

24 April 2013

Barclays PLC Q1 2013 Interim Management Statement**Antony Jenkins, Group Chief Executive****&****Chris Lucas, Group Finance Director****Antony Jenkins, Chief Executive Officer**

Good morning and thanks for joining us.

I'm here with Chris Lucas who will take you through the numbers in a moment.

But before he does that, I'd like to talk briefly about the progress we've made since February, when I set out our goal to become the "Go-To" bank for all our stakeholders.

You will see clear evidence today that, having outlined our Transform programme in February, we are now very focused on implementation and have made good progress in the first part of 2013.

As you know, in January we agreed a single cross-business Purpose for Barclays - helping people achieve their ambitions, in the right way - and five core Values which underpin it.

Since then, we have focused on embedding these across the organisation and I am pleased with how my colleagues have welcomed the changes, including how performance will be measured and rewarded.

We made six financial commitments for 2015 at our Strategy Review:

- to deliver a return on equity above the cost of equity;
- to reduce the cost base by £1.7 billion on a net basis;
- to achieve a cost income ratio in the mid 50's;
- to reduce RWAs by £75 billion gross;
- to ensure our transitional Common Equity Tier 1 exceeds 10.5%;
- and to accelerate our progressive dividend policy from 2014, targeting a pay-out ratio of 30% over time.

Cost is a critical underpinning of these commitments and work to transform our cost base by looking at processes end to end and by improving controls and the customer experience is already well underway.

We are on track to execute the £1 billion programme of restructuring and investment for 2013 which we announced in February.

Half of that cost has been taken in this quarter. Reducing our European retail branch network in order to focus on the mass affluent segment, and re-sizing our equities and investment banking operations in Asia and Europe have been the immediate priorities.

As we promised in February, we have also re-allocated more elements of the Head Office costs to the businesses, so that the aggregate of those businesses' results is more closely aligned to those of the Group, including the Group return on equity. This will increase transparency and accountability and reduces execution risks against our Transform goals.

As we move from the planning phase into execution, I announced a number of organisational changes in our Corporate and Investment Banking and Wealth businesses last week to support and accelerate delivery.

These changes follow the elimination of the Global Retail and Business banking layer in late 2012 and the integration plans in hand to bring together Barclays Africa and ABSA and ensure that we have the senior team in place to build the "Go-To" bank.

We told you in February that we'd had a good start to the year and that momentum has continued through the first quarter. I'm pleased also that we've delivered improved underlying profitability across most of our businesses.

The costs to achieve Transform have impacted Return on Equity in this quarter. But it's important to bear in mind that over time, the programme will help us both reduce our cost base and achieve sustainable returns above the cost of equity. Our return on equity excluding the costs to achieve was 10.6%.

I will now ask Chris to go through the numbers in more detail.

Chris Lucas, Group Finance Director

[Slide: Name slide]

Thanks Antony and good morning.

We're reporting a good set of first quarter results this morning. We've made a strong start to our Transform programme with significant restructuring, especially in Europe Retail and Business Banking; impairment has continued to improve; we've further reduced operating costs, excluding the Transform restructuring charge; and our capital, liquidity and funding position remain strong.

As usual, I'm using adjusted numbers today because they give a better understanding of business performance. The only adjustment is own credit, which is a much smaller charge than the first quarter last year. We have not adjusted for the Transform restructuring charge, but we will highlight the effect of these costs on key performance metrics.

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

Turning now to the headlines.

[Slide: Adjusted financial highlights]

We're reporting adjusted profit of £1.8 billion, which is a reduction of 25%.

This reflects restructuring costs of £514 million, and a one off hedging gain of £235 million in the first quarter last year. Excluding these items, adjusted profits would have been up 6%.

Total income was down 5% at £7.7 billion, as a result of last year's hedge gains as well as adverse currency movements in Africa Retail and Business Banking.

Impairment improved 10% to £706 million, with lower charges in both the Corporate and Investment Bank.

We continued to reduce costs which were 4% lower at £4.8 billion, excluding restructuring charges.

[Slide: Adjusting items to profit before tax]

This slide shows the adjustments to statutory numbers.

You can see that we've made no further provisions for PPI during the quarter.

We told you in February that the year end provision for PPI was just under a billion pounds. We've used £300 million of that in the first quarter, leaving a provision of about £700 million at the end of March.

Claim volumes have come down slightly and we continue to monitor them closely - this provision reflects our best current estimate.

There have been no material developments concerning redress on interest rate hedges.

[Slide: Adjusted performance measures]

Return on equity decreased from 12.4% in the first quarter last year to 7.6% in the first quarter this year. This compares to a Return on Equity of 9% for the full year in 2012.

The reduction is largely the result of restructuring costs as part of Transform, which is designed to help us achieve returns above the cost of equity in 2015.

As you know we've allocated more head office results to the businesses, and this is reflected in our reported business level returns.

The Group's cost income ratio increased from 61 to 68%, almost entirely due to restructuring costs.

Adjusted earnings per share decreased to 8.1 pence, and we've announced a cash dividend for the first quarter of one pence. As usual we intend to pay equal dividends in the first three quarters, and retain the ability to flex the dividend in the final quarter.

Looking at capital, our Core Tier 1 ratio increased to 11%.

Before I turn to the individual businesses, I'd like to talk in more detail about costs.

[Slide: Cost analysis]

Overall costs increased by 7% to £5.3 billion, but they were down 4% excluding the Transform restructuring charge of £514 million.

Performance costs for the Group were down 10% to £804 million.

We reduced non performance costs by 2% to £4 billion, excluding restructuring.

Looking at the Transform restructuring charge in more detail:

- £356 million is in Europe Retail and Business Banking,
- £116 million is in the Investment Bank,
- and £37 million is in Corporate Banking.
- This restructuring will result in a total headcount reduction of three thousand, eight hundred people.

Our programme of restructuring and investment is intended to transform our cost base and help us reach a target cost income ratio in the mid 50's by 2015.

Turning now to the individual businesses.

[Slide: UK Retail and Business Banking]

I'll start with UK Retail and Business banking, where there was strong profit growth of 29% to £299 million.

Total income was stable at £1.1 billion, with growth in mortgages offset by a decline in the contribution from structural hedges.

Impairment charges were up by £13 million, but the loan loss rate increased just one basis point to 26 basis points.

Costs reduced 7% to £704 million.

[Slide: Europe Retail and Business Banking]

Europe Retail and Business Banking made a loss of £462 million, largely due to Transform restructuring costs of £356 million.

Income fell 6%, reflecting the difficult economic environment.

The net interest margin was stable.

Impairment increased 30% to £70 million, mainly as a result of a deterioration in mortgages. However, there was a slight improvement on the fourth quarter last year and delinquency rates remained modest.

Costs increased by £362 million as a result of the restructuring charge.

This restructuring will result in a more focussed distribution network across all 4 countries in Europe RBB, and a headcount reduction of about a quarter, which is nearly 2000 people.

[Slide: Africa Retail and Business Banking]

In Africa Retail and Business Banking, income decreased 13% to £668 million, mainly due to adverse exchange rate movements.

Impairment increased 8%, net of favourable currency movements. This was the result of further provisions taken on mortgages in the Absa recovery book. Charges in the first quarter this year were significantly lower than the previous three quarters.

Costs decreased 10%, largely due to currency movements, and profits were down 39% to £81 million.

In local currency terms, profits decreased 24%.

[Slide: Barclaycard]

At Barclaycard, profits were up 5% to £363 million.

Income grew 12% to £1.2 billion.

Impairment increased 21% mainly as a result of higher volumes. However 30 day arrear rates improved in both the UK and US.

Costs grew 11% due to business growth, including acquisitions, but the cost income ratio was flat at 43%.

[Slide: Investment Bank]

Turning now to the Investment Bank, where profits grew 11% to £1.3 billion.

Total income grew 1% to £3.5 billion.

There was a net impairment release of £14 million, compared to a charge of £81 million. Clearly we don't expect a net release each quarter.

We reduced costs by 1% to £2.2 billion. This included a restructuring charge of £116 million as we re-size our equities and investment banking operations in Asia and Europe. We're reducing headcount by 1800 in Corporate and Investment Banking.

The cost income ratio improved from 64 to 63%, and the compensation to income ratio reduced from 43 to 41%. We continue to target a compensation to income ratio in the mid 30's in 2015.

The Return on Equity was 16.3%, up from 13.8% in the first quarter last year.

[Slide: Investment Bank quarterly income – overall]

Income in the Investment Bank is seasonal and the first quarter has generally been the strongest in recent years.

Total income of £3.5 billion was up 1% on last year's first quarter, but 34% higher than the fourth quarter. This income was achieved despite a 5% year on year reduction in RWA's to £182 billion.

[Slide: Investment Bank Quarterly Income – by sub-segment]

Breaking income down in more detail:

- Fixed Income, Currencies and Commodities decreased 6% to £2.2 billion, compared to a strong first quarter last year;
- Equities and Prime services grew 19% to £706 million, reflecting both improved market volumes and share gains;
- and Investment Banking was up 8% at £558 million.

[Slide: Corporate Banking]

In Corporate Banking, profits decreased 10% to £183 million as a result of lower gains on fair valued loans and costs to achieve Transform of £37 million.

UK profits improved by 8% to £270 million, while losses in Europe increased to £114 million, as a result of the restructuring charges.

Income was down 9% to £772 million.

Impairment improved 38% to £130 million, with reductions in the UK and Europe. There was a 39% reduction in Spain to £57 million, resulting from lower exposure to the property and construction sector.

We reduced costs in Corporate Banking by 3%, excluding the restructuring charge.

[Slide: Wealth and Investment Management]

In Wealth and Investment Management, profits grew 20% to £60 million, as our investment in the business continued to bear fruit.

Income grew 4% to £469 million, driven by the high net worth business and related increases in both customer loans and deposits.

Costs were up 1%, and client assets under management increased 7% to £200 billion, mainly as a result of net new assets in the High Net Worth business.

[Slide: Head Office and Other Operations]

Losses in Head Office were £53 million compared to a profit of £321 million in 2012. This was mainly due to the one-off gain last year of £235 million on hedges relating to employee share awards.

As you know, we've allocated head office results more fully to the businesses to give greater transparency. One-off gains like this are an example of the type of profit or cost we will not allocate out.

Moving on now to capital, liquidity and funding.

[Slide: Capital, liquidity and funding]

Our Core Tier 1 ratio increased to 11% on a Basel 2.5 basis, reflecting first quarter retained earnings and the exercise of warrants.

RWAs were broadly flat, net of currency movements.

Our liquidity position remains strong, with a pool of £141 billion. We had a liquidity coverage ratio of 110% at the end of the quarter, based on the latest Basel standards.

We aim to fund our retail banking, corporate banking and wealth businesses with customer deposits. The loan to deposit ratio for these businesses improved further from 102 to 98%. This has reduced our term wholesale funding requirements. Given the pre-funding we did in 2012, and our strong liquidity position, we did not access the public debt markets in the first quarter this year.

[Slide: Estimated Core Capital ratios]

As you'd expect, we've updated our Basel 3 ratios based on current expectations. Our latest estimates show a Transitional Common Equity Tier One ratio of 10.8% as at March 31st.

We continue to make good progress building capital with a fully loaded ratio of 8.4%, up from our earlier disclosure of 8.2% as at the end of December. Detailed calculations are in the appendix to the slide pack.

We continue to believe that we're well capitalised.

Turning now to margins.

[Slide: Net Interest Margin]

Our retail banking, Corporate Banking and Wealth businesses all contribute to our net interest margin analysis.

Overall margins from these businesses fell 4 basis points to 1.79%. 1 basis point of this decline was from a reduced hedge contribution.

Increased volumes more than offset the slight customer margin contraction, so that net interest income generated from customers was up slightly at £2.5 billion.

Overall net interest income from these businesses grew 2% to £2.8 billion.

As far as outlook is concerned, the good start to the year has continued into the second quarter across our businesses. Although the macro economic environment remains unpredictable, we continue to focus on costs, capital and returns in order to improve performance.

[Slide: Summary]

So in summary, we're reporting good results this morning. We've made a strong start to our Transform programme; adjusted profits were down 25% to £1.8 billion, but excluding restructuring costs and one offs, they were up 6%. Impairment has continued to improve; we've further reduced operating costs, excluding restructuring charges; and our capital, liquidity and funding position remain strong.

Thanks very much – I'll hand back to Antony now.

Antony Jenkins, Chief Executive Officer

Thanks Chris.

You will hear much more about our progress in delivering Transform later in the year, including in our seminars on the individual businesses.

But as you can see, we're very focused on the execution of Transform and there is good momentum in the business:

- The investment bank delivered a relatively good top line income performance compared to peers.
- In FICC we continued to consolidate our leading position¹, outperforming our peers year on year.
- We monetised our build out in Equities with revenues up by 19% year on year across the US, Asian and European businesses.
- And in the US IPO market, we finished the quarter ranked number 1², with a market share of 12%.
- Barclaycard delivered a strong set of results, with a pleasing 12% increase in income, coming from solid growth across the business and 2012 acquisitions. This drove PBT up 5%, with ROE stable at nearly 18%.

And we've continued to support the UK economy by providing FLS eligible gross new lending of an estimated £20bn to UK households and businesses in the first quarter.

It's early days, and there is a long way to go, but so far we are doing exactly what we said we would do.

I look forward to giving a more detailed update at our First Half results in July.

¹ Source: Greenwich Associates

² Source: Thomson

And with that, we'd like to open it up for your questions.

Thank you.

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