

**Q3 Interim Management Statement****Chris Lucas****Slide: Name slide**

Good morning and thanks Bob.

Adjusted profit before tax was up 18% to £5 billion, with well balanced contributions from across the business.

Our capital, funding and liquidity remains strong.

Our Eurozone and credit market exposures have reduced and continue to be well managed.

Our return on equity is up year on year we're making good progress with those businesses that have underperformed and, excluding PPI, we have held costs flat.

This represents a reassuring performance in challenging market conditions.

I'll use adjusted numbers this morning because it gives a better understanding of the operating trends.

Adjusted numbers principally exclude: a gain on own credit of £3 billion, impairment on our stake in BlackRock of £1.8 billion, and the provision for Payment Protection Insurance of £1 billion. We've also provided statutory numbers in the document.

In general my comments compare the first nine months with the same period last year but you'll see that there's additional disclosure on quarterly performance in today's statement.

Turning to the headlines.

### **Slide: Financial highlights**

Adjusted profit before tax for the nine months grew 18% to £5 billion, with the third quarter contributing £1.3 billion.

On an adjusted basis:

Total income was down 3% to £22.2 billion

Impairment charges improved 34% to £2.9 billion and our annualised loan loss rate reduced to 74 basis points, from 110 basis points last year.

Net operating income was up 11% to £20.6 billion and costs were held flat at £14.5 billion.

Return on equity rose from 6.5 to 8.1% return on tangible equity grew from 7.9 to 9.7% and return on risk weighted assets was 1.3%

Earnings per share were 9.7 pence and we've announced a dividend of 1 pence for the quarter bringing the total dividend for 9 months to 3 pence

## Slide: Exposure to Greece, Ireland, Italy Portugal Spain

We continue to give detailed disclosure on our assets in Greece, Ireland, Italy, Portugal and Spain. Given market interest, I'd like to talk about these before taking you through the individual businesses.

Our sovereign exposure at the end of September was 31% lower than the half year at £8 billion.

£5.9 billion of these assets are held as available for sale to hedge interest rate risk relating to our local businesses, mainly in Spain. The remainder are part of our market making activities.

Most of our retail assets relate to residential mortgages in Spain, Italy and Portugal.

Our lending criteria are conservative and the average loan to current market value in these markets remains just over 50%.

Impairment charges in Europe Retail and Business Banking decreased to £178 million in the first nine months; the loan loss rate was down to 53 basis points, and credit risk loans were 41% covered.

Our corporate assets decreased 7% from the first half to £12.8 billion. We've taken substantial provisions already in this portfolio, especially in Spain.

Finally, our financial institutions exposure, which reflects normal interbank activity, reduced 3% to £6.5 billion.

A significant part of this relates to non-Irish banks with administrative centres in Dublin but with little Irish exposure.

Our exposure to Greece is minimal as you know.

I'll turn now to the performance of the individual businesses

**Slide: Adjusted profit/(loss) before tax by business**

### **UK RBB**

Adjusted profits in UK Retail and Business Banking grew 89% to £1.2 billion excluding the £400 million PPI provision.

There was strong income growth of 6% driven by mortgages and personal savings. Impairment improved 41% and costs were down 5%, leading to a Return on Equity of 17%.

### **Europe RBB**

Europe RBB returned to profitability in the third quarter, reducing the loss for the nine months to £109 million

This included £129 million of restructuring largely in Spain, where we've closed 20% of our branches and we're reducing headcount by 16%.

Impairment improved 21% which reflects the speed with which we took action.

### **Africa RBB**

Africa RBB profits increased 13% to £622 million, income grew by 5% and impairment fell by 11%.

This was partially offset by an increase in operating expenses in South Africa, resulting from a non-recurring pension credit in 2010.

### **Barclaycard**

At Barclaycard, adjusted profits grew 61% to £902 million, **excluding** the £600 million provision for PPI.

Income rose 4%, while impairment declined 24%.

90 day delinquency rates continued to improve further during the third quarter.

Return on Equity rose to 17% from 11% last year.

### **Barclays Capital**

Barclays Capital reported a profit before tax of £2.7 billion, excluding own credit.

Income was down 12% to £8.5 billion in difficult market conditions. This was partly offset by an improvement in impairment of £300 million and a 4% reduction in costs of £260 million.

The cost to net operating income ratio was 68%. We continue to target a ratio of 60-65% over time.

Income in the third quarter, excluding own credit, was down 22% on the second quarter, which is a good performance compared to the industry.

Most of the businesses performed well on a relative basis; fixed income, currency and commodities declined 16%, equities and prime services were down 40% and investment banking decreased 25%

Despite difficult market conditions, Barclays Capital generated a 12% Return on Equity, consistent with last year's return.

## **Barclays Corporate**

Barclays Corporate delivered a profit before tax of £106 million, compared to a loss of £414 million last year, as performance improved across all regions.

Profits in the UK increased 5% to £592 million.

In Europe, losses reduced 38% to £434 million, driven by improved impairment in Spain which was 45% lower at just over 400 million.

Losses in other corporate markets more than halved to just over £100 million.

## Barclays Wealth

At Barclays Wealth there was strong income growth of 13% and profits increased 25% to £153 million, despite continued investment in the Gamma programme.

Before I wrap up, I'd like to talk briefly about costs and capital.

### Costs

We held costs flat at £14.5 billion, excluding PPI.

This is despite continued investment in growth areas as well as restructuring charges of £265 million, up from £111 million for the same period last year.

This restructuring will of course deliver future cost improvements.

Our cost to net operating income ratio improved from 78 to 74%.

Excluding the UK bank levy and PPI provision, we're on track to keep 2011 non-performance costs in line with last year, and we're confident that we can exceed our £1 billion cost reduction target for 2013.

We'll be able to tell you more about this in February.

Moving on to capital and liquidity.

## Slide: Rock solid capital, funding and liquidity

We continued to create capital through profit generation in the third quarter and our Core Tier One ratio remained strong at 11% after adjusting for BlackRock.

Adjusted gross leverage was broadly stable at 21 times and risk weighted assets were slightly lower at £390 billion.

The new regulatory requirements for market risk in CRD 3 will come in at the end of the year.

We estimate that our Core Tier 1 ratio would have been about 10.2% had this been in force at the 30<sup>th</sup> September.

This reflects additional market risk RWAs in the region of £30 billion, £10 billion lower than our earlier estimates.

As Bob told you, our liquidity and funding positions remain a key strength.

We have seen this very clearly in the third quarter with the unsecured term funding market largely closed and with concerns about the level of term liquidity.

Our liquidity pool increased to £166 billion, up from £145 billion at the half year, as we attracted significant amounts of wholesale deposits during the third quarter.

We've raised over £24 billion of wholesale debt across a variety of products and geographies including £6 billion of term funding in the third quarter.

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

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

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

Moving on to current trading, capital markets remained difficult in October but have shown some improvement since the announcement by Eurozone leaders last week.

Our Retail, Corporate and Wealth businesses performed broadly in line with our underlying run rate for the first nine months of the year.

It's also worth noting that year to date numbers do not include an accrual for the UK bank levy, which we now expect to be in the range of £330 to £380 million for the full year.

So in conclusion, adjusted profit before tax was up 18% to £5 billion, with well balanced contributions from across the business.

Our capital, funding and liquidity remains strong.

Our Eurozone and credit market exposures have reduced and continue to be well managed.

Our return on equity is up year on year we're making good progress with those businesses that have underperformed and, excluding PPI, we have held costs flat.

This represents a reassuring performance in challenging market conditions.

**Slide: Q&A**

Thank you very much. We're happy to take your questions.