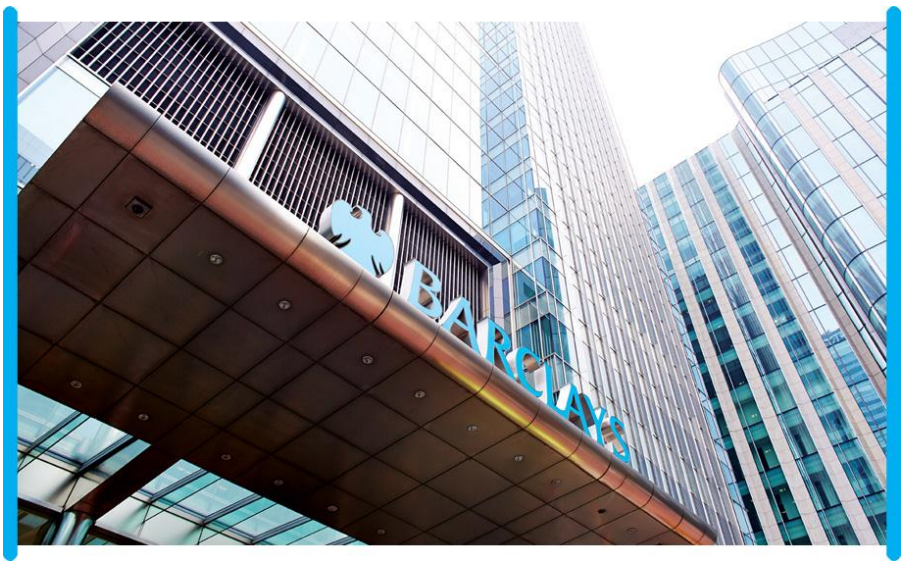
BARCLAYS



Barclays Group Strategy Update

8 May 2014

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Foreword

In February last year, I set out our ambition for Barclays to become the 'Go-To' bank.

I am proud of the progress we have made since then. Barclays today has a number of great businesses, showing strong performance and growth, innovating and leading their markets, and delivering outstanding results for our customers and clients. We have taken decisive action on our capital and leverage position and our cost reduction programme is having a significant impact.

Our focus on ensuring that everything we do lives up to our Purpose and Values – the first objective of Transform – remains undiminished, and we continue to make changes to reflect that.

But there have been major shifts in the external regulatory and economic environment since February 2013, to which we now need to respond in order to meet our second objective: a sustainable return on equity above the cost of equity. While our objective is unchanged, we need to adapt our plans for how we get there.

So we are setting out a bold, clear plan to deliver the 'Go To' bank in this new environment, for all our stakeholders. To achieve this, we are fundamentally reshaping and rebalancing our business to focus on our strengths and ensure we can deliver consistent returns and growth.

The Barclays of the future will be a focused international bank with four core businesses, better balanced within the Group and each positioned to win in its field:

- Personal and Corporate;
- Barclaycard;
- Africa; and
- The Investment Bank.

We have also identified some areas of business that are no longer strategically attractive to us in the new operating environment, and which we will look to run down or exit over time. These will be grouped together as 'Barclays Non-Core'.

I said in February last year that cost was the strategic battleground for our industry, and we will continue to accelerate the successful cost reduction programme we put in place then.

As a result of these changes, Barclays will be a much more balanced organisation. Our Investment Bank is expected to account for no more than 30% of the Group by Risk Weighted Assets, as opposed to half today. Personal and Corporate Banking will be about the same size as the Investment Bank, while Barclaycard and Africa, roughly equal to each other in size, will make up the balance.

Barclays will be much less exposed to volatility in our Investment Bank; we will have a structurally lower cost base; and we will continue to invest for growth. We will be leaner, simpler and stronger.

Our world-class Personal and Corporate Banking proposition will continue to innovate for customers and support economic growth. Our Investment Bank has a leading position in two home markets with premier positions in both London and New York, and it will deploy balance sheet to focus on high-quality client relationships. Barclaycard and Africa are businesses with exciting prospects and strong growth potential.

These plans mark another important step in our journey to become the 'Go-To' bank. These are bold changes, that will position us to win in a changing world. In future, Barclays will be much more balanced, and much more focussed. In the businesses and geographies where we choose to compete, we will be the instinctive partner of choice for all our stakeholders.

My goal is unchanged: to create a Barclays that is doing business in the right way, with the right values and generating the returns that shareholders expect.

A focused international bank. A Barclays of which all our stakeholders can be proud.

Antony Jenkins
Group Chief Executive

Strategy overview: Rebalancing Barclays and repositioning for returns

Our overriding performance objective is to deliver a return on equity above the cost of equity on a sustainable basis. There have, however, been major changes in the external environment since we set out that objective in February 2013.

The regulatory landscape, particularly with regard to leverage, shifted substantially, and we have had to respond to that.

The economic environment, with low interest rates and levels of volatility, plus an extended period of Quantitative Easing, has severely impacted FICC markets, including our own business.

We have already taken decisive action on both fronts, raising equity and debt capital, as well as significantly deleveraging the balance sheet in the second half of last year.

Rebalancing Barclays

To improve the quality of our performance we now need to rebalance Barclays. The Investment Bank, currently, is too exposed to volatility in FICC and the Group, as a whole, is too exposed to volatility in the Investment Bank.

In future, our Investment Bank will account for no more than 30% of Group Risk Weighted Assets, as opposed to around half today.

Personal and Corporate Banking will be about the same size as the Investment Bank, while Barclaycard and Africa, roughly the same size as each other, will make up the balance.

Repositioning for returns and growth

We will deliver improved returns and growth by building on our strengths; concentrating on high growth areas; exiting marginal businesses and sharpening our focus on cost.

It is a simple strategy to describe, but it will have a profound impact on how Barclays operates.

1. Reshaping our business

The Barclays of the future will be a focused international bank with four core businesses, better balanced within the Group and each positioned to win in its field:

- Personal and Corporate;
- Barclaycard;
- Africa; and
- The Investment Bank.

We have also identified some areas of business which are not a fit with our medium term strategy and which we will look to run down or exit over time. These will be grouped together as Barclays Non-Core, the details of which are set out in below.

Personal and Corporate

Combining our successful retail, corporate and wealth businesses is an exciting move with the potential to disrupt an established part of the UK banking landscape. Personal and Corporate Banking will be a powerhouse, with significant opportunities to improve the customer and client offering, and deliver a truly integrated service.

Technology now provides real opportunities – not only for cost savings, but also to build a seamless, end-to-end client offer in personal and business banking, from basic bank accounts to major corporates.

Barclaycard

Barclaycard is already a clear leader in consumer payments and has strong potential for continued growth. In a business where winning is dependent on scale, innovation, analytics, and risk management, we are strong across the board and we will continue to invest for growth.

We continue to have an appetite for selective expansion and acquisition for this business, and investing in Barclaycard will be a priority as we consider options for capital allocation.

Africa

This is an exciting, growing part of the world where we are very well positioned.

In future, we will report all our African operations together – including retail, cards, wealth, corporate and investment banking – better highlighting the strength of our proposition in Africa. We are ambitious for this business and we are committed to maximising its value for all our shareholders.

Investment Bank

Our Investment Bank is a valuable asset to Barclays and its strength is a differentiator for us. But in the new operating environment, it consumes too much capital and generates insufficient returns.

In future, it will be simpler and stronger, deploying balance sheet in support of an origination-led banking strategy focusing on high-quality, higher-returning clients.

Our Markets business will predominantly focus on standard, liquid products where we already have scale and market leading execution capability, and we will divert capital away from capital-intensive or leverage-intensive businesses with high balance sheet usage and low returns.

In Banking, we will invest in areas where we have a strong and improving track record, and focus resources on key clients. We will also focus our Asian operations on global, rather than local, business.

2. Barclays Non-Core

We will group together in Barclays Non-Core those assets that are not strategically attractive to us in the new operating environment, because we do not think they can deliver appropriate returns or reach an effective scale within Barclays in the medium term.

Barclays Non-Core will include:

- Parts of the Investment Bank which we are exiting, such as physical commodities (excluding precious metals) and elements of other trading businesses including emerging markets and non-standard derivatives
- European retail banking operations
- Non-core corporate banking in Europe and the Middle East.

It also includes certain fair-value, long-dated loans in the UK and a small number of Barclaycard and Wealth portfolios.

Many of the businesses in Barclays Non-Core are profitable and some will be attractive to other owners. We will continue to manage them actively, protecting the franchise, as we explore options for sale or exit over time.

We are targeting a reduction in Non-Core RWAs to approximately £50bn by the end of 2016 with the drag on Group return on equity down from c. 6% in 2013.

3. Cost

We believe that cost is the strategic battleground for our industry.

Our cost reduction plan is working. At our Q1 2014 results we reported the lowest level of quarterly expenses, excluding restructuring charges, since 2009. We will now go significantly further.

We are revising cost guidance for 2014 Group operating expense to around £17bn, down from our earlier target of £17.5bn. We are also now establishing a 2016 cost objective for the Core bank of less that £14.5bn. The changes we are announcing today will require another £800m of cost to achieve (CTA) to 2016, but will pay back rapidly.

There will also be significant headcount reductions associated with our plans. Specifically, our plans for the Investment Bank will result in gross headcount reductions of around 7,000 to 2016. We have also revised our overall 2014 Group gross headcount reduction from 10-12,000 to around 14,000.

These changes will be challenging for colleagues. We will be clear and open with affected colleagues about the impact of our plans and we will treat them with care and respect.

4. Leadership

To reflect the new operating model, we are announcing some changes to the leadership team.

Ashok Vaswani will now lead our Personal and Corporate Banking division. Pete Horrell, as CEO of Wealth, and John Winter, as CEO of Corporate Banking, will report to Ashok with immediate effect.

Val Soranno Keating will continue to lead Barclaycard, and Maria Ramos our Africa business.

Tom King will lead the Investment Bank.

Eric Bommensath will step down from the Executive Committee to lead Barclays Non-Core, reporting to Antony Jenkins.

5. Financial targets

We are also setting out new financial targets against which we will assess our progress:

- Our principal commitment is to deliver a return on equity above the cost of equity on a sustainable basis. That means an ROE above 12% by 2016 for our Core business.
- On capital, we are targeting a fully loaded CET 1 ratio above 11% in 2016.
- We are targeting a CRD IV leverage ratio above 4%.
- Our ambition for the dividend is a payout ratio between 40 and 50%, although we expect to be at 40% until we reach a 10.5% CET 1 milestone in 2015.
- In our Core business, we are committing to a cost target below £14.5bn in 2016.
- And in our Non-Core business, we are estimating an ROE drag of less than 3% in 2016.

These are challenging targets, and in many areas go further than those we set out in February 2013.

This is a high level summary and readers are encouraged to view the presentation and webcast given by Antony Jenkins and Tushar Morzaria, which will be available at barclays.com/investorrelations.

Forward-looking Statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Barclays PLC's and its subsidiaries' (the Group) plans and its current goals and expectations relating to its future financial condition and performance. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the Transform Programme and Group Strategy Update, run-down of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards (IFRS), evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa Eurozone and global macroeconomic and business conditions; the effects of continued volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of the Group; the potential for one or more countries exiting the Eurozone; the implementation of the Transform Programme; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Group's control. As a result, the Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group's forward-looking statements.

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