



UBS Global Financial Services Conference
Bob Diamond, Chief Executive

Thanks very much and good morning. It's a great pleasure to be here today and I'd like to thank UBS for the opportunity to talk this morning. Last year I set out four execution priorities for Barclays:

- maintaining our capital strength - especially in a post Basel 3 world;
- increasing returns;
- growing income; and,
- playing our full role as good citizens.

I want to update you on the progress we've made in these four areas, but let me start by setting this in the context of our results for the first quarter.

[Slide: Balanced performance in the first quarter]

We reported adjusted profits of £2.4 billion, 22% up on a strong first quarter last year. This excludes a large reversal in non cash, non regulatory capital own credit and a further provision for PPI. Total income for the quarter grew 5% to more than £8 billion.

We announced a dividend of one pence, having increased the dividend by 9% in 2011, and we look forward to increasing the dividend again, once the industry has certainty about new capital requirements. The contribution from our businesses in Retail and Business Banking balanced those of Corporate and Investment Banking and growth in a challenging environment was broadly based across our businesses. That is important because it demonstrates the strength and diversification of our model.

This performance was the result of our continued focus on our four execution priorities.

Let me turn to those now, starting with capital, liquidity and funding.

[Slide: Capital, liquidity and funding]

Barclays has one of the strongest equity capital ratios among top international banks - a Core Tier 1 ratio of 10.9 %, even after absorbing the full impact of Basel 2.5.

When I look back over the last few years, one of the best decisions we have taken at Barclays was in October 2008 when regulators told banks to raise the bar for equity capital. We decided then to raise capital swiftly and in scale, to put our ratios ahead of regulatory requirements. We wanted to put a metaphorical sign up saying that Barclays was open for business. Having a strong capital position has allowed us to focus on our customers, our clients and our business.

[Slide: Basel 3 Core Tier 1 ratio pro forma]

We have placed a great deal of focus on capital because we want to ensure that we can meet future requirements from regulators. The way we've managed Basel 2.5 shows how we're able to respond to regulatory change and our capital position will remain rock solid under Basel 3.

We showed a slide at our results in February setting out pro-forma calculations based on consensus retained earnings. You can see an increase in our capital ratio of 170 basis points by the end of 2013 on a Basel 2.5 basis. We expect this increase to be impacted by Basel 3.

In addition to optimising capital, we will take action to mitigate this impact by further reducing legacy assets, by managing counterparty risk well and by reducing securitisation positions. The result is a pro-forma Core Tier 1 ratio of about 11% at the end of 2013 which allows for approximately £50 billion of risk weighted assets above a 10% Core Tier 1 ratio. We see this as a suitable buffer to manage business growth, regulatory uncertainty, or volatile market conditions. We expect to be running with a Core Tier 1 ratio of 10% post 2013.

I know there is interest in our mitigation plans so we will update you again on our preparations for Basel 3 at our Investor Day in the fall.

Our liquidity and funding position is also rock solid. Our liquidity pool at the end of March was more than £170 billion and we have been able to access funding consistently, even during the second half of last year. We have issued £13.5 billion of term debt so far in 2012 - half our plan for the year. Today we're recognised for our strength in terms of capital, liquidity and funding and as a result we're seen by customers as a safe haven in times of stress. That has allowed us to improve our competitive position across our businesses. Let me move now to returns.

[Slide: Execution priorities: Returns]

Our 13% return target has been a vital factor in making disciplined choices. In 2011 we took decisive action to close business lines with poor returns and to reduce costs significantly. We closed our business in Indonesia, we refocused Russia, the Middle East and India on Corporate and Investment Banking, moving away from subscale retail banking, we restructured our business in Spain and Portugal and we closed Barclays Financial Planning in the UK.

The cost of this restructuring lowered returns in the short term. Our adjusted return on equity at the end of 2011 was 6.6%. By contrast, our adjusted return on equity for the first quarter this year, in somewhat more favourable market conditions, was 12.2% and our return on Tangible Equity was over 14%.

Our progress on returns will not be in a straight line, as we have to implement further regulatory change, but this first quarter result gives us confidence that we can achieve sustainable returns of 13% over time.

[Slide: Adjusted Return on Equity by business]

Our three biggest businesses delivered an adjusted return on equity of 15% or more. UK Retail and Business Banking returns were at 15%, our Cards business delivered returns of 20% and Investment Banking reported returns of 17%. We continue to examine each and every part of the Investment Banking business to ensure we meet our targeted returns when changes in capital treatment are brought in under Basel 3.

We'll talk more about this at our Investor Day in the fall, when we have more complete information on CRD4.

We have two businesses where we are investing for growth – Wealth Management and Africa. I'll touch on these in a moment under income. Finally there are 2 businesses where we have more work to do – Europe Retail and Business Banking and Corporate Banking.

In the past year we have made an important turn-around in Corporate Banking which delivered a return on equity of 9% in the first quarter. While this is not yet where we need to be, it is a very significant improvement on last year. Corporate Banking reported more than £200 million of profits for the first quarter as the UK continued to perform well and we made real progress outside the UK. In particular we have worked hard to restructure our businesses in Europe. We took early action to impair our Corporate book in Spain and to reduce our exposures. As a result, the first quarter performance in our Corporate Bank in Europe improved 60%.

In our Retail Banking business in Spain, we have closed branches, reduced headcount and cut costs by over 20%. The loss in Europe Retail and Business Banking improved 27% on the first quarter last year. We also accessed the LTRO facility in order to better manage risk and improve the balance of asset and liabilities. We have made good progress but we know there is more to do and this is a key priority for us.

The other way in which we are working to improve returns is by running the business differently.

Since I joined Barclays in 1996 it has been run on a relatively decentralised basis. A major focus of mine has been to make Barclays more efficient and more effective with a program that we call “One Barclays”. This has enabled us to double our cost savings commitment for 2013 to £2 billion and we can do that because we are operating in a much more integrated way.

This closer integration also allows us serve customers and clients better as our businesses work together to deliver the very best services from across Barclays.

We continue to target a 13% return on equity and believe this is the right goal. We are working hard to make a steady improvement through a combination of capital discipline, proactively managing funding costs, restructuring or exiting businesses where we cannot meet our returns target, improving efficiency and cutting costs.

[Slide: Net income growth by business]

The other key component of delivering sustainable returns is driving income growth. We grew net income in six of our seven businesses last year despite very difficult market conditions. More importantly we improved our competitive position in every one of our businesses.

Looking to the future, I want to talk about three examples of businesses that we believe have strong growth potential. First, our Cards business.

In 2011 our Cards business delivered profits of more than a billion pounds for the first time. We won 3.4 million new accounts organically, or 5 million including acquisitions, during the year. Our Corporate Cards business is a priority. This is a business with less risk and higher margins than Consumer Cards. It grew profits by 50% year on year.

We are also leveraging our expertise as the leading UK card provider to drive growth in other markets. At the end of last year, we started to raise deposits in our Cards business in Germany and after just one quarter, these amounted to a billion euros. We

are in the early stages of doing the same in our US business. We are using these deposits to help fund profit growth in our Cards business in those markets.

Importantly, our Cards business has a strong reputation for developing new technology in payments. Barclays is now responsible for over 90% of contactless merchant terminals in the UK. In Africa we widen access to banking with mobile phones, including “tap and go” and “cashsend” payments, and in the UK we recently announced Barclaycard Paytag, a mini credit card that can be attached to a cell phone so you can pay by simply holding your phone over a card reader.

We see strong growth in our Cards business continuing as a result of our focus on Corporate Cards, on markets outside the UK, and on cutting edge innovation.

Africa also represents a key competitive advantage for Barclays. We have operations in 12 countries across the continent, we are top 3 in 9 of those and we are integrating our businesses there to take advantage of that competitive edge in the third fastest growing region in the world.

My third example is our Wealth Management business. This has delivered double digit income growth for the past three years. We are in year three of a five year investment program which will deliver a business with returns well above 15%, position it in the top tier of the industry and make it a much more meaningful contributor to Barclays results.

Those are just three examples. You know that we also have a strong track record of execution in our Investment Bank. In the first quarter, our Investment Bank held income on a par with the strong first quarter last year at £3.5 billion. Within that, Fixed Income Currency and Commodities grew 9% year on year and we were one of just 2 firms where Equities grew, despite a falling market. Importantly, we continue to grow market share in the Investment Bank. In 2011 we ranked top 3 in Mergers and Acquisitions in both the UK and US. Our equities business was involved in each of the top 5 IPOs globally as well as the top IPO's in Japan and India. Meanwhile we remain Number 1 in Global Fixed Income, one of our traditional strengths, with a market share of 11%. In a world where the industry is polarising, we believe we will continue to gain share as weaker players withdraw from the market.

[Slide: Execution priorities: Citizenship]

Before I close, I want to touch briefly on Citizenship. I recognise that there are those who are cynical about this priority but we are totally committed to it. We're committed, quite simply, because our ability to be good citizens is critical to creating long term value for shareholders.

For Barclays, becoming a better citizen means three things. It's about how we behave, especially with our customers and clients; it's about what we do, helping those customers and clients create jobs and drive the real economy; and it's about how we contribute to the communities we serve in so many other ways.

We published our Citizenship report ten days ago – it is now on our website and it is worth a read. <http://reports.barclays.com/cr11/overview.html>.

We will also be launching our Citizenship Plan at a day devoted to Citizenship later this month.

We are committed to being good citizens, not just because it's the right thing to do, but because we know that Barclays success is inextricably linked to the prosperity of our customers, our clients, and the communities in which we live and work.

As I look ahead, my major priority at Barclays is to meet new regulatory demands while delivering sustainable returns above the cost of equity. One of the most significant regulatory hurdles ahead concerns banks that are deemed too big to fail. We strongly believe that if all banks have proper resolution plans in place - in other words, plans that enable a failing bank to be wound down in an orderly way without disruption to essential customer services or the wider financial system - then banks could be allowed to fail.

Effective resolution plans might give regulators more comfort about regulatory capital requirements. That's why we have offered to be the test case for delivering resolution plans that the UK and the US authorities can endorse. Our aim is simple – taxpayer money should never be put at risk ever again.

In an uncertain environment we believe we have the right model, we have the right strategy and we have the right management team - a team that is totally focused on execution.

We are totally focused on execution because we want Barclays to be one of the best banks in the world. We want a business capable of helping customers and clients drive economic growth and international trade; we want a business with the talent to

manage risk, to manage costs and to manage complexity; we want a business that is attractive to investors and that delivers excellent returns to its shareholders. That is our goal and we are resolutely committed to achieving it.

Thanks very much – I'm happy to take your questions.