

27 April 2011

BARCLAYS PLC ANNUAL GENERAL MEETING

Group Chief Executive's Statement

Thank you Marcus, good morning and welcome to Barclays Annual General Meeting. It's a great honour to speak to you today for the first time as Chief Executive. Barclays has a long and distinguished history of which I am immensely proud to be a part. It is a privilege to be entrusted with its leadership and to be serving you as our owners, our shareholders.

I've worked for Barclays for 15 years. I worked with John Varley all that time and I learned a huge amount from him. I admire the legacy that John has left, not just for Barclays, but for the industry as a whole and I'd like to pay tribute to his leadership, especially during the recent crisis in the financial markets.

John and I have worked together on the main board for the last 5 years so you will not be surprised to hear that our strategy remains the same.

We continue to believe that the Universal Banking model is the best one for all of our stakeholders. It's the model that's enabled us to build a bank that's diversified by business, by geography, by customer and by funding. It's the model that's enabled us to offer the best solutions for customers and clients, and it's the model that's enabled us to operate profitably throughout the crisis, offering security for customers and stability to the financial system. As a result we have emerged from the crisis in a stronger position. That was reflected in our 2010 results when we reported profit growth of more than 30% and an increased dividend. We've also made a good start in 2011. We recognise however that it's been a difficult time for shareholders over the last 3 years and we are focussed on rebuilding value for you and improving returns. I will talk about how we're doing this in a moment but I want to set the context first by talking about the environment in which we operate.

Over the last three years we have engaged with regulators and central banks around the world, including the FSA and Independent Commission on Banking in the UK, congress and regulators on the Dodd Frank legislation in the US, as well as international bodies such as the Financial Stability Board and G20. We have engaged with them in order to provide them with the input and understanding they need to make their analysis and their recommendations.

In that time dramatic change has taken place, and it is change for the better. Barclays is a good example of this. As Marcus said earlier, since 2007: our capital ratios have more than doubled leverage has reduced by over a third and our liquidity pool has more than tripled.

Frequent stress tests are now part of the regulatory process: we undergo stress tests in the UK, stress tests around the world, and our own internal weekly tests that are extremely rigorous. We've adopted the recommendations on compensation made by the FSA, the Financial Stability Board and the G20 a much higher proportion of compensation is deferred and paid in shares with the possibility of clawing back payment if necessary.

A great deal of progress has been made on central clearing of financial instruments and on greater transparency. We've also significantly increased the level of information that we disclose. So we are today a safer and sounder institution operating in a safer and sounder financial system. But that does not mean that we have done enough. On the contrary. We welcome the work of the Independent Commission on Banking for a very good reason. The

status quo is unacceptable. We don't ever want to see a rerun of 2008. Stronger and more effective regulation will help prevent that. So we share a common objective with the ICB – ensuring that taxpayers never again have to rescue a failing bank.

We believe it's in everyone's interest that all reform addresses 3 critical questions: First, will it create a safe and sound financial system where the tax payer is protected? Second, will it help drive economic growth and job creation? And third, will it result in a consistent approach internationally so that UK based banks can compete globally and London remains a leading financial centre?

Given the change that has already taken place, we think the key answer to these three questions is to establish orderly resolution and recovery plans in particular, to create mechanisms that ensure customers continue to have access to essential banking services even if a bank fails. If we had confidence that banks, in particular large banks, could fail without systemic risk then many concerns about “too big to fail” would be addressed.

We have given this a lot of thought at Barclays, we have invested a lot of time and effort, and we are changing the way we operate. We are one of the most advanced in developing these plans with the FSA, and we expect to have them fully in place within the next 12 months.

The ICB's interim report is both thoughtful and far-reaching. It will have a fundamental impact on the industry. We're currently working through the detail of the questions it raises and when we have a fuller picture we will be able to assess their proposals in relation to the costs they add, the challenges this presents for returns and dividends, and importantly, the impact on the broader economy.

While there has been speculation about Barclays moving headquarters I want to assure you that Barclays has not had any discussion with US regulators or for that matter with regulators anywhere else in the world - about relocation. None. We will always consider what is best for our shareholders but that does not mean that we wish to move. We have been here for 320 years. This is our home.

We continue to engage with the Independent Commission on Banking, the Financial Stability Board and the G20 to achieve the best outcome for all of our stakeholders. While there continues to be uncertainty in the regulatory environment we are staying focussed at Barclays on what is most important - and that is our quality of execution. That means delivering on our promises in four key areas: capital, returns, income generation and our role as good citizens I'll talk to you briefly about each of these.

Capital

I have already commented on the strength of our current capital position. Whatever the outcome of regulation we believe we can manage accordingly because of our ability to generate capital. We have generated £7.7 billion of equity since 2008, £10.5 billion since 2005 and we're allocating capital carefully in order to increase returns.

Returns

You will not be surprised when I say that our current return on equity is unacceptable so we are making tough decisions in order to change this. Each and every business has to be top tier in the minds of customers and clients and has to generate sustainable returns comfortably above our cost of equity. Let me give you a few examples of actions we are taking to improve or eliminate businesses that are not. We are committed to reducing our credit market exposures which is why we've exited almost half of them in the last three years and will continue to do so in 2011.

We are taking action in Spain to return the business to profitability and sustainable returns. We are exiting our business in Indonesia which was subscale, withdrawing from our retail business in Russia, and replacing Barclays Financial Planning with online execution here in the UK. Another important way we can boost returns is by reducing costs. Our plan is to take at least a billion pounds off our cost base by 2013.

Income Growth

Of course driving income growth is also integral to boosting returns and we see very clear opportunities to do this both by business and geography. Let me give you just a few examples. In our cards business we have a leading market position, the benefit of scale, and strong technology. We are a market leader in Wave and Pay cards, and this year we're launching the very first service in the UK for customers to make contactless payments with their mobile phone. This is the beginning of a transformation in the way people pay for goods on the high street and Barclays is leading the way.

Another example is Africa, one of the fastest growing markets in the world. Africa represents a competitive advantage for Barclays because we're present in 11 countries across the continent and we are a top 3 bank in 9 of those. This gives us a unique footprint in the world's third fastest growing region. Africa already generates about 15% of our revenues, and we are now aligning Absa in South Africa more closely with our other operations across Africa to execute a "One Africa" strategy, to capture the potential revenue synergies we see across the continent, and to enhance our competitive position.

Taken together, the combination of: fixing or exiting businesses with poor returns, reducing costs, and growing top line income, enables us to target a return on equity of 13% and a return on tangible equity of 15% by 2013.

These are ambitious but achievable targets and I would like to be crystal clear that Barclays is not ramping up risk in order to achieve them. The risk on our books may fall or rise, within our limits, depending on market and client volumes but our risk appetite is set both by the Executive Committee and the Board and it has not changed.

Our fourth key area of focus is Citizenship and I think it's fair to say that as an industry we have not done enough to restore trust with our customers. Nor have we done a good job of explaining how banks contribute to society by helping to create jobs and foster economic growth, and by supporting the communities in which we live and operate.

At Barclays we know that we have to do a better job for customers. We accept that the number of complaints we receive is too high and we're working hard to reduce them. The management team in Retail and Business Banking has committed to making customers lives easier; customer service lies at the heart of their strategy and it is key to delivering success in these businesses. One of our most frequent complaints, for example, is about the time it takes to replace a debit card so we have focussed on improving this and have reduced the wait from 5 days to 2. We have a lot further to go on customer service, but we are making progress.

Now let me talk about our role in creating jobs and economic growth which has never been more important because with public spending cuts, the mantle of growth has shifted to the private sector. Here are some of the most obvious ways in which we contribute: Barclays employs almost 150,000 people around the world, including 65,000 in the UK. In 2010 we created 2000 new jobs, 80% of which were in the UK. We created opportunities for about 3000 students on our internship program over the last 3 years and we have hired 4000 graduates in full time posts, so Barclays makes a serious contribution to job creation.

But we also help other businesses to create jobs and to grow: we have £500 billion of loans and advances extended to our customers around the world; new lending to UK business and households in 2010 amounted to £43 billion; and we helped over 100,000 people in the UK start up in business last year. These are important contributions to economic growth.

As Marcus mentioned, we also support the communities in which we live and work, by contributing £55 million a year to a wide range of local activities and by supporting our staff who volunteer for causes that they believe in. We have contributed in this way for many years because we believe it's the right thing to do and I intend to bring more focus to our activities in this area to make sure their impact is as positive as possible.

Let me conclude by saying again how honoured I am to be here today in my new role and how seriously I take my responsibilities at a critical moment both for the financial system and the economy. There has been a lot of positive change in recent years but it is not enough. You heard me say this earlier - and I'll say it again - the status quo is unacceptable. Strong banks need strong effective regulation. Until the outcome of further regulation is clear, however, we are managing through a period of considerable uncertainty. And what we're focussed on, in that environment, is delivering for you, our shareholders. I am committed to executing on the priorities I've outlined this morning because by doing so I believe there are great opportunities ahead for Barclays.

We have the right model and we have the right strategy. It's execution that will give us our edge. I'm excited to be leading 150,000 highly committed people in Barclays as we deliver on our promises; our promises on capital, on returns, on income, and on citizenship. By doing this I believe Barclays - and you, our shareholders - will be among those that benefit as the industry evolves. Our focus - my focus - is on achieving just that.

Thank you very much.