BARCLAYS

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2011 Q1 IMS

- Good morning and thanks for joining us today

- Before I talk about the results, you'll have seen in the announcement that we've renamed our 3 main business groups:

    Retail and Business Banking

    Corporate and Investment Banking

    and Wealth and Investment Management

- Retail and Business Banking includes those activities in Absa, together with all the businesses that were in Global Retail Banking

    Bob talked in February about aligning Absa with Barclays Africa.

    From July 1st we'll run a matrix structure

    where Maria Ramos takes geographic responsibility for all our activities in Africa

    and Antony Jenkins assumes global product responsibility for retail and business banking across Africa and Absa.

- In Barclays Corporate, Ireland is now part of Europe, uniting all our corporate banking activities within the Eurozone

  The rest of the world – which was formerly called New Markets – comprises corporate banking in Russia, Pakistan, India and the UAE.

- As usual my comments compare the first quarter this year with the first quarter last year unless I say otherwise

- We believe that excluding own credit gives a better measure of our underlying performance so where it's appropriate we will give you numbers both including and excluding own credit.

Performance Highlights

- Turning now to the headlines….

- Profit before tax was up 10% to just over £2 billion, excluding own credit and gains on acquisitions and disposals

  On a statutory basis, profits were down 9% to £1.7 billion.

- Against a background of subdued economic activity, income was down 5% to £7.8 billion, excluding own credit

  Including own credit, it was down 8% to £7.4 billion.

- Impairment charges improved 39% to £921 million

  including a release of £190 million against the loan to Protium.

  Excluding this release, the year on year improvement was 26%.

- Net operating income, excluding own credit, was up 3%

  and was broadly stable on a statutory basis

- Operating expenses were flat at £4.8 billion.

- Excluding own credit:

  return on equity was 10.1%

  return on tangible equity was 12.1%

  and return on risk weighted assets was 1.5% .

  Of course these numbers are slightly lower on a statutory basis.

- Earnings per share were 8.5 pence

  and we've announced a dividend of 1 pence for the quarter.

  As you know our approach is to pay a fixed dividend for the first three quarters

  with a final variable dividend in the fourth quarter

- Before I take you through the numbers in more detail I want to pick up on the key execution priorities that Bob outlined in February, starting with Capital.

Capital

- Our core Tier 1 ratio increased to 11%.

  Adjusted gross leverage was stable at 20 times

  and has moved within a narrow range of 20 to 22 times during the quarter.

  The liquidity pool was £161 billion at the end of March

  which is £7 billion higher than the year end.

- As you know the Independent Commission on Banking issued its interim report this month

  It is a thoughtful document but there are many areas where more detail is required in order to assess the full impact.

  Our ability to generate capital will be an important factor enabling us to adjust to any new regime.

  The increase in our Core Tier 1 ratio over the last 15 months

  has been almost entirely due to profit generation.

Returns

- We were disappointed with our return on equity in 2010 and one of our main priorities is to generate higher returns.

  As a result we've analysed the business and its component parts

  in order to either fix or exit those businesses with returns lower than our cost of equity

- Reducing our credit market exposures is a key component in the area.

  On Protium, just under a billion dollars of the principal was repaid during the quarter

  and we also released $307 million - or £190 million - from the provision taken last year.

  At the end of March the loan was held at $10.2 billion in our books

  compared to $12.6 billion when the loan was first advanced in 2009.

  Since the end of March we've received a further principal repayment of $572 million.

- In line with our comments in February, we've agreed this morning a restructuring of the management agreement with C12 Capital Management

  after our purchase of third party investor interests.

  This means that we'll be consolidating Protium,

  which will have no significant impact on either the Profit and Loss Account or balance sheet,

  but will enhance our ability to sell the assets on an accelerated basis over the next 3 years.

- In addition to reducing the Protium loan,

  we've also agreed to sell 586 million dollars worth of commercial real estate loans to Crexus Investment Corporation at prices consistent with their book value.

  This sale is in the process of completion and is not included in the first quarter numbers.

- In Retail and Business Banking we've confirmed our decision to close Barclays Financial Planning here in the UK

  and the sale process has started for our retail business in Russia.

- As you know we've embarked on a cost reduction programme across the group

  and have identified £500 million of cost savings for the year

  or £250 million, net of restructuring charges,

  of which we've taken £69 million in the first quarter.

  This is spread across all parts of the group and includes all cost categories.

- To give you an example of the kind of changes we're making,

  as part of our One Africa Strategy we're combining the central operations of Absa and Barclays Africa into one regional centre in South Africa.

  The work currently done in Dubai for Barclays Africa will be relocated to Johannesburg by the end of the year

  reducing costs and helping to deliver synergies across the African business.

- We're also consolidating management of the property estate,

  our procurement and supplier management

  and our accounts payable activities.

Income Growth

- Our third priority is income growth

  and in challenging conditions we've seen good growth in those areas where we've been investing.

  In Barclays Capital, for example, growth in our Equities and Advisory businesses

  has helped to offset a reduction in revenues in Fixed Income Currencies and Commodities.

  I'll give you more detail on this later.

- In Barclaycard, we've grown our portfolio both in consumer and business cards during the quarter.

  We've announced the acquisition of over a million consumer accounts from Egg,

  with gross receivables of £2.3 billion,

  as well as 60,000 business card accounts from MBNA,

  with outstanding balances of £130 million.

  We can operate these portfolios more profitably than others

  because of the scale of our business.

- We're also continuing to invest in the Gamma programme in Barclays Wealth

  and we're seeing strong income growth as a result,

  especially in the High Net Worth business.

Citizenship

- Citizenship is also an important area of focus for us

    and Bob will talk more about this at our AGM later this morning.

Retail and Business Banking

- I'll move on now to comment on the individual businesses starting with Retail and Business Banking

    where profits grew 21% to £692 million

    including 135 million from Absa.

    Income was stable at £3.3 billion.

UK Retail and Business Banking

- In UK Retail and Business Banking

    profits also grew 21% to £288 million

    mainly as a result of improved impairment.

    Income was stable and costs were 6% lower.

- Europe Retail and Business Banking reported a loss of £59 million compared to a profit of £17 million in 2010

  although there was a gain on acquisition of £29 million last year.

  Income and impairment charges were stable

  but costs increased as a result of restructuring charges, mainly in Spain.

  We'll update you on progress in restructuring our Spanish operations at the half year.

- In Africa, which now includes retail and business banking in Absa, underlying profits grew 17% to £167 million

  Within this, underlying profits at Absa increased 19% to £135 million

  and in the rest of Africa, they grew 7% to £32 million

- On a headline basis, profits in Africa decreased 15%

  due to a one off credit of £54 million in 2010

  relating to the recognition of an Absa pension fund surplus by the group.

- At Barclaycard profits increased from 118 million to £296 million

    largely as the result of a 35% improvement in impairment.

    Income was stable and costs were down 7%.

Corporate and Investment Banking

Barclays Capital

- At Barclays Capital, profits excluding own credit were down 15% to £1.3 billion.

    Taking into account an own credit loss of £351 million

    profits were £982 million.

- Top line income of £3.3 billion was down 15% year on year, and 3% on a comparatively strong fourth quarter.

    Breaking down top line income by businesses:

    Fixed Income, Currencies and Commodities decreased 22% year on year to £2.1 billion

    but Equities and Prime Services were up 11% to £545 million

    and Investment Banking grew 10% to £612 million

    as we benefited from our investment in these two businesses.

- Net operating income, excluding own credit, was down 6% to £3.4 billion

    reflecting an impairment write back of £31 million

    which included a release of £190 million relating to Protium.

This compares to an impairment charge of £268 million in the first quarter last year.

- Costs were flat year on year

and the cost to net income ratio, excluding own credit, was 61%

which is at the lower end of our range.

The compensation to income ratio, excluding own credit, was 44%.

- The level of market risk we're taking in Barclays Capital is historically low, reflecting current industry volumes.

Daily value at risk on March 31st was about £41 million,

compared to 48 million at the year end

and 60 million at the end of the first quarter in 2010.

Of course the risk on our books may fall or rise, within our agreed limits, depending on client volumes.

Barclays Corporate

- Barclays Corporate reported a profit of £1 million compared to a loss of 75 million in 2010.

  Profits in the UK grew 32% to £208 million.

  Losses in the rest of the world reduced from 163 million to £15 million

  as impairment improved significantly and costs decreased.

  In Europe, losses increased from £70 million to £192 million

  mainly as a result of higher impairment charges in Spain of £175 million

  We expect modest declines in impairment in Spain over the rest of 2011.

- Across Barclays Capital, Barclays Corporate and UK Business Banking, our UK loan book was £63.2 billion

  with gross new lending of £4.5 billion

  compared to 3.6 billion in the first quarter of 2010.

Wealth and Investment Management

- In Barclays Wealth, profits grew 2% to £46 million

    and income grew 14% mainly in the High Net Worth business

    as we continued to invest in the Gamma Plan

    We expect to invest just under £100 million this year

    of which 17 million was invested in the first quarter.

- Investment Management reported profits of £24 million as a result of dividend income from our stake in BlackRock.

- Looking at the month of April:

    Performance has been in line with the trends of the first quarter

    and we remain happy with current market consensus for 2011.

    Since the improvement in impairment in the first quarter included a one-off release of £190 million on the loan to Protium

    you shouldn't expect the same pace of improvement for the Group throughout the year.

- Before I close there are three topics I want to touch on:

- The first is the UK bank levy, where we've estimated our 2011 obligation to be just in excess of £400 million.

  In line with accounting requirements, the accrual period starts when the legislation is finalised

  so there is no charge in the first quarter.

- Secondly, as you know a judgement relating to Payment Protection Insurance was announced last week

  Members of the British Bankers' Association are considering the implications of the judgement

  and the merits of any appeal against the decision.

- Thirdly, we're cooperating with investigations in the UK and US relating to certain past submissions made by Barclays to the British Bankers' Association, which sets LIBOR rates

- It's not possible to predict the outcome on either PPI or LIBOR

  or the timing and scale of any potential impact.

- So to conclude:

  We've made a good start to the year with adjusted profits of £2 billion

  and we're making progress in our key areas of focus:

  Our Core Tier 1 ratio has increased to 11%;

  we're continuing to shape the business to drive returns

  and we're making good progress on our cost programme;

  gross new lending to UK businesses increased by almost a quarter;

  and given the economic environment, we're pleased with the income performance.