

## **Barclays Interim Management Statement**

**May 7<sup>th</sup> 2009**

1. Good morning and thanks for joining us today.
2. You'll have seen from the statement we issued this morning that we've given you additional detail on the P&L in today's IMS

because we think the current environment calls for greater disclosure.

I won't cover the balance sheet in the same detail, though I will comment on its overall shape.

We don't expect to automatically maintain the same level of disclosure in the autumn IMS.

3. In general my comments this morning compare the first quarter this year with the same period last year.

## Group

4. We've started 2009 with a good first quarter.
5. Looking at the group as a whole, profits before tax were up 15% to £1.4 billion

after absorbing gross credit market write downs of £2.6 billion.

This was driven by very strong income growth of 42% to £8.2 billion,

with good income levels in most parts of the Group

and a particularly good performance in Barclays Capital.

6. Impairment charges increased to £2.3 billion which includes £754 million of credit market write-downs.

About half of the growth is due to higher volumes and the impact of exchange rates.

We told you in February that our planning assumptions for loan losses this year range between 130 and 150 basis points,

excluding available for sale assets.

We're currently at the lower end of that range, on an annualised basis, at 131 basis points.

7. Cost growth of 37% to £4.5 billion reflects:

business and headcount growth from the Lehman acquisition as well as business growth resulting from our investment in the distribution network in Global Retail and Commercial Banking.

The number of customers we serve in GRCB has increased very significantly

from 34 million in 2006 to about 49 million now,

reflecting our strategy to diversify the earnings base across the group.

### Global Retail and Commercial Banking

8. Moving on to Global Retail and Commercial Banking, where we delivered first quarter profits of almost £600 million.

Income grew 16% in difficult conditions, with pressure on liability margins as interest rates have declined,

and with growing impairment in a weak global economy.

9. Impairment in the UK businesses is in line with our expectations.

The rate of impairment growth in the international businesses has been faster than in the UK.

## UK Retail Banking

10. Turning to the individual businesses, and starting with UK Retail Banking

where good income growth in mortgages and consumer lending was more than offset by liability margin compression,

even after the impact of hedges.

11. Impairment growth, which was in line with expectations, was mainly in the UK consumer loan book and over drafts

where 90 day delinquency rates have increased slightly on the year end.

Costs increased as a result of higher pension charges as well as the non repeat of gains from property sales.

As a result, profits were quite a bit lower than the same period last year.

12. Against a background of market contraction, we've increased the size of our mortgage book from £82.3 billion to £83.5 billion over the quarter, as new business exceeded redemptions.

the average loan to value on new business written this year was 45%,

and on the book overall was 43% on a current valuation basis.

We have over 820,000 residential and buy to let mortgages on our book:

only 1% are more than 90 days delinquent,

and 235 were in repossession at the end of the quarter.

#### Barclays Commercial Bank

13. At Barclays Commercial Bank there was solid income growth reflecting strong fee income and sales of treasury products,

including foreign exchange and interest rate derivatives.

A significant decline in profits was driven by higher impairment,

but we continue to benefit from the diversification of our loan book

and the five largest charges amounted to £65 million in total.

14. You'll recall that we've positioned our commercial banking portfolio defensively

and limited our participation in sectors such as commercial property and sponsored leverage lending.

We expect the rate of impairment to increase

but the loan loss rate remains low by industry standards

15. As in UK Retail Banking, discretionary costs were tightly controlled,

though the rate of cost growth in the commercial bank was higher than that of income growth.

Approximately half of this was the result of higher pension charges.

## Barclaycard

16. Profits at Barclaycard grew slightly, reflecting very strong income growth across most businesses.

This more than offset higher impairment charges which were in line with expectations.

Cost growth at Barclaycard was lower than income growth

and our net cost of funding in Barclaycard reduced.

17. In UK Cards, delinquencies have increased in the first quarter, reflecting adverse economic conditions and rising unemployment.

We've continued to reduce credit limits and tighten approval rates, which were less than 50% in March.

18. In Barclaycard US loan loss and delinquency rates also increased, though they continue to be better than industry averages.

Barclaycard US now accounts for almost 30% of the overall card book.

#### GRCB Western Europe

19. In Western Europe there was higher income across all major markets

and the rate of cost growth was lower than that of income growth.

Profits declined as a result of higher impairment charges, largely in Spain, where the rate of impairment growth was broadly similar in both retail and wholesale.

20. Loan loss rates in Western Europe have increased, but remain below our average for the Group,

and 90 day delinquencies are growing at a slower rate than loan loss rates.

21. Most of our retail property exposure in Spain is in major urban centres,

where the market is less impacted by the economic environment than in coastal areas.

The average loan to value on new mortgages was 55% in the first quarter, compared to 63% for 2008.

### GRCB Emerging Markets

22. In Emerging Markets there was very strong income growth in the UAE, India, Egypt, and Sub-Saharan Africa,

which was more than offset by increased impairment.

The rate of cost growth was higher than the rate of income growth

and taken together this resulted in a loss in Emerging Markets in the first quarter.

23. A substantial part of the impairment growth is in unsecured consumer lending and cards, particularly in India.

To put this in context, the asset book remains quite small:

consumer loans and card balances in India totalled £1.1 billion at the end of the quarter.

24. Cost growth reflected the effect in 2009 of prior year investment in the distribution network.

25. You'll recall that Western Europe and Emerging Markets added almost 650 new distribution points in total in 2008.

Expansion will be significantly lower this year

as our focus for 2009 is on maximising returns from this investment.

We continue to believe there are attractive opportunities in these markets,

and we're well positioned to take advantage of them over the economic cycle.

GRCB Absa

26. At GRCB Absa, which excludes Absa Capital and Absa Cards, profits declined as a result of increased impairment reflecting the economic downturn in South Africa.

Profits in the first quarter last year also benefited from a £46 million gain from the Visa IPO.

The majority of increased impairment was in mortgages and vehicle financing, with a loan loss rate approaching 2%,

and the rate of cost growth year on year was in line with that of income growth.

27. Absa's new Chief Executive, Maria Ramos, started in March

after a hand over period with Steve Booysen who announced his intention to leave last November.

## Investment Banking and Investment Management

28. Moving on to Investment Banking and Investment Management where profits for the first quarter were almost £1.1 billion, with income growth of 79% reflecting a strong start to the year in Barclays Capital and the successful integration of Lehmans.

## Barclays Capital

29. Barclays Capital profits of £907 million were significantly ahead of last year.

Gross income more than doubled to over £5 billion, with excellent growth in interest rates, credit, commodities, prime services and equity products.

30. The contribution from the US has been transformed by the Lehmans acquisition:

To give you an idea of scale, gross income in the US business has almost tripled

from £670 million in the first quarter last year

to about £2 billion in the first quarter this year.

31. Barclays Capital ranked second globally as the underwriter for combined equity and bond issuance in the first quarter,

and is the leading underwriter of all international bonds, global bonds, and US dollar domestic bonds year to date.

32. There were gross losses from credit market write-downs of £2.6 billion:

£1.9 billion was reported in the income line and £754 million was in impairment.

This was partly offset by gains from own credit of almost £280 million and hedges of £182 million.

On a net basis, the charge was £2.2 billion.

33. Just over a billion pounds of additional credit reserves related to monolines, reflecting ratings downgrades in February

even though there has been no default on any of the underlying assets.

Commercial real estate accounted for £460 million of write-downs.

34. Gross credit market exposure has reduced by £5.2 billion, which equates to 12% of the year end balance in 2008.

All these reductions were liquidated broadly in line with their marks.

and this includes the Alltel repayment at par which we told you about in February.

35. Costs increased at Barclays Capital as a result of volume growth in the expanded business and the accrual of performance related pay.

#### Barclays Global Investors

36. Profits at Barclays Global Investors increased as a result of a significant reduction in support to selected liquidity funds.

This amounted to £37 million in the first quarter this year, compared to £173 million for quarter one last year.

37. There was a modest decline in income, with management fees down as a result of declining asset values.

38. We had strong net new asset inflows especially in index equity and fixed income.

Overall assets under management declined, as a result of negative market movements.

## Barclays Wealth

39. Profits at Barclays Wealth fell significantly as a result of two main factors:

First, the sale of the closed life fund, which contributed £43 million in the first quarter last year;

and second, the impact of acquiring Lehman Brothers US Private Investment Management

which had assets under management of about \$26 billion at the year end.

40. Income declined as lower interest rates impacted margins,

costs were well controlled,

and client assets declined slightly since the year end,

driven mainly by negative market movements and exchange rates.

## Capital and Dividend

41. As far as the balance sheet is concerned, there's been very little movement from the numbers we reported for the year end, either in

the size of the overall balance sheet,

adjusted gross leverage,

or the amount of risk weighted assets.

We continue to expect our overall balance sheet size and leverage to decrease over time.

42. Turning to capital ratios,

taking into account the net gain on the sale of the iShares business announced on April 9<sup>th</sup>

and the conversion of mandatory convertible notes issued last November

we would have reported a Tier 1 ratio of 10.3%

and Equity Tier 1 ratio of 7.2% on a pro forma basis at the 2008 year end.

In line with the FSA's announcement last week, we'll be reporting our Core Tier 1 ratio from June onwards.

Under their standardised definition, this would have been 20 basis points lower than Equity Tier 1 at the year end;

in other words, 7% rather than 7.2%.

43. Profits attributable to equity holders in the first quarter were £826 million.

44. As we announced at the AGM, we intend to resume cash dividend payments in the second half of the year,

and from then on we'll pay cash dividends on a quarterly basis.

In general, we expect to make three equal payments a year, with a variable payment in the final quarter.

45. We recognise the market's desire for us to maintain strong capital ratios,

so we expect to distribute a proportion of profits after tax that's significantly lower than the 50% maintained in recent years.

46. As far as this year is concerned, our approach will be conservative and will take market conditions into account .

The third quarter payment will be made in the fourth quarter, and the final cash dividend for the year will be declared and made in the first quarter of 2010.

## Outlook

47. Moving on to the outlook for 2009....

48. Trading in April has been consistent with that of February and March, after an exceptional performance in January.

The range of possible outcomes for the year is broader than usual, given market conditions

51. Based on indicators such as delinquency rates and early warning lists, we expect impairment to increase in each quarter of the year

and to be at the higher end of our planning range on average for the full year.

To give you an idea of the trend, the loan loss rate in the fourth quarter last year was 109 basis points

compared to an annualised rate for 2008 of 95 basis points.

We will of course update you at the interims, having reviewed second quarter impairment trends.

52. I also want to let you know that as of April 1<sup>st</sup> Russia has become part of GRCB Western Europe for both management and reporting purposes.

I don't expect this to significantly impact the result of either business.

53. John said in February that we'd update you on our goals and you should expect to hear more from us at the interims.

We'll also be holding an investor seminar on Barclays Capital next month in both London and New York.

## Summary

54. So in summary:

We've had a good first quarter with profit growth of 15% to £1.4 billion

driven by excellent income growth of 42% to £8.2 billion, which has enabled us to absorb credit market write-downs and impairment.

The rate of cost growth was significantly lower than that of income growth,

and we've benefited from the successful integration of the Lehmans acquisition.

55. I'm joined by Robert le Blanc, Group Risk Director; Rich Ricci, Chief Operating Officer for IBIM; and Stephen Jones, our Head of Investor Relations.

We're happy to take your questions now.

56. You'll understand that we have nothing to add to our announcement about the sale of the iShares business,

so my focus today is on trading year to date.

## Q&A

## Wrap up

57. Let me close by reiterating that we've had a good first quarter with profit growth of 15% to £1.4 billion

driven by excellent income growth of 42% to £8.2 billion

which has enabled us to absorb credit market write-downs and impairment.

The rate of cost growth was significantly lower than that of income growth,

and we've benefited from the successful integration of the Lehmans acquisition.

58. That's all for today – thanks for joining us.