Barclays Interim Management Statement

10 November 2009

Chris Lucas

Good morning and thanks for joining us

I know it's a busy day as HSBC are also reporting

so I'm going to talk for about fifteen minutes before taking questions.

We gave you additional detail on the P&L in May

and we're doing the same again today.

In general, my comments compare our performance in the first nine months of 2009

with the equivalent period in 2008

though I'll talk about some trends in the third quarter where we think they'll be of interest.

Group Performance

Looking at the group as a whole, we've had a good nine months with profit before tax of £4.5 billion.

Income grew 26% to £23.8 billion,

which is more than the income we delivered for the entire year in 2008.

Excluding own credit, gains on acquisitions and disposals, and gains on debt buy-backs

profit more than doubled from 2 billion to £4.4 billion.

This was achieved despite absorbing credit market write-downs of £5.7 billion,

of which £4.3 billion was reported in the income line

and £1.4 billion was taken in impairment.

Total impairment charges for the group were £6.2 billion

I'll talk more about impairment later.

Group costs grew 19% to £13.2 billion reflecting

the enlarged operations and business growth in Barclays Capital

as well as a one off credit of £371 million resulting from the closure of the UK final salary pension scheme.

The rate of cost growth was 7 percentage points lower than that of income growth.

Earnings per share were 25.3p for the nine months to date and 7.8p for the third quarter.

Global Retail and Commercial Banking

In Global Retail and Commercial Banking, profit before tax was £2.2 billion.

Income grew 11% against cost growth of 4%

resulting in positive jaws of 7%.

Moving to the individual businesses, I'll start with UK Retail Banking

where margin compression was partly offset by

excellent income growth in mortgages

and our interest rate hedging programme.

Impairment charges grew at a lower rate than in the first half.

More than half the increase was in consumer lending and overdrafts

and mortgage impairment remained low by industry standards.

We brought costs down by continued tight control of discretionary spending.

We also continued to generate positive net new lending:

our mortgage book has increased from 82 billion to £86 billion since the year end

and lending in local business is up 4% over the same period

Savings accounts grew to £60 billion and deposit balances overall were up 2%.

Profits in UK Retail were significantly impacted by the economic environment.

Last month we announced the acquisition of Standard Life Bank, adding a savings book of about £5.5 billion,

which enables us to grow our UK Retail Bank liabilities by a further 6%.

We also bought a mortgage book with outstanding balances of about £8.8 billion.

The average loan to value at current values is 48%

so the quality is broadly in line with our existing book.

We expect the deal to complete in the first quarter of 2010, subject to regulatory approval.

In Barclays Commercial Bank, income was broadly stable

as liability margin compression was partly offset by

improved asset margins, and higher fees and commissions from the sale of Treasury products.

In addition there was a one off gain from a debt buy back which we reported in the first half.

Higher impairment reflected current economic conditions, the impact of declining asset values, and increasing default rates.

We continue to benefit from a diversified loan book in the commercial bank

with limited exposure to high risk sectors.

The five largest impairment charges year to date amount to £83 million in total

and the biggest single charge within this was £25 million.

We reduced expenses by tight cost control.

In Barclaycard there was very strong income growth driven by higher customer balances and improved margins.

More than half this growth was in the international business.

Impairment has continued to grow, though the rate of growth has declined in the third quarter.

The majority of this was in our two largest portfolios,
Barclaycard US and UK cards.

We've maintained our conservative approval rate and continued to reduce limits to new customers.

Costs increased slightly due to the acquisition of Goldfish in 2008

which was partly offset by lower discretionary spending.

In Western Europe very strong income growth was in line with that of the first half

resulting mainly from higher net interest income

driven by strong growth in customer balances.

Profit growth benefited from a one off gain of £153 million,

following the completion of the Barclays life joint venture with CNP in Portugal and Spain.

Cost growth was significantly lower than income growth.

It included restructuring costs in Spain

and continued expansion in Italy and Portugal.

70 new distribution points have been added in Western Europe year to date,

two-thirds of which are in Italy.

The rate of impairment growth in the third quarter was lower than the first half

and the charge for the third quarter was lower than the second quarter.

Most of the impairment was in Spain in our commercial property portfolio.

Emerging Markets continued to see very strong income growth without an equivalent growth in customer assets.

Income growth was well balanced between retail and commercial

and broadly based across the markets,

with an especially strong performance in Egypt, Botswana and the United Arab Emirates.

There was strong profit growth in our established businesses in sub Saharan Africa and the Indian Ocean.

The rate of growth in impairment was slightly higher than the first half

The majority of the growth was in the retail segment

and the markets that were impacted most were the UAE and India.

The highest single charge of £38m was in commercial banking in the UAE.

Costs grew at a higher rate than income due to investment in infrastructure and roll out costs.

Taken together, this resulted in a loss in Emerging Markets.

At GRCB Absa, income was slightly ahead in rand terms

Impairment continued to increase as a result of rising delinquencies in retail banking,

especially in mortgages and vehicle financing.

Discretionary cost control led to a reduction in operating expenses

and an improvement in the cost income ratio.

Overall, this resulted in a significant reduction in profit.

We continue our cautious approach to asset growth in South Africa

and our focus is on continuing to grow customer deposits.

Turning to Investment Banking and Investment Management

Income grew 32%, largely driven by Barclays Capital.

Profit of almost £2 billion was well above the same period last year

excluding a £1.5 billion gain on acquisition in 2008,

and the impact of movements in own credit.

Moving to Barclays Capital, which has delivered top line income of £14.2 billion,

before credit market write-downs and own credit charges.

This is almost double the same period last year

with a strong performance in interest rates, credit, equities and investment banking.

The US accounted for 43% of these revenues.

Top line income for the third quarter of £3.7 billion reflects the usual seasonal impact and tighter spreads.

Profits for the first nine months were £1.4 billion

or £2.7 billion excluding a charge on own credit.

Credit market write-downs of £5.7 billion included

£4.3 billion in the income line

and £1.4 billion in impairment

Total impairment in Barclays Capital was £2.2 billion.

Credit market exposures have reduced by £14.4 billion since the year end

including net sales and pay downs of £6.9 billion.

In addition, £5.1 billion of assets were sold to Protium Finance, as we announced in September.

The cost to net income ratio at Barclays Capital increased slightly from 75% for the first half,

to 78% for the nine months.

Part of this increase reflects the cost of our build-out in Equities and M&A

which is borne in the P+L in advance of the expected revenue benefits.

In Barclays Global Investors, profits increased in sterling but declined in dollar terms.

This was mostly due to the break fee paid to CVC during the first half,

which was partly offset by a reduction in the cost of support to liquidity funds.

Assets under Management increased by £87 billion to £1.2 trillion,

and net new asset inflows continued in most asset classes.

We expect the sale of the BGI business to complete at the beginning of December.

In Barclays Wealth, profits decreased significantly as a result of the sale of the closed life fund in 2008

and the cost of integrating Barclays Wealth Americas,

the private investment management business acquired from Lehman,

which we expect to provide an important platform for growth from next year onwards.

On a like for like basis, revenues were broadly stable

Total client assets were in line with the year end.

As far as the balance sheet is concerned, total assets have grown by 5% since the 30th June,

mainly due to an increase in cash and highly liquid assets, as we increase our liquidity buffer.

Adjusted gross leverage and risk weighted assets were broadly in line with June 30th.

As you know, our core Tier 1 ratio was 7.1% at the end of June

and our Tier 1 ratio was 10.5%.

On a pro forma basis, these would have been 8.8% and 11.7% respectively, taking into account the sale of BGI.

We announced an exercise of warrants in October resulting in the issue of 379 million new shares.

This would have the impact of a further 19 basis points,

leading to a pro forma core Tier 1 ratio of 8.9%

and a Tier One ratio of 11.8%.

We announced at the AGM that we would resume dividend payments from the third quarter.

Given the desire for strong capital ratios we expect to distribute a proportion of profit after tax

that's significantly lower than the 50% maintained in recent years.

We've announced today an interim dividend of 1 pence.

Moving to the outlook

Trading in October has been consistent with trends in the first nine months of the year.

Looking to the full year,

we believe current consensus of £4.8 billion

excludes the one off gains we've taken in the third quarter relating to the pension fund restructuring.

At the half year we told you that we expect full year impairment in the range of 9 to £9.6 billion.

We now expect to be around the lower end of this range.

There were relatively few large single name charges in the third quarter

though we typically expect a seasonal increase in the final quarter.

Compensation decisions for 2009 will be taken in January as usual

but for accounting purposes we're accruing on a basis
that's broadly consistent with prior periods.

We intend to be fully compliant with G20 guidelines as implemented in the UK.

As you know we announced a reorganisation last week into 2 new divisions,

Global Retail Banking

and Corporate and Investment Banking and Wealth Management.

We'll be restating the business segments with effect from January 1st

and will share the detail with you next March.

So to sum up, we've had a good nine months with profit before tax of £4.5 billion.

Very strong income growth of 26% was significantly higher than cost growth.

The rate of growth in impairment slowed in the third quarter,

though we expect impairment to grow in the short term.

We've continued to strengthen our capital ratios
and liquidity position

and we've resumed payment of a cash dividend.

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

I have with me Rich Ricci, recently announced Co Chief Executive of the Corporate and Investment Bank;

Robert le Blanc, Chief Risk Officer;

and Stephen Jones, Head of Investor Relations.

Questions and Answers

Thank you for your questions

We'll stop there and I'll wrap up with some concluding points

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Thank you very much for joining us today – good bye