

BARCLAYS PLC
Form 425
September 10, 2007

**Filed by Barclays PLC Pursuant to
Rule 425 under the Securities Act of 1933 and
deemed filed pursuant to Rule 14d-2 under the
Securities Exchange Act of 1934**

Subject Companies:

Barclays PLC

(Commission File No. 1-09246)

Barclays Bank PLC

(Commission File No. 1-10257)

ABN AMRO Holding N.V.

(Commission File No. 1-14624)

ABN AMRO Bank N.V.

(Commission File No. 1-14624-05)

Good morning

pleasure to be here

like to thank Lehman Brothers, for opportunity to speak today

Going to focus today on Investment Banking and Investment Management

which comprises Barclays Capital, Barclays Global Investors and Barclays Wealth

it s the part of the business which has been under most scrutiny in recent weeks of market turmoil

Three things I'm going to talk about

our view of what's happening in the markets;

what our position is and how our performance has been

and what makes us confident that we're well positioned for future growth despite the market turbulence

I'm going to start with the four market areas where there's been the most interest, starting with sub prime

Instability in the sub prime markets has been caused by:

extremes in issuance,
mispricing as a result of incorrect default assumptions,
and significant leverage,
exacerbated by broad distribution of the products around the globe.
it s going to take considerable time to work through the excesses
because asset value deterioration in this market is real,
it s not coming back.

The Mortgage and Asset-Backed business has been a good growth area for Barclays Capital,

but it s a small proportion of our overall business
less than 5% of our revenue, based on our first half results
sub prime is an even smaller piece of this,
representing a very small proportion of our trading and loan book

Barclays Capital is committed to building a strong business in the US to originate, securitize and service mortgages

we ve acquired Equifirst, a leading wholesale originator of subprime mortgages,
and HomeEq, a leading mortgage servicer,
investing less than \$100 million in total
and creating a top 5 position in the market.

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We don't hold inventory for long periods, and we've been proactive in our risk management;

by May of this year we'd reduced our sub-prime warehousing limits by more than half

and we're using less than 10% of those limits

Loan exposure to sub prime mortgages is 97% first lien

and we're using about half our limits,

the vast majority of which is financing Equifirst origination

Today's credit spread VaR, despite increased volatility, is below the average for 2006

so we're comfortable with our model, our positions and our ability to repackage and distribute risk in this market

SIV Lites have attracted a disproportionate amount of press coverage recently and I want to put that into context

Barclays Capital has structured 4 SIV lites for managers looking to increase their exposure to credit

it's important to remember we neither select the assets or manage them

that's what the manager does

as liquidity in the short term debt markets has tightened and asset prices have declined we've been working with our clients to restructure these vehicles

For example, we've worked with Cairn and with the mezzanine and cap note holders of Cairn High Grade Funding

all the mezzanine and cap note investors have agreed to convert the deal

from a market value deal with triggers to a cash flow transaction

this restructuring is recognized now as a model

Let me just remind you - these are not bailouts

we're being paid market prices for providing liquidity

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and there's complete credit protection, paid for by the mezzanine and cap note holders

It's also worth noting that SIV lites constitute in total about \$10 billion of a market in asset-backed commercial paper worth \$1.2 trillion

our exposures are collateralised

and the majority of our exposure is super-senior and pari passu with Commercial Paper investors

In Leveraged Finance

we're seeing a healthy rebalancing of supply and demand between private equity and fixed income investors

resulting in stronger covenants, lower levels of leverage, better pricing of deals

underlying fundamentals of the corporate credit market remain strong

and we expect to see the market back to more normalized issuance levels in 2008

so it's a very different picture from sub-prime

Barclays Capital is a very strong player in the European leveraged finance markets and over the last 3 years we've been building an important presence in the US

Our current exposure and track record relates primarily to Europe:

we've executed over 175 transactions raising more than £80 billion of debt over the past decade

strong record of syndication sell-down - we've met every single one of our sell down targets

and we've experienced just £5m of credit losses in that time

currently, we have about 2% of what we've originated on our balance sheet and 98% of that is senior debt

With the exception of sub prime, what's happening in the money markets is not so much about credit as liquidity

90-day CP is moving to one-week CP,

30 day CP is moving to 1-day CP

and 6-month deposits are moving to 5-day deposits

we need more liquidity in the short end of the curve which is down to confidence

and we've seen thoughtful interventions from the Fed, the Bank of England, and the ECB to help alleviate the problem

There's been speculation about two short term loans Barclays made from the Bank of England sterling standby facility

both of which were normal money market operations

the ECB standby facility for example

which by the way is the model for the sterling standby facility

was drawn 17 times during 23 working days in August

and in 3 cases for more than 1bn Euros

I find it amazing there was any question about a bank the size and quality of Barclays to fund itself

In fact, as in previous times of market turbulence,

we've been net recipients of liquidity as a haven in rough seas.

The fourth area I want to address is Quantitative Active Investment Funds

The challenges faced by some Quant Funds were related to the issues in sub-prime, leveraged finance and liquidity

investors holding falling sub-prime instruments and other credit products were forced to meet margin calls

to meet these calls, they started selling liquid securities in their portfolio

US equities took the most direct hit initially tend to be the most liquid assets in many portfolios

this forced liquidation caused significant drops in fundamentally strong stocks over a very short period which Quant Fund computer models didn't anticipate

the result significant losses to those funds

BGI's performance held up very well during this period because of our unique scientific investing process

it differs from a purely quantitative approach because we complement our investment algorithms with fundamental insights

we also have a truly global investment process, allowing us to source alpha from across the globe;

and we believe that a significantly higher percentage of our alpha comes from markets outside the US than any of our competitors

our investment philosophy has always been focussed on balancing risk, return and cost

and markets like this reinforce our belief that this is a superior approach to achieving long term investment success

Across our long/short and market neutral strategies, public information suggests that we've fared well relative to many of our competitors in this space

we've experienced insignificant withdrawals

and most mandates and client assets across BGI have been comparatively insulated from the increase in volatility

in fact, most of our flagship funds have shown strong alpha performance over this period

I'm pleased to add that we're planning to invest along-side clients in a number of our high performing strategies.

So in the four areas of market turbulence we're managing well

and we believe we'll benefit in this environment

because when markets are turbulent there's always a flight to quality

and an opportunity to capture market share from less well positioned competitors

In this context our strong balance sheet,

AA credit rating,

sophisticated technology platform

and highly regarded client service are a real advantage.

In Barclays Capital for example, we've seen strong growth in our core asset classes such as commodities and Equity Derivatives through to August

Also been capturing share in our flow businesses

In Foreign Exchange:

total monthly trade volumes in August were more than treble those in August 2006

In Prime Brokerage we recently won a number of significant new mandates, as hedge funds and institutions worry about counterparty risk issues.

And in government bonds and swaps

July and August volumes were up 60% on last year

and they were our most profitable months ever in this business

So our platform is broad

- and while we've experienced pain in some areas, we've benefited in others

The results are born out in our recent performance

In line with other investment banks, we suffered pain in July and August

but notwithstanding the difficult market conditions our income in July was ahead of July 2006

we were profitable in August

and year to date, profits are well ahead of the same period in 2006

Both BGI and Wealth performed well through July and August.

I've talked about current market conditions and their impact on our performance this year

I'm sure the other question on your mind is whether market turbulence has altered our outlook

and the answer to that is no

we feel confident these businesses will continue to grow at the rate we've always projected

The first reason for that confidence is the strategy we set out with ten years ago when we founded Barclays Capital

which has never been more important than today

we set out then to create an integrated bank

because we believe the Universal Banking Model is the natural model for clients and customers

one which was prevented in the US by Glass Steagall

The universal banking model gives us more than just a balance sheet

as part of Barclays we also have a 320 year history of lending to corporate clients

and a 320 year history of managing the risk associated with that

That means Barclays Capital is in a better position now than many of the stand alone investment banks

they've been lending as though they do have balance sheets

primarily through bridge loans, to fund M&A

total equity bridge exposure now is estimated to be about \$12 billion globally

much of it held by the US bulge bracket firms

by contrast, our exposure is less than \$100 million

CDB

The second reason for confidence is our unprecedented access to China, one of the fastest growing markets

Back in July we announced strategic investments from China Development Bank and Temasek,

along with a strategic partnership with CDB

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to jointly develop business opportunities in China

This is an exciting opportunity, independent of the outcome with ABN

We've identified a number of opportunities, which we've already started to execute on:

the best example is commodities

where we already have the number 1 franchise in Europe and top 3 franchise globally

China's commodities import bill is estimated to grow from \$120bn in 2006 to \$218bn by 2011 (13% CAGR)

this partnership will make us number 1 in the single most strategic market in the world for commodities

So we're very excited about our relationship with CDB which represents a great opportunity for us

Credit as an asset class

We also continue to see strong growth prospects for credit as an asset class

Let's not forget that the underlying fundamentals in corporate credit remain sound - both for investment grade and high yield

balance sheets are still flush with cash

default rates are low

and corporates are relatively under-leveraged suggesting potential for continued borrowing

So let's not allow sub prime as a small part of the credit markets blur the overall picture

debt issuance accounts for 85% of all capital raising and has an average maturity of around 3 years

in August this year we had one of our most successful months ever in US investment grade issuance

Comcast's biggest debt offering ever - \$3billion

AT&T \$2bn 30 year issuance

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Cap One s largest deal ever (\$1.5bn)

Estimates of market growth reinforce this view

our view, shared by industry analysts, is that the compound annual growth rate in credit will above 10% over the next few years

in other words a higher growth rate than capital markets as a whole

so sub prime has not killed credit as an asset class

Another reason to have confidence in our growth trajectory is the underlying industry dynamics

where we continue to see strong growth over the next 5 years

This slide shows the size of the markets for Investment Banking, Asset and Wealth Management in 2006

they generated revenues of almost \$1 trillion last year

we hit new record at Barclays Capital with \$12 billion of revenues that year

but the global pool for investment banking was \$340 billion

so you can see the size of the opportunity

More importantly, we expect an annual rate of growth in these markets of 7 to 10% - double the rate of GDP globally

These markets are also very fragmented

In Investment banking the top 5 players have only a third of total market share

Barclays Capital is just outside the top 5

In asset management just a quarter of assets under management are with the top 5

we're number 1 with BGI in terms of AUM

Wealth is the most fragmented market of all

we have a weaker position just outside the Top 10

good news - the most fragmented market - we have a bit more time

What does this tell me? It's never been more important to be in the Top 5

markets starting to consolidate

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top 5 players win disproportionate share of growth

and as the distinction between these activities is becoming blurred

the winners will be those that can be top 5 across all 3 areas

What's most interesting thing here is that Europe and Asia are the areas growing most quickly

developing a US presence is still key to our success

but it's good to see the areas where Barclays has greatest strength - in both franchise and brand - have strongest growth

Cross border flows are also growing at over 10% a year

double the rate ten years ago

seems unlikely that a domestic/ regional model can be successful in long term

have to be global to capture growth

Why does this matter?

shows huge opportunity as markets grow

high growth is in areas where we have greatest strength

and capturing cross border flows which we're well set up for will be critical

And finally, remember we have a track record of managing through different cycles

this shows our growth since we set out in a wide variety of market conditions

across loosening and tightening of interest rates

in periods of both widening and contracting credit spreads

across high and low market volatility

through bull markets and bear markets in equities

in active and quiet M&A markets

and throughout periods of increasing and falling inflation

Over that time we've weathered a number of market crises

collapse of LTCM and the Russian default in 98

tech bubble bursting in 2001

the corporate credit crunch in 2002

This decade Barclays has grown faster than any other institution in investment banking and investment management

There's been serious dislocation in the markets in the last few months

- we're now seeing liquidations and de-leveraging,
- so there are early signs that the healing process has begun,
- but apart from sub prime, this is an issue of liquidity and confidence, not credit
- so for the process to continue, the first priority is more liquidity in the short end of the curve.

The markets need a term structure to short rates both to continue healing and to protect the real economy

- and all participants - banks and regulators - are working towards a solution here
- as and when we see the markets recover, it'll be clear that we've managed both our risks and our clients effectively through this period
- and that we're well positioned, maybe even stronger going forward
- so would I want to reiterate 15% growth over the cycle
- you bet! . We're open for business.

Thanks very much happy to take questions

