Wealth Americas.

Barclays Wealth is now accelerating investment in people and technology.

We intend to make an additional £350 million of investment over the next five years,

resulting in moderated growth expectations initially,

followed by accelerated growth after 2012.

Our geographic focus will be on large wealth pools in the UK and the US

as well as on high growth global markets

which we'll serve from existing hubs in London, Geneva and Singapore.

At Head Office we reported a loss before tax of £550 million, compared to a loss of £858 million in 2008.

Net Interest Income declined by £689 million as a result of additional costs of funding arising from

dislocation in the money markets, especially in the first half of the year;

increased liquidity requirements;

and reduced income on shareholders funds in a low interest rate environment.

Other income increased by £1.2 billion

as a result of net gains from debt exchanges completed during the year.

Costs include the impact of the UK bonus tax

which resulted in a charge of £190 million relating to discretionary cash awards in 2009

as well as an additional £35 million relating to certain prior year awards,

which may fall within the scope of the legislation.

GRCB and Barclays Wealth deposit margins continued to come under pressure in a low interest rate environment

falling to 131 basis points compared to 172 in 2008.

Our structural hedge produced a benefit of £1.4 billion mitigating more than 50% of gross compression.

We expect the rolling nature of the hedge programme to continue to protect us against the impact of low base rates going forward.

The extent of the benefit will depend on the evolution of the yield curve.

We've been able to increase asset margins from 207 basis points to 236 basis points

and overall, the net interest margin across GRCB and Wealth increased from 207 to 211 basis points.

Managing the balance sheet was a key priority in 2009 and we reduced total assets by one third year on year.

The majority of this came from a decrease in derivative assets.

The reduction in loans and advances was largely in Barclays Capital,

especially in relation to financial institutions.

We were still able to extend £35 billion of new loans in the UK during the year,

despite reducing the size of the balance sheet.

Looking at balance sheet leverage, excluding:

the derivatives gross up

assets under management

settlement balances

and goodwill,

adjusted gross leverage improved from 28 times to 20 times year on year.

The derivatives gross up represents receivables and payables with the same counterparties

which are subject to netting agreements under US GAAP.

We've worked with our counterparties throughout the year to eliminate offsetting contracts

at no cost and with no capital impact.

This has contributed to a reduction in the derivatives gross up of well over £500 billion.

Moving on to look at our capital position,

our risk weighted assets reduced by 12% to £383 billion,

with the bulk of that reduction coming in Barclays Capital.

Currency movements contributed 28% of this reduction.

Our Core Tier One Ratio almost doubled to 10%

and our Tier One ratio reached 13%

as we retained earnings of £9.6 billion.

There's a slide showing a breakdown of the increase in Core Tier 1 capital in the appendix.

After resuming dividend payments in the third quarter,

we announced a final dividend of 1.5 pence a share this morning,

bringing the total payment for the year to 2.5 pence a share.

Turning now to liquidity, we've improved our profile this year:

by trebling the size of our liquidity pool to £127 billion,

by improving our loan to deposit ratio from 138 to 130%,
by actively managing the profile of maturing financing,
and by extending the maturity profile of our unsecured wholesale
funding

Only Absa and Barclays Capital have any reliance on wholesale
funding

Barclays Capital has borne its additional funding costs caused by
market dislocation

and has increased the average term of outstanding net unsecured
liabilities

from 14 to 26 months during the year.

So in conclusion the results we've announced this morning are the
outcome of a great deal of activity.

We delivered profits of £5.3 billion, excluding the gain from the BGI
transaction,

and underlying profit more than trebled.

This performance resulted from very strong income growth of 34%,
well ahead of cost growth.

At the same time, our core Tier 1 ratio increased to 10%,

adjusted gross leverage reduced to 20 times,

and our liquidity pool trebled to £127 billion.

Taken together we believe these results place us in a strong
position going forward.

I'd like to hand over to Robert now to talk about our management
of risk in more detail