

BOBBY DAZZLER

Derided by critics for being an overpaid risk taker, has the public got Bob Diamond, the next CEO of Barclays, all wrong? By **LEE MANNION**

A COMMONLY HELD view of Wayne Rooney's recent contract negotiations is that he has got to such a position of power at Manchester United that the club had no choice but to give in to his salary demands. The same could be said of Bob Diamond and Barclays but for their recent respective performances. Rooney languishes on the bench with a goal tally of two for the season at time of writing (and mutterings that his best days are already behind him). Whereas Diamond's recent record is far more impressive – at the last count he was, as boss of their investment banking arm BarCap, responsible for 80% of Barclays' profits.

Indeed, before we really kick this football analogy into the long grass, forget Rooney – Diamond is, if you like, the Lionel Messi of banking.

After Diamond was passed over for the top job in 2004, it meant that Barclays had no choice but to make him CEO of the company at the end of John Varley's agreed seven-year tenure. His performance was too good to ignore.

What could Barclays do? If it didn't give Diamond what he wanted (and, many would argue, what he deserved), they'd lose him, most likely to a rival. With his performance record he'd have been able to take his pick of positions at any bank. Barclays got a winning result: it kept its star player.

Though John Varley, the outgoing CEO, was ostensibly in charge of Barclays, you wouldn't have known it. It's not only the compelling rise of BarCap and his audacious acquisition of Lehman that have grabbed the headlines for Diamond in recent years. You might also have noticed the odd mention of his salary in the media. Diamond has had to fend off more questions about the size of his package than Linford Christie. Now he's headed back to London, the recent announcement that he will succeed Varley as CEO next year spawned a succession of newspaper articles that barely contained their glee that a man who symbolised the very worst of the bonus culture had been given the crown.

Barclays will feel lucky to have him, however. For starters, he's making all the right noises in response to digs from

politicians such as Vince Cable and Peter Mandelson. He's an advocate of financial regulatory reform, which should keep George Osborne happy.

"We all have the same goals," he says, "a safe and sound financial system that can lead to job creation and economic growth." He's also in favour of performance-related pay, meaning that board members can no longer expect a fat annual cheque for delivering meagre growth or, in the case of some, even losing company money.

"There have been some organisations that haven't had the performance and they should be rightly called on the carpet," he said recently. In an age where PR is becoming almost as important as the share price, Diamond is one banker who knows how to speak with the media. The issues that currently surround him are political and in the face of some belligerently provocative questioning, he's proving admirably politic.

GAMBLER OR STRATEGIST?

Diamond's critics object to him as a 'casino banker', an opinion that obviously stemmed from his position as boss of BarCap. As the top dog at one of the most successful investment banks of the past 15 years, he's clearly an easy target. But not growing that side of the business would have been like seeing everyone drilling for oil and thinking that milk was a better investment – any banker with a modicum of intellect would have done the same thing. Diamond came top of his class at business school, so we can safely assume that he saw the growth of ▶

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NEXT IN LINE: Taking the throne at Barclays will throw Diamond into the limelight even more than before. He's already the highest ranked banker in the *Evening Standard's* 1,000 most influential people in London...

► investment banking as a no-brainer. Big decisions involve an element of risk but, the risk involved with investment banking aside, Diamond seems to have displayed a sensible pragmatism when it comes to the moments that have garnered him headlines. What major player worth his salt wouldn't have snapped up the Lehman brokerage arm for a song when they were having a closing-down sale? Diamond saw value that was going for a song; he would have been stupid not to have snapped it up.

His sagacity was also displayed when the rest of the banks were coming cap in hand to the government. When there wasn't a lot of money around, he went where there is always money – the Middle East. Sheikh Mansour bin Zayed al Nahyan is best known as the wealthy owner of Manchester City, paying £200m for the club in 2008. This was small change compared to the £2bn he handed to Diamond when Barclays needed a

cash injection, with the rest of the £7bn buffer coming from Qatar. By going to the Middle East, Barclays didn't burden itself on the UK taxpayer and Diamond is rightly proud of this.

"We had investors who wanted to invest," Diamond told the *Daily Mail* in early 2009. "Why would the government want us to take their money if we had private-sector options? The appropriate thing to do was to raise money privately from long-term shareholders who wanted to develop a strategic partnership with us. It was never a case of taking government money. That was a non-starter."

'BECAUSE I'M WORTH IT'
 'Appropriate' is a word that Diamond uses a lot. In terms of bonuses or "incentive compensation" as he puts it, he was able to put the word to good use while defending his own hefty payout. "It's appropriate for someone as senior as myself to get a blend of short-term and

long-term equity, to get a large portion deferred and that I'm tied as closely to the shareholders as possible." This was the banking-speak equivalent of the L'Oréal advert. Flashing those pearly whites while exuding a manly kind of authority he might just as easily have said: "Because I'm worth it".

There is no doubt that Bob Diamond is a rich man but how rich? Barclays was quick to deny the £63m Peter Mandelson said Diamond was paid "for shuffling papers around" in his rant on fat cat pay. What's not always reported is that Diamond has waived his bonus in 2008 and 2009, a payment that in previous years has been worth £10m. Something that helped soften the blow of this loss was the £22m he collected in December last year after the sale of Barclays' fund management arm, Barclays Global Investors. During the course of his employment Barclays has put other incentives in place to ensure he won't starve – in February 2008 it was reported that a three-year performance plan worth £14.8m would be paid from BarCap.

But what is the right reward for a man who, as head of BarCap, has been responsible for 87% of Barclays' profit, to the tune of £3.4bn? Now that he's the boss, the bank has decided to up his salary from £250,000 to £1.35m and his bonus will be two and a half times that, a whopping £3.37m. Additionally, there will be a long-term, performance-based incentive that could net him shares to the tune of nearly £7m.

Like most people with more than they could reasonably spend, Diamond

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expends some of his energy by doing charitable work and the *Times Rich List* estimates that he's given £3.7m of his wealth to good causes. Boris Johnson announced him as a trustee of the Mayor's Fund for London in his own inimitable way: "He's an extremely wealthy man, and I know how much money they make at Barclays because they rip me off with their charges the whole time. I'm very pleased he's going to set up the Mayor's Fund because I think people who do know about making money, who do know where the money is in this City, should be helping us channel it to people who deserve it."

Diamond put his money where his mouth was – he donated £1m to Boris's charity up-front. He hasn't forgotten his roots either, supporting his alma mater with generous donations and regularly turning up to speak there.

THE ODD COUPLE
 Perhaps of most value to Barclays, Diamond offers continuity. He's been working with Varley for years despite their differences. Varley comes across as the traditional, old-school face of British banking. Sober, staid, the right kind of reserved Englishman at the helm of an English bank who is married to the daughter of a company founder and is devoted to that most gentlemanly of English pursuits – cricket. In stark contrast stands Diamond; American, brash, bullish, also a sports fan, but devoted to Chelsea – the embodiment of success bought with cash.

It's said that the two of them recognised that they might be pulling in different directions early on and met to clear the air in order to go forward working together. If Diamond felt slighted by Varley's promotion to the top job in 2004, he had the last laugh as Varley's 'compensation' was dwarfed by his own income in the following years. He earned five times as much as Varley in 2006 and a generally held view is that Diamond has made £100m since then. Though you wouldn't think it given the perception of him in the media,

Diamond may even offer a steadier hand than Varley's to steer the bank through the difficult waters ahead.

The pursued acquisition of ABN-Amro in 2007 was Varley's baby. The eventual victor of that fight was the Royal Bank of Scotland, which, overstretched by the purchase, was forced to beg the government for help in 2008. So Varley was lucky to have dodged that bullet.

Angela Knight, chief executive of the British Bankers Association, and columnist for *square mile*, has welcomed the change in leadership: "With Bob Diamond taking over the helm from John Varley there will be welcome continuity from a formidable team that steered one of the UK's leading financial institutions safely and successfully through the recent global financial problems."

THE FUTURE
 The greatest challenge for Diamond lies ahead. Politicians are uneasy about universal banks using deposits guaranteed by the government as chips at what they see as the casino of investment banking. Consequently, the British Banking Commission is now looking at separating the investment and retail side of banks in order to assuage an



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incensed British public blaming the banks for job losses and spending cuts.

While being unequivocal in his opinion on the term 'casino banking', Diamond seems to relish the challenge that the Commission may foist upon him. "There will be some noise during the process," Diamond said. "We will hear words like 'casino banking' that have no basis in reality and generally come from people who don't understand what a bank does and how important risk is in terms of the business we do with our clients. This commission was set up by an act of Parliament and we are going to take it very seriously and very professionally. Ultimately they will make a decision that is in the best interests of the United Kingdom. We support that. We have a very strong view that our business model fits exactly what is the right model for the UK but we have total respect for the process and the committee."

One way for Diamond to keep the politicians off his back might be to show that solid retail banking is a genuine force within the Barclays group and that investment banking, perceived as a house of cards, is not the foundation on which the company relies. To do that he'll have to grow the retail side as impressively as he grew BarCap. Given his character, he might relish the challenge of giving retail the same stature.

After all, it's not in his nature to fail. ■