BARCLAYS PLC
Form 6-K
March 24, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

March 24, 2010

Barclays PLC

(Name of Registrant)

1 Churchill Place

London E14 5HP

England

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):____

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):____

This Report is a Report on Form 6-K filed by Barclays PLC.

The Report comprises the following:

Exhibit No.	**Description**
1	Barclays PLC Notice of Annual General Meeting 2010
2	Barclays PLC Proxy Form for the Annual General Meeting 2010
3	Barclays PLC Sharestore Proxy Form for the Annual General Meeting 2010
4	Barclays PLC Annual Report 2009
5	Barclays PLC Annual Review 2009

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

BARCLAYS PLC
(Registrant)

Date: March 24, 2010	By:	/s/ MARIE SMITH
	Name:	Marie Smith
	Title:	Assistant Secretary

Barclays PLC Notice of Annual General Meeting

Message from the Group Chairman

This year s Annual General Meeting (the AGM) will be held on Friday 30th April 2010 at the Royal Festival Hall, London. Please note that this is a different venue to our normal location. The Notice of Meeting is set out on pages 2 to 9. The biographical details for the Directors standing for re-election at this year s AGM are included on pages 2 and 3. In light of the recommendations made by Sir David Walker, who was commissioned by the Government to review corporate governance in UK banks (the Walker Review), I am standing for re-election at this year s AGM and will stand for re-election each year going forward. The Board has also decided that the Deputy Chairman and Chairmen of each principal Board Committee should stand for annual re-election. David Booth, Sir Richard Broadbent and Sir Michael Rake are therefore offering themselves for re-election. Our Articles require that one-third of the Board retires by rotation each year and stands for re-election. Given that the Chairman, Deputy Chairman and Chairmen of each principal Board Committee will already be standing for re-election, one-third of the remaining Directors will stand for re-election each year. Consequently, Sir Andrew Likierman and Chris Lucas are offering themselves for re-election at this year s AGM. Reuben Jeffery, who was appointed to the Board since the last AGM, also offers himself for re-election. Each of the Directors standing for re-election at the AGM has been subject to a rigorous evaluation process, further details of which may be found in the 2009 Annual Report (which is available at *www.barclays.com/annualreport09)*. Following this process, I can confirm that the Board considers the performance of each of the Directors standing for re-election at the AGM to be fully effective and they each demonstrate the commitment and behaviours expected of a Barclays Director. The Board also concluded that the non-executive Directors standing for re-election are independent in terms of the criteria set out in the UK Combined Code on Corporate Governance.

I would like to take this opportunity, on behalf of the Board, to acknowledge the valuable contribution made by those Directors who have left office since the last AGM. Stephen Russell, who had been on the Board since October 2000 on completion of the acquisition of Woolwich PLC, retired at the end of October 2009 having completed nine years outstanding service to the Company. Patience Wheatcroft, who retired in June 2009, made a valuable contribution to the Board during the time she was a Barclays Director. Frits Seegers left us in November 2009 after three years of significant contribution to the Group, having had a transformational impact on our retail and commercial businesses globally. I would like to express my and the Board s thanks and appreciation to each of them and wish them the best in all they do in the future.

Our AGM is one of the key ways we communicate with our shareholders and it is an important opportunity for our shareholders to express their views by attending, raising questions and voting and the Board encourages you to use your vote. If you would like to vote on the resolutions but cannot attend the AGM, please fill in the Proxy Form sent to you with the Notice of Meeting and return it to our Registrars in the enclosed pre-paid envelope as soon as possible. They must receive it by 11.00am on Wednesday 28th April 2010. Alternatively, you can vote online on our website at *www.barclays.com/investorrelations/vote*. You will need your Voting ID, Task ID and Shareholder or Sharestore Reference Number, which are shown on the Proxy Form enclosed with the Notice of Meeting. CREST members may choose to use the CREST electronic proxy appointment service in accordance with the procedures set out in the notes on the Proxy Form.

We are making greater use of our website and email to communicate directly with shareholders. We now send Barclays e-view members regular, up to date information about their shareholding and Barclays performance direct to their inbox. Therefore, in future, we will not send you paper copies of shareholder documentation unless you have already positively told us that you would like to receive them. Please note that Barclays reserves the right to send you shareholder information by post should we feel it is appropriate. For more information, or if you have any questions, please visit our website *www.barclays.com/investorrelations* or contact the Registrar to Barclays.

The Board believes that all of the proposals set out in the Notice of Meeting are in the best interests of shareholders as a whole and the Company and unanimously recommends that you vote in favour of all the resolutions, as the Directors intend to do in respect of their own beneficial holdings.

Marcus Agius

Group Chairman

Barclays PLC

9th March 2010

This document is important and requires your immediate attention

When considering what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000. If you have

sold or transferred all your shares in Barclays PLC please send this Notice of Meeting and the accompanying Proxy Form to the person you sold or transferred your shares to, or to the bank, stockbroker or other agent who arranged the sale or transfer for you.

Notice of Meeting

Notice is hereby given that the 2010 Annual General Meeting (the AGM) of Barclays PLC (the Company) will be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE18XX on Friday 30th April 2010 at 11.00am to transact the following business:

Resolutions

To consider and, if thought fit, to pass the following resolutions, with those numbered 1 to 13 and 18 being proposed as ordinary resolutions and resolutions 14 to 17 as special resolutions.

Report and Accounts

1. That the Reports of the Directors and Auditors and the audited accounts of the Company for the year ended 31st December 2009, now laid before the meeting, be received.

of State for Economic, Energy and Agricultural Affairs (2007-2009). Prior to joining the Department of State, Reuben was the Chairman of the Commodity Futures Trading Commission (2005-2007) and before that held a number of positions in US government service (2002-2005). He spent 18 years at Goldman, Sachs & Co. between 1983-2001, where he was managing partner of Goldman Sachs in Paris and of the firm s European Financial Institutions Group in London.

Term of office: Reuben Jeffery joined the Board in July 2009.

Independent: Yes

External appointments: Senior Adviser at the Center for Strategic & International Studies, Washington D.C.

Committee membership: Member of the Board Risk Committee since January 2010.

The Company s Articles of Association and provision A.7.1 of the UK Combined Code on Corporate Governance (the Combined Code) provide that any new Director appointed by the Board during the year may hold office only until the next AGM, when that Director must stand for re-election by the shareholders. Reuben Jeffery III joined the Board on 16th July 2009 and is accordingly seeking re-election.

The Directors are required by UK companies legislation to present to the AGM the Reports of the Directors and Auditors and the audited accounts of the Company for each financial year (in this case for the year ended 31st December 2009). The Company s Articles of Association permit the Directors to pay interim and final dividends. It is not our practice, therefore, to seek shareholder approval of the final dividend, which we will normally pay in March, as to do so would delay its payment to shareholders.

Remuneration Report

2. That the Remuneration Report for the year ended 31st December 2009, now laid before the meeting, be approved.

UK companies legislation requires quoted companies to present to the AGM the Remuneration Report (which appears in full in the 2009 Annual Report and in summary in the 2009 Annual Review).

Re-election of Director appointed since the last AGM

3. That Reuben Jeffery III be re-elected a Director of the Company

Reuben is a Senior Adviser at the Center for Strategic & International Studies in Washington, D.C. and previously served in the US government as Under Secretary

Re-election of the Chairman, Deputy Chairman and Committee Chairmen

4. That Marcus Agius be re-elected a Director of the Company

Marcus extensive background in banking began at Lazard where he worked from 1972 to 2006, latterly as Chairman of Lazard in London and Deputy Chairman of Lazard LLC. He was Chairman of BAA plc until 2006 and is currently Senior Independent Director of the British Broadcasting Corporation (BBC) and Chairman of the Trustees of The Royal Botanic Gardens.

Term of office: Marcus joined the Board in September 2006 as a non-executive Director and was appointed Chairman on 1st January 2007. Marcus was last re-elected by shareholders at the AGM in 2009.

Independent: On appointment

External appointments: Senior Independent Director of the BBC since 2006. Chairman of the Trustees of the Royal Botanic Gardens, Kew. Chairman of The Foundation and Friends of the Royal Botanic Gardens, Kew. Chairman of Lazard in London and Deputy Chairman of Lazard LLC until 2006. Chairman of BAA plc until 2006.

Committee membership: Chairman of the Board Corporate Governance and Nominations Committee since January 2007. Member of the Board HR and Remuneration Committee since January 2007.

5. That David Booth be re-elected a Director of the Company

David manages his own venture capital investments, having retired from the Management Committee of Morgan Stanley in 1997. David was employed by Morgan Stanley from 1982 to 1992, and again from 1995 to 1997. He held various key positions there, including Head of Government Bond Trading, Head of Mortgage Trading, Sales and Finance and Head of Global Operations and Technology.

Term of office: David joined the Board in May 2007. David was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Director of East Ferry Investors, Inc. Trustee of the Brooklyn Botanic Garden. Various positions at Morgan Stanley & Co. until 1997. Director of the Discount Corporation of New York until 1993.

Committee membership: Chairman of the Board Risk Committee from January 2010 (member since January 2008). Member of the Board Corporate Governance and Nominations Committee since January 2010.

Directors standing for re-election

6. That Sir Richard Broadbent be re-elected a Director of the Company

Sir Richard has experience of both the private and public sector having worked in high-level banking roles and the Civil Service. He was the Executive Chairman of HM Customs and Excise from 2000 to 2003 and was formerly a member of the Group Executive Committee of Schroders PLC and a non-executive Director of the Securities Institute. Sir Richard is Chairman of Arriva PLC.

Term of office: Sir Richard joined the Board in September 2003. He was appointed Senior Independent Director on 1st September 2004 and Deputy Chairman on 16th July 2009. Sir Richard was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Chairman of Arriva PLC since 2004. Executive Chairman of HM Customs and Excise until 2003. Former Group Executive Committee member of Schroders PLC. Non-executive Director of the Securities Institute until 1995.

Committee membership: Member of the Board Risk Committee since April 2004 (Chairman January 2006 to December 2009). Chairman of the Board HR and Remuneration Committee since January 2007 (member since April 2004). Member of the Board Corporate Governance and Nominations Committee

Term of office: Sir Andrew joined the Board in September 2004. Sir Andrew was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Dean of the London Business School since January 2009. Chairman of the National Audit Office since December 2008. Trustee of the Institute for Government since September 2008. Chairman of Applied Intellectual Capital Inc. until 2008. Non-executive Director of the Bank of England until 2008. Non-executive Director and Vice-Chairman of the Tavistock and Portman NHS Trust until 2008. Non-executive Director and Chairman of the MORI Group until 2005.

Committee membership: Member of the Board Audit Committee since September 2004. Member of the Board Risk Committee since September 2004.

9. That Chris Lucas be re-elected a Director of the Company

Chris has worked across financial services for most of his career, including three years in New York as Head of the US Banking Audit Practice of PricewaterhouseCoopers LLP. Chris joined Barclays from PricewaterhouseCoopers LLP, where he was UK Head of Financial Services and Global Head of Banking and Capital Markets. He was Global Relationship Partner for Barclays for the 1999-2004 financial years and since September 2004.

7. That Sir Michael Rake be re-elected a Director of the Company

Sir Michael is currently Chairman of BT Group PLC, Chairman of the UK Commission for Employment and Skills and Chairman of easyJet plc. Sir Michael previously worked at KPMG from 1974-2007 where he spent a number of years in Continental Europe and the Middle East. He was Senior Partner of the UK firm from 1998-2000 and Chairman of KPMG International from 2002-2007.

Term of office: Sir Michael joined the Board in January 2008. Sir Michael was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Chairman of BT Group PLC since 2007. Chairman of easyJet plc since January 2010 (Deputy Chairman June 2009 December 2009). Director of the Financial Reporting Council since 2007. Chairman of the UK Commission for Employment and Skills since 2007. Director of the McGraw-Hill Companies since 2007. Chairman of KPMG International until 2007. Chairman of Business in the Community from 2004 until 2007.

Committee membership: Chairman of the Board Audit Committee since March 2009 (member since January 2008). Member of the Board Risk Committee since May 2009. Member of the Board Corporate Governance and Nominations Committee since May 2009.

The Group Chairman is standing for annual re-election in light of the Walker Review recommendation and, in addition, the Board concluded that the Deputy Chairman and Chairmen of each principal Board Committee should also stand for annual re-election. The Directors seeking re-election in such a manner are listed in resolutions 4 to 7 above.

Re-election of Directors retiring by rotation

8. That Sir Andrew Likierman be re-elected a Director of the Company

subsequently held similar roles for other global financial services organisations.

Term of office: Chris was appointed Group Finance Director and became a member of the Executive Committee in April 2007. Chris was last re-elected by shareholders at the AGM in 2009.

External appointments: UK Head of Financial Services and Global Head of Banking and Capital Markets of PricewaterhouseCoopers LLP until 2006.

The Company s Articles of Association require one-third (rounded down) of the Directors, excluding those who were appointed by the Board since the last AGM, to retire in turn each year. The Directors retiring by rotation and seeking re-election in such a manner are listed in resolutions 8 and 9 above.

Reappointment of Auditors

10. That PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, be reappointed as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next AGM at which accounts are laid before the Company.

UK companies legislation requires that auditors are reappointed at each AGM at which accounts are presented. The Board, on the unanimous recommendation of the Board Audit Committee, which has evaluated the effectiveness and independence of the external auditors, is proposing the reappointment of PricewaterhouseCoopers LLP.

Auditors remuneration

11. That the Directors be authorised to set the remuneration of the auditors.

The Directors may set the remuneration of the auditors if authorised to do so by the shareholders. This resolution proposes that the Directors be authorised to set the remuneration of the auditors. Details of the remuneration paid to the external auditors for 2009 and details of how the Group monitors the effectiveness and independence of the external auditors may be found in the Annual Report.

Sir Andrew is Chairman of the National Audit Office, having held a number of public roles in the financial services sector, including Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury and non-executive Director of the Bank of England. Sir Andrew is also Dean of the London Business School. He has been at the London Business School from 1974-1976, 1979-1993 and since 2004.

Notice of Meeting

continued

Political Donations

12. That, in accordance with section 366 of the Companies Act 2006 (the 2006 Act) the Company and any company which, at any time during the period for which this resolution has effect, is a subsidiary of the Company, be and are hereby authorised to:

(a) make political donations to political organisations not exceeding £25,000 in total; and

(b) incur political expenditure not exceeding £100,000 in total,
in each case during the period commencing on the date of this resolution and ending on the date of the AGM of the Company to be held in 2011 or on 30th June 2011, whichever is the earlier, provided that the maximum amounts referred to in (a) and (b) may consist of sums in any currency converted into sterling at such rate as the Board may in its absolute discretion determine. For the purposes of this resolution, the terms political donations , political organisations and political expenditure shall have the meanings given to them in sections 363 to 365 of the 2006 Act.

The 2006 Act requires companies to obtain shareholder approval before they can make donations to EU political organisations or incur EU political expenditure. We do not give any money for political purposes in the UK nor do we make any donations to EU political organisations or incur EU political expenditure. However, the definitions of political donations and political expenditure used in the 2006 Act are very wide. As a result, they may cover activities that form part of relationships that are an accepted part of engaging with our stakeholders to ensure that issues and concerns affecting our operations are considered and addressed, but which would not be considered as political donations or political expenditure in the layman s sense. The activities referred to above are not designed to support any political party nor to influence public support for any political party. The authority which the Board is requesting is similar to the authority given by shareholders at the AGM in 2009 and is a precautionary measure to ensure that the Group does not inadvertently breach the 2006 Act.

Authority to allot securities

13. That, in substitution for all existing authorities, the Directors be hereby generally and unconditionally authorised pursuant to section 551 of the 2006 Act to exercise all the powers of the Company to:

(a) allot shares (as defined in section 540 of the 2006 Act) in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,043,323,357, $77,500,000, 40,000,000 and ¥4,000,000,000;

(b) allot equity securities (as defined in section 560 of the 2006 Act) up to an aggregate nominal amount of £2,006,646,714 (such amount to be reduced by the aggregate nominal amount of ordinary shares allotted or rights to subscribe for or to convert any securities into ordinary shares in the Company granted under paragraph (a) of this resolution 13) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities (as defined in section 560 of the 2006 Act) as required by the rights of those securities, or subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply (unless previously renewed, varied or revoked by the Company in General Meeting) for the period expiring at the end of the AGM of the Company to be held in 2011 or the close of business on 30th June 2011, whichever is the earlier but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.

The effect of this resolution is to give the Directors authority to allot, in addition to the £40,000,000 of sterling preference shares and other currency denominations of preference shares created in 2008, ordinary shares up to an amount approximately equal to two-thirds of the issued ordinary share capital of the Company as at 5th March 2010 (excluding treasury shares) in certain circumstances. Paragraph (a) of the resolution will give Directors a general authority to allot all of the unissued preference shares in the Company and up to a maximum aggregate nominal amount of £1,003,323,357 of ordinary shares being equivalent to one-third of the Company s issued ordinary share capital as at 5th March 2010. As at 5th March 2010, the Company does not hold any treasury shares. In November 2009, the ABI issued updated guidance on the approval of authorities to allot shares, in which it stated that, in addition to requests for authorisation to allot new shares in an amount up to one-third of the existing issued ordinary share capital of a company, it would regard as routine requests to authorise the allotment of a further one-third in connection with a rights issue. In light of this, paragraph (b) of resolution 13 proposes that a further authority be conferred on the Directors to allot shares or rights to subscribe for shares in connection with a rights issue in favour of holders of equity securities (which would include ordinary shareholders) up to a further one-third of the issued ordinary share capital (such amount to be reduced by the nominal amount of ordinary shares or rights to subscribe for ordinary shares issued under the authority conferred by paragraph (a) of this resolution). This gives Directors authority to allot in total up to the equivalent of two-thirds of the issued ordinary share capital of the Company as at 5th March 2010. The Board seeks annual renewal of this authority in accordance with best practice.

The Board has no current plans to make use of this authority but wishes to ensure that the Company has maximum flexibility in managing the Group s capital resources. This authority would remain in force until the end of the AGM in 2011 or the close of business on 30th June 2011, whichever is the earlier. Where the additional authority described in paragraph (b) of this resolution is used, all Directors will stand for re-election at the next AGM. This authority remains in force regardless of whether the new Articles of Association are adopted pursuant to resolution 17.

Notes

a. Entitlements under CREST

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those holders of shares registered in the register of members at 6.00pm on Wednesday 28th April 2010 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00pm on Wednesday 28th April 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

b. Appointing a proxy

A shareholder who is entitled to attend, speak and vote at the meeting is entitled to appoint one or more people (called proxies) to attend, speak and vote on his/her behalf. They need not be Barclays shareholders. If more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to different shares. A proxy will have the same number of votes on a show of hands as if the member who appointed the proxy was at the meeting.

c. Corporate representatives

A corporate shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

d. Persons nominated by shareholders

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (nominated persons). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

e. Documents available for inspection

The following documents, which are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the Company s registered office, 1 Churchill Place, London E14 5HP, will also be available for inspection at the Royal Festival Hall from 10.30am on Friday 30th April 2010 until the end of the meeting: (i) copies of the executive Directors service contracts; (ii) copies of the non-executive Directors letters of appointment; (iii) the proposed new Articles of Association of the Company envisaged by resolution 17; and (iv) a copy of the Group SAYE Share Option Scheme rules proposed to be adopted by resolution 18.

Authority to allot equity securities for cash other than on a pro-rata basis to shareholders or to sell treasury shares

14. That, in substitution for all existing powers, and subject to the passing of resolution 13, the Directors be generally empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) for cash, pursuant to the authority granted by resolution 13 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the 2006 Act, in each case free of the restriction in section 561 of the 2006 Act, such power to be limited:

(a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 13, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities (as defined in section 560 of the 2006 Act), as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) to the allotment of equity securities, pursuant to the authority granted by paragraph (a) of resolution 13 and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the 2006 Act (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution 14) up to a nominal amount of £150,498,503 representing no more than 5% of the issued ordinary share capital as at 5th March 2010; compliance with that limit shall be calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, ordinary shares (as defined in section 560 of the 2006 Act) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights,

such power to apply (unless previously renewed, varied or revoked by the Company in General Meeting) until the end of the Company s next AGM after this resolution is passed (or, if earlier, until the close of business on 30th June 2011) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

The effect of this resolution is to renew the authority given to the Directors to allot equity securities (which for these purposes includes sale of treasury shares) on a non-pre-emptive basis either to ordinary shareholders by way of a rights issue or to holders of other equity securities according to the rights attaching to those securities. Additionally, allotments can be made for cash but limited to an amount approximately equal to 5% of the issued ordinary share capital of the Company as at 5th March 2010. This authority would remain in force until the end of the AGM in 2011 or the close of business on 30th June 2011, whichever is the earlier. The Board seeks annual renewal of this authority in accordance with best practice. The Board has no current plans to make use of this authority but wishes to ensure that the Company has maximum flexibility in managing the Group s capital resources. As announced on 7th November 2008, for the following two years, the Company would structure any new offer of equity securities for the purpose of raising new capital so as to give its then shareholders full rights of participation. The exceptions are any issue of equity securities in connection with employee remuneration arrangements or any acquisition of another entity or business or in satisfaction of pre-existing contractual obligations under the Group s existing Tier 1 capital requirements. The Company does not intend to issue more than 7.5% of its issued ordinary share capital on a non pre-emptive basis in any three-year period. The authority conferred by this resolution 14 remains in force regardless of whether the new Articles of Association are adopted pursuant to resolution 17.

Purchase of own shares

15. That the Company be generally and unconditionally authorised for the purposes of section 701 of the 2006 Act to make market purchases (within the meaning of section 693 of the 2006 Act) on the London Stock Exchange of up to an aggregate of 1,203,988,028 ordinary shares of 25p each in its capital, and may hold such shares as treasury shares, provided that:

(a) the minimum price (exclusive of expenses) which may be paid for each ordinary share is not less than 25p;

(b) the maximum price (exclusive of expenses) which may be paid for each ordinary share shall not be more than the higher of (i) 105% of the average of the market values of the ordinary shares (as derived from the Daily Official List of the London Stock Exchange) for the five business days immediately preceding the date on which the purchase is made and (ii) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003); and

(c) unless previously reviewed, varied or revoked by the Company in General Meeting, the authority conferred by this resolution shall expire at the end of the AGM of the Company to be held in 2011 or the close of business on 30th June 2011, whichever is the earlier (except in relation to any purchase of shares the contract for which was concluded before such date and which would or might be executed wholly or partly after such date).

This resolution would enable the Company to purchase up to a maximum of 1,203,988,028 of its ordinary shares. This is less than 10 % of the issued share capital as at 5th March 2010. The total number of ordinary shares that may be issued on the exercise of outstanding options as at 5th March 2010 is 102,016,312 which represents approximately 0.8% of the issued share capital at that date. As at 5th March 2010 there are 510,820,984 warrants over ordinary shares outstanding which represents approximately 4.24% of the issued share capital of the Company at that date. If the Company were to purchase shares up to the maximum permitted by this resolution, the proportion of ordinary shares subject to outstanding options would represent approximately 0.9% of the issued share capital as at 5th March 2010 and the proportion of ordinary shares to be

f. Total shares and voting rights

As at 5th March 2010 (being the latest practicable date before publication of this document) the Company s issued share capital comprised 12,039,880,284 ordinary shares of 25 pence each. Each ordinary share carries the right to vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5th March 2010 was 12,039,880,284.

g. Shareholder information

A copy of this Notice of Meeting and other information required by section 311A of the Companies Act 2006 can be found at *www.barclays.com/investorrelations*.

h. Shareholder right to ask a question

Any shareholder attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question, or (iii) it is undesirable in the interests of the

Company or good order of the meeting that the question be answered.

i. Members statement of audit concerns

Section 527 of the 2006 Act allows shareholders who meet the threshold requirements of that section to require the Company to publish a statement on its website setting out any matter relating to: (i) the audit of the accounts to be laid at the meeting (including the auditor s report and the conduct of the audit); or (ii) any circumstances connected with the auditor ceasing to hold office since the last meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. This is known as a members statement of audit concerns . If such a request is received, the Company cannot require those shareholders requesting publication of the statement to meet its costs of complying with that request. The Company must also forward a copy of the statement to the auditor not later than the time that the Company makes it available on the website. Where a members statement of audit concerns is received it will be included in the business of the meeting at which the accounts are laid.

j. Electronic communication

You may not use any electronic address provided in either this Notice of Meeting or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

Notice of Meeting

continued

issued on exercise of the warrants would represent approximately 4.71%. The Board considers it desirable for the general authority proposed above to be available to provide maximum flexibility in the management of the Group s capital resources. The Board would use such authority only if satisfied at the time that to do so would be in the interests of shareholders and would lead to an increase in the Group s earnings per share. Under UK companies legislation, the Company may hold any shares bought back in treasury, which may then either be sold for cash, transferred for the purposes of an employees share scheme (subject, if necessary, to approval by shareholders at a General Meeting) or cancelled. The Company therefore has the choice of either cancelling or holding in treasury any of its shares which it purchases. If the Company buys any of its shares under the authority given by this resolution, the Board will decide at the time of purchase whether to cancel them immediately or to hold them in treasury. In relation to treasury shares, the Board would also have regard to any investor guidelines in relation to the purchase of shares intended to be held in treasury or in relation to their holding or resale which may be in force at the time of any such purchase, holding or resale.

General meetings

16. That the Directors be authorised to call general meetings (other than an AGM) on not less than 14 clear days notice, such authority to expire at the end of the AGM of the Company to be held in 2011 or the close of business on 30th June 2011, whichever is the earlier.

The 2006 Act requires listed companies to call general meetings on at least 21 clear days notice unless shareholders have approved the calling of general meetings at shorter notice. Barclays wishes to retain the option of calling general meetings on 14 clear days notice and the effect of this resolution is to continue to give the Directors the power to call general meetings on a notice period of not less than 14 clear days. However, as Barclays has a global shareholder base, in practice, we would always aim to give a longer notice period to ensure overseas shareholders in particular are able to participate fully. The 14 day notice period would therefore not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. The resolution is valid up to the end of the next AGM or the close of business on 30th June 2011, whichever is the earlier, and it is our intention to renew the authority at each AGM. The Company offers the facility for shareholders to vote by electronic means. This is accessible to all shareholders and would be available if the Company was to call meetings on 14 clear days notice. The Company also provides the ability to appoint proxies electronically through CREST and shareholders can vote online at *www.barclays.com/investorrelations/vote.*

Adoption of new Articles of Association

17. That:

(a) the Articles of Association of the Company be amended by deleting all the provisions of the Company s Memorandum of Association which, by virtue of section 28 of the 2006 Act , are to be treated as provisions of the Company s Articles of Association; and

(b) the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

This resolution is to adopt new Articles of Association (the New Articles) in order to update the Company s current Articles of Association (the Current Articles) primarily to take account of the coming into force of the Companies (Shareholders Rights) Regulations 2009 (the Shareholders Rights Regulations), the implementation of the last parts of the 2006 Act and amendments to the Uncertificated Securities Regulations 2001.

The principal changes introduced in the New Articles are described in Appendix 1 set out on pages 7 to 8 of this Notice.

Other changes, which are minor, technical, drafting, clarifying or inconsequential in nature or which merely reflect changes made by the 2006 Act,

the Shareholders Rights Regulations or the Uncertificated Securities Regulations 2001, or conform the wording of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills (the Model Articles) have not been highlighted in Appendix 1.

A copy of the New Articles will be available for inspection at the Company s registered office, 1 Churchill Place, London E14 5HP during business hours on any weekday (public holidays excluded) from the date of this Notice until the close of the meeting. The New Articles will also be available on the Company s website and available for inspection at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX from 10.30am on Friday 30th April 2010 until the end of the meeting.

Barclays Group SAYE Share Option Scheme (Sharesave Plan)

18. That the rules of the Barclays Group SAYE Share Option Scheme, the principal terms of which are summarised in Appendix 2 and the draft rules which are produced to the meeting and signed by the Chairman of the meeting for the purposes of identification, be and are hereby approved and adopted by the Company and the Directors be and are hereby authorised to:

(a) do all such acts and things necessary or expedient for the purposes of implementing and giving effect to the Sharesave Plan, including making any changes to the draft rules of the Sharesave Plan in order to obtain HM Revenue & Customs approval; and

(b) establish such appendices, schedules, supplements or further schemes based on the Sharesave Plan but modified to take advantage of or to comply with, local tax, exchange control or securities laws in jurisdictions outside the UK, provided that any ordinary shares made available under any such appendices, schedules, supplements or further schemes are treated as counting against the limits and overall participation in the Sharesave Plan.

This resolution proposes the renewal of the Barclays Group SAYE Share Option Scheme, on broadly similar terms to the existing Sharesave Plan, which expires on 31st December 2010, and to authorise the Board to establish (where appropriate) new overseas savings-related option schemes based on the Sharesave Plan. Any such overseas scheme would be subject to the same overall dilution limits on the number of Company shares available and the same individual limits. The Company believes in employee share ownership, which aligns the interests of employees with those of shareholders. The Sharesave Plan is an all-employee share plan that encourages employees to own shares in the Company and to share in its growth and success. The principal terms of the Sharesave Plan are described in Appendix 2 on page 9 of this Notice.

A copy of the rules of the Sharesave Plan will be available for inspection at the Company s registered office, 1 Churchill Place, London E14 5HP during business hours on any weekday (public holidays excluded) from the date of this Notice until the close of the meeting. The Sharesave Plan rules will also be available on the Company s website and available for inspection at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX from 10.30am on Friday 30th April 2010 until the end of the meeting.

By order of the Board

Lawrence Dickinson

Company Secretary

9th March 2010

1 Churchill Place

London E14 5HP

Registered in England, Company No. 48839

Appendix 1

Summary of the principal changes to the Company s Articles of Association

The Company s objects

The provisions regulating the operations of the Company are currently set out in the Company s Memorandum of Association and the Current Articles. The Company s Memorandum of Association contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The 2006 Act significantly reduces the constitutional significance of a company s memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in a company. Under the 2006 Act, the objects clause (and all other provisions which are contained in a company s memorandum), for companies in existence as at 1st October 2009, are deemed to be contained in a company s articles of association (but a company can remove these provisions by special resolution).

The 2006 Act also states that unless a company s articles provide otherwise, a company s objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of section 28 of the 2006 Act, are treated as forming part of the Company s articles of association as of 1st October 2009, namely the statement of authorised share capital, the statement of limited liability, the location of the registered office and the statement of the Company s name. Resolution 17 (a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company s Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

Directors fees

The New Articles increase the aggregate Director s fee that may be paid to the non-executive Directors of the Company from £1,000,000 to £2,000,000. This limit was last amended in April 2001 when it was increased from £500,000 to £1,000,000. The total Directors fees payable vary with the number of non-executive Directors and the amount of the Directors base fee. The Company wishes to take this opportunity to create additional flexibility in respect of payment of non-executive Directors fees and is therefore seeking the higher limit in the New Articles. The aggregate fee cap set nine years ago is no longer feasible given the increased expected time commitments set out in the Walker Review. The New Articles also clarify that Directors who hold another office, such as that of Chairman, or who serve on any committees of the Directors, may also be paid for those services.

Articles which duplicate statutory provisions

Provisions in the Current Articles which duplicate provisions contained in the 2006 Act are in the main removed in the New Articles. This is in line with the approach, advocated by the Government, that statutory provisions should not be duplicated in a company s constitution.

Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because shareholders will still be asked each year to authorise Directors to allot shares.

All references to authorised share capital and to unissued shares have therefore been removed from the New Articles, including references to the staff shares (all of the staff shares in issue were bought back by the Company following approval by the shareholders at the 2008 AGM).

Allotment authority of the Board

The allotment authority and the power to disapply pre-emption rights in respect of such allotments have been deleted from the New Articles and the Company will therefore in future propose separate, standalone resolutions annually in order to empower the Directors to allot new shares and to disapply pre-emption rights in respect of such allotments. This will also allow the Company to take account of the prevailing current investor protection committee guidance.

Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the 2006 Act which are now reflected in the New Articles.

Redeemable shares

Under the Companies Act 1985 (the 1985 Act), if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables Directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no current plans to issue redeemable shares and if that changes the Directors would need to seek shareholders authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital (or other undistributable reserves) as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

Right to a share certificate

Pursuant to section 769 of the 2006 Act, the New Articles extend from one month to two months the time period within which a shareholder is entitled to receive a share certificate from the Company following allotment or lodgement with the Company of a transfer or the Company receiving the relevant operator instruction. In practice we shall continue to send share certificates out within one month.

Payment in advance of calls

The Current Articles provide that the members of the Company and the Board shall agree the interest payable on amounts paid in advance of calls, while the New Articles state that if the interest rate is not fixed by the terms of allotment or issue of the shares, the Board may decide the interest payable.

Fees on registration

The Current Articles provide that no fee is payable on any instrument of transfer or other instrument relating to or affecting the title to any shares, while the New Articles state that the Company may charge a fee following an amendment to the Listing Rules. There is no current intention to do so.

Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Change of name

Under the 1985 Act, a company could only change its name by special resolution. Under the 2006 Act a company will be able to change its name by other means provided for by its articles. The New Articles enable the Directors to pass a resolution to change the Company s name.

Voting record date

Under the 2006 Act, as amended by the Shareholders Rights Regulations, the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles reflect this requirement.

Appendix 1

Summary of the principal changes to the Company s

Articles of Association

continued

Adjournments for lack of quorum

Under the 2006 Act, as amended by the Shareholders Rights Regulations, general meetings adjourned for lack of quorum must be held at least ten clear days after the original meeting. The New Articles reflect this requirement.

General meetings at more than one place

The New Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place of the meeting.

Resolution to be decided on a poll

The Current Articles provide that a poll may be demanded by, amongst others, members representing not less than one-fiftieth of the total voting rights of all members or members holding shares conferring a right to vote on which an aggregate sum has been paid up equal to not less than one fiftieth of the total sum paid up. To conform the wording of the New Articles with the Model Articles the threshold is proposed to be increased in both instances from one-fiftieth to 10%.

Voting by proxies on a show of hands

The Shareholders Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes.

Proxies to vote in accordance with instructions

Under the 2006 Act, as amended by the Shareholders Rights Regulations, proxies are required to vote in accordance with instructions given by the shareholder by whom the proxy is appointed. The New Articles state that the Company is not required to confirm that a proxy has followed instructions and that a failure to vote as instructed does not invalidate the proceedings on the resolution.

Vacation of office by Director

The Current Articles require five-sixths of the total number of Directors to vote in favour of the removal of any Director. Under the New Articles, the threshold has been reduced from five-sixths to 75%. This threshold is in line with investor protection committee guidance.

Appointment of alternate Director

The New Articles provide that, if a Director wishes to appoint a person who is not a Director of the Company as their alternate, the person must be approved by the Board. This requirement is not included in the Current Articles.

Procedures regarding Directors resolution in writing

The Current Articles require all Directors to sign a written resolution. The New Articles clarify that a written resolution will be valid if agreed to by all the Directors who would have been entitled to vote on that resolution had it been passed at a Directors meeting. This conforms the New Articles with the Model Articles.

Provision for employees on cessation of business

The 2006 Act provides that the powers of the Directors of a company to make provision for a person employed (or formerly employed) by the company (or any of its subsidiaries) in connection with the cessation or transfer to any person of the

whole or part of the undertaking of the company (or that subsidiary) may only be exercised by the Directors if they are so authorised by the company s articles or by the company in general meeting. The New Articles provide that the Directors may exercise this power.

Use of seals

Under the 1985 Act, a company required authority in its articles to have an official seal for use abroad. Under the 2006 Act, such authority will no longer be required. The relevant authorisation has been removed in the New Articles.

Method of payment of dividends

The Current Articles authorise the Company to make payments in respect of dividends by means of, amongst others, cheque or any usual or common banking method. The New Articles provide that the Company Secretary is authorised to decide that payments in respect of dividends no longer need to be made by cheque, but may be made exclusively by direct credit into a nominated bank or building society account. There is no current intention to discontinue payment of dividends by cheque.

Uncashed dividends

The Current Articles allow the Company to stop despatching payments in respect of a share after the second time monies payable in respect of the share have been returned undelivered or left uncashed. This approach is also adopted in the New Articles. The New Articles additionally authorise the Company to stop payment the first time that the dividend or other payment in respect of a share is left uncashed provided reasonable enquiries have failed to establish another address for or account of the person entitled to payment. This is to ensure greater security and data protection for shareholders.

Dividend in specie

The Current Articles provide that the general meeting may, on recommendation of the Board, resolve in favour of a distribution in specie, while the New Articles provide that the Board may, with the prior authority of an ordinary resolution, direct that dividends are paid in specie.

Notices and communications

Provisions in the New Articles relating to communications with shareholders are no longer set out in their entirety as they are dealt with in (i) the 2006 Act and (ii) the electronic communication provisions contained in the Disclosure and Transparency Rules.

Destruction of documents

Under the New Articles the time periods within which the Company may destroy certain documents, such as cancelled share certificates and mandates for the payment of dividends, have been amended in certain instances in order to conform the wording of the New Articles with that used in the Model Articles.

Members not entitled to documents and information

The 2006 Act provides that the requirement to send notices of general meeting to every member of a company is subject to any provisions in that company s articles. The New Articles grant the Company the power to cease sending notices to any member who has been sent documents on two consecutive occasions over a period of at least 12 months and where each of those documents is returned undelivered, or the Company receives notification that each of them has not been delivered.

Appendix 2

Summary of the principal terms of the Barclays Group SAYE Share Option Scheme (Sharesave Plan)

This summary does not form part of the Sharesave Plan and should not be taken as affecting the interpretation of its detailed rules.

General

The Sharesave Plan replaces the existing savings-related share option scheme which expires at the end of 2010. The Sharesave Plan is a savings-related share option scheme designed to be approved by HM Revenue & Customs (HMRC) in accordance with the Income Tax (Earnings & Pensions) Act 2003 in order to provide UK tax-advantaged benefits to UK employees. It will be administered by the Board or a duly authorised committee of the Board.

Eligibility

Employees and full-time Directors of the Company (or any designated participating subsidiary) who are UK resident taxpayers, are eligible to participate in the Sharesave Plan, although the Board has discretion to allow other employees to participate. Participation may be subject to the Board requiring eligible employees to have completed a qualifying period of employment of up to five years.

The savings contract

To participate in the Sharesave Plan, an employee must enter into a savings contract with an appropriate savings carrier under which they agree to make aggregate monthly savings between (and including) the statutory minimum and maximum (currently £5 and £250) for a specified savings period of three or five years. The Board has discretion to determine which savings contract will be available in respect of any invitation to apply for the grant of options.

A bonus, determined by HM Treasury, is payable after the expiration of the savings period. In connection with a five-year savings contract, the Board may allow participants to leave their savings in their savings account for a further two years in order to receive an additional bonus.

Grant of options

Options can only be granted under the Sharesave Plan to employees who have entered into an HMRC approved savings contract. Options must be granted within 30 days (or 42 days if applications are scaled back) of the first day by reference to which the option exercise price is set. The number of shares over which an option is granted will be such that the total exercise price payable for those shares will correspond to the proceeds on maturity of the related savings contract.

Options are neither transferable (except on death) nor pensionable. No consideration is required for the grant of an option. Options may not be granted more than ten years after shareholder approval of the Sharesave Plan. No options may be granted later than 31st December 2020. Options granted under the Sharesave Plan are personal to the participant and may not be transferred. Benefits under the Sharesave Plan will not be pensionable.

Exercise price

The price per share payable upon the exercise of an option granted under the Sharesave Plan will not be less than the higher of:

(a) 80% of the middle-market quotation of a share as derived from the Daily Official List of the London Stock Exchange for the dealing day (or the average of such quotations during a period not exceeding five dealing days or such other dealing day(s) as may be agreed in advance with HMRC) immediately preceding the date on which invitations to apply for the grant of an option are issued to employees; or

(b) if the option relates to new issue shares, the nominal value of a share.

The exercise price will be determined by reference to dealing day(s) which fall within the period of six weeks following:

the date HMRC formally approves the Sharesave Plan;

the Company s normal Sharesave Plan invitation date;

any change to the legislation affecting savings-related share option schemes approved by HMRC is announced or made; and

the announcement by the Company of its results for any period;

or at any other time when the Board considers that there are exceptional circumstances that justify granting options under the Sharesave Plan. No consideration is payable for the grant of an option.

Exercise of options

Options will normally be exercisable for a period of six months (12 months in the case of death see below) from the third, fifth or seventh anniversary of the commencement of the related savings contract depending upon the length of the savings contract term chosen by the participant. Earlier exercise is permitted in the following circumstances:

following cessation of employment by reason of death, disability, injury, redundancy, retirement on reaching age 60 (or any other age at which the employee is bound to retire under his terms of employment) or the business or company that the employee works for ceases to be part of the Company s group;

when an employee reaches age 60;

where employment ceases more than three years from grant for any reason other than by reason of dismissal for misconduct;

in the event of a takeover, amalgamation, reconstruction or winding-up of the Company, except in the case of an internal corporate reorganisation when the Board may decide to exchange existing options for equivalent new options over shares in a new holding company.

Except where stated above, options will lapse on cessation of employment.

Limit on the issue of new shares

The Sharesave Plan may operate over new issue shares, treasury shares or shares purchased in the market. However, in any ten calendar year period the Company may not issue (or grant rights to issue) more than 10% of the issued ordinary share capital of the Company under the Sharesave Plan and any other employees share scheme adopted by the Company.

Treasury shares will count as new issue shares for the purposes of this limit.

Rights attaching to shares

All shares allotted or transferred under the Sharesave Plan will rank equally with all other shares then in issue, except for rights arising by reference to a record date prior to their allotment. Shares will be allotted or transferred to participants within 30 days of exercise.

Variation of capital

If there is a variation of the Company s share capital by way of capitalisation or rights issue, or by consolidation, sub-division or reduction of capital or otherwise, then, subject to HMRC approval, the Board may make such adjustments as it considers appropriate to the number of shares under option and/or the exercise price.

Amendments to the Sharesave Plan

The Board may amend the provisions of the Sharesave Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant s entitlement to, and the terms of, the shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor amendment made to benefit the administration of the Sharesave Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any company in the Company s group.

Any amendment to a key feature of the Sharesave Plan will require HMRC approval before it can take effect.

Overseas schemes

The shareholder resolution to approve the Sharesave Plan will allow the Board, without further shareholder approval, to establish appendices, schedules, supplements or further schemes for overseas territories. Any such appendix, schedule, supplement or scheme would be similar to the Sharesave Plan but modified to take advantage of or to comply with, local tax, exchange control or securities laws, provided that any shares made available under such arrangements are treated as counting against the limits on individual and overall participation in the Sharesave Plan.

It is envisaged that in reliance of the power to extend the Sharesave Plan overseas, a replacement Barclays Group International SAYE Scheme and Barclays Group Irish SAYE Group Option Scheme, both due to expire at the end of 2010, would be established.

Questions and Answers

Voting arrangments

Who is entitled to vote?

Shareholders who want to attend, speak and vote at the Annual General Meeting (AGM) must be entered on the Company s register of members by no later than 6.00pm on Wednesday 28th April 2010. This time will still apply for the purpose of determining who is entitled to attend and vote if the AGM is adjourned from the scheduled time by 48 hours or less. If the AGM is adjourned for longer, members who wish to attend and vote must be on the Company s register of members by 6.00pm two days before the time fixed for the adjourned AGM.

How do I vote?

There are three ways in which you can vote:

- You can appoint a proxy online to vote on your behalf on our website at *www.barclays.com/investorrelations/vote;*
- You can vote in person at the AGM; or
- You can sign the enclosed Proxy Form appointing the Chairman or some other person to vote for you.

Voting on resolutions at the AGM will be by poll. That means that you will be asked to complete a Poll Card if you attend in person. We believe that a poll is the best way of representing the views of as many shareholders as possible in the voting process.

If you vote by Proxy Form, you should return your form to the Registrar in the enclosed pre-paid envelope so that it is received by no later than 11.00am on Wednesday 28th April 2010. You will find details below of how to withdraw your proxy if you change your mind.

What if I plan to attend the Annual General Meeting and vote in person?

If you want to vote in person at the AGM there is no need to complete the Proxy Form. Attached to the Proxy Form is a Poll Card for use by those attending the AGM. You should bring the Poll Card with you to the meeting.

If my shares are held in Barclays Sharestore how do I vote?

All Sharestore members can elect to attend, speak and vote at the AGM. If you are a Sharestore member and do not want to attend but do want to vote, you must return the enclosed Proxy Form so that Equiniti Corporate Nominees Limited can appoint whichever person you name on the Proxy Form to attend and vote on your behalf. If you return the Proxy Form but do not insert the name of another proxy then the Chairman of the meeting will vote on your behalf. Alternatively, you can appoint a proxy to vote on your behalf on our website at *www.barclays.com/investorrelations/vote.* If you have received a Sharestore Voting Instruction Card, you can also vote online at the same website.

I have been nominated by a shareholder to enjoy information rights, can I vote?

No. If you are not a shareholder you do not have a right to vote or to appoint a proxy. However, the agreement that you have with the person who nominated you to enjoy information rights may give you the right to be appointed as their proxy, or to have someone else appointed as a proxy for the AGM and to attend, speak and vote on their behalf. If you have any questions you should contact the registered shareholder (the custodian or broker) who looks after your investment on your behalf.

How will my shares be voted if I appoint a proxy?

The person you name on your Proxy Form must vote in accordance with your instructions. If you do not give them any instructions, a proxy may vote or not vote as he or she sees fit on any business of the AGM. Please see the explanatory notes on the reverse of the Proxy Form.

Can I appoint anyone to be a proxy?

Yes. You can appoint your own choice of proxy or you can appoint the Chairman as your proxy. Your proxy does not need to be a Barclays shareholder.

Can I appoint more than one proxy?

Yes. You may appoint more than one proxy, provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to the same share. To appoint more than one proxy you should photocopy the Proxy Form and indicate in the box that this is one of multiple instructions.

Can I change my mind once I have appointed a proxy?

Yes. If you change your mind, you can send a written statement to that effect to the Registrar. The statement must arrive with the Registrar by 11.00am on Wednesday 28th April 2010, or you should bring it along to the AGM.

If you hold your shares in Barclays Sharestore, and you have changed your mind your new instruction must be received by the Registrar by no later than 11.00am on Wednesday 28th April 2010. You cannot bring it along to the meeting.

How will the votes be counted?

Each of the resolutions set out in the Notice of Meeting will be voted upon on a poll. The passing of resolutions 1 to 13 and 18 are determined by a majority of votes. Resolutions 14 to 17 are being proposed as special resolutions and will therefore require a 75% majority of the votes cast for it to be passed. Our Registrar counts the proxy votes received before the AGM and then counts the votes cast at the AGM. An independent third party, Electoral Reform Services, has been appointed by Barclays to monitor the shareholder voting process.

When will the results of the voting be declared?

The preliminary results of voting on the resolutions to be proposed at the AGM will be displayed in the meeting room shortly after the AGM. The final results will be announced to the London Stock Exchange and will appear on our website at *www.barclays.com/investorrelations.*

Corporate shareholders

I am a corporate shareholder what do I need to do to attend the AGM?

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the AGM. Please contact our Registrar if you need further guidance on this.

Questions

Can I ask a question at the AGM?

Yes, however, questions should only be asked on the specific business of the AGM. If you would like to ask a question at the AGM, you can register your question at the Question Registration Point in the Exhibition Area before the AGM starts. You can also register your question in the meeting room once the AGM has started. Shareholders who are unable to attend the meeting still have the opportunity to submit a question to the Board by writing to Shareholder Relations at Barclays PLC, 1 Churchill Place, London E14 5HP or emailing *privateshareholderrelations@barclays.com.*

Please try to keep your questions short and relevant to the business of the AGM. We want all shareholders to have the opportunity to ask questions.

Can I ask a question about a customer issue?

If you would like to ask a question about a personal matter at the AGM you should go to the Customer Relations Point in the Exhibition Area. This is staffed by Senior Customer Relations personnel. All questions raised will be reviewed by the Chairman after the AGM and a reply will be sent out within 14 days.

Can I ask a question about my personal shareholding?

If you would like to ask a question about your personal shareholding you should go to the Shareholder Enquiry Point in the Exhibition Area. This is staffed by the Registrar and Barclays Stockbrokers and will be open both before and after the AGM.

Shareholders with special needs

I am hard of hearing/sight, do you provide any documents for people with disabilities?

Copies of this notice are available in large print, Braille or audio format. If you would like a copy in any of these alternative formats, please contact the Registrar to Barclays.

General Questions

If you have any further questions about the AGM or your shareholding, please contact the Registrar to Barclays from the UK on 0871 384 2055* or from overseas on +44 121 415 7004 or by email at questions@share-registers.co.uk.

* Calls to this number are charged at 8p per minute if calling from a BT landline. Call charges may vary if using other telephone providers.

Additional information for shareholders attending the Annual General Meeting

Venue

The AGM will be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX. A map showing the location of the venue can be found below or you can find more information at *www.southbankcentre.co.uk/visiting-us/ royal-festival-hall.*

Date: Friday 30th April 2010
Time: The AGM will start promptly at 11.00am. You should allow 15 to 20 minutes for security and registration formalities.

Security

For safety reasons, security checks will be carried out on entry to the Royal Festival Hall. Please note that you will be asked to leave large bags in the cloakroom and small bags may be searched. No cameras, video recorders or tape recorders should be taken into the AGM. Mobile phones and other electronic communication devices should be turned off.

Cloakroom facilities

Cloakroom facilities will be available in the registration area.

Registration

Attendance Cards should be presented to the Registrar s staff, who will be available as you arrive at the venue. Corporate representatives, proxies and guests and Barclays Stockbrokers clients should register at the registration desks, which will be clearly signposted.

Persons with special needs

The Royal Festival Hall is easily accessible by wheelchair users and has lift access. Barclays staff will be on hand to guide you to the lifts.

Speech to text and hearing induction loop facilities will be available at the AGM. The AGM will also be signed.

An audio CD containing extracts from the 2009 Annual Review is available, free of charge, either on request from the Registrar or at the AGM.

First aid

First aid facilities will be available. Please approach any member of Barclays staff.

Refreshments

Tea and coffee will be available before the AGM. After the business of the AGM has been concluded, light refreshments will be available in the Exhibition Area.

Travelling to the AGM

The nearest tube stations are Waterloo on the Bakerloo, Northern, Jubilee and Waterloo & City lines, Embankment on the District and Circle lines and Charing Cross on the Northern and Bakerloo lines. The nearest overground train stations are Waterloo and Charing Cross. Buses stop on Waterloo Bridge, York Road, Belvedere Road and Stamford Street. Boats stop at Festival Pier.

AGM schedule

Friday 30th April 2010

10.00am
Registration desks open.
Tea and coffee available in the Exhibition Area.

Q&A registration opens.

11.00am
The AGM starts in the Meeting Room.

1.00pm (approximately)
Light refreshments available in the Exhibition Area.

The results of the polls are expected to be released to the London Stock Exchange on Friday 30th April 2010.

How to find the Royal Festival Hall

Go online

Further information on our Annual Report

www.barclays.com/annualreport09

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Designed by Further

Barclays PLC

Attendance Card

Name

How to ask a question

If you intend to ask a question relating to the business of the meeting

You should register your question at the Question Registration Point in the Exhibition Area before the meeting starts. There is also provision to register your question within the meeting room once the meeting has started.

If you would like to ask a question about a personal matter

You should go to the Customer Relations Point in the Exhibition Area. This is staffed by Senior Customer Relations personnel who will be available before, during and after the meeting. All questions raised will be reviewed by the Chairman following the meeting and a reply will be sent out to you within 14 days.

Travelling to the AGM

The nearest tube stations are Waterloo on the Bakerloo, Northern, Jubilee and Waterloo & City lines, Embankment on the District and Circle lines and Charing Cross on the Northern and Bakerloo lines. The nearest overground train stations are Waterloo and Charing Cross. Buses stop on Waterloo Bridge, York Road, Belvedere Road and Stamford Street. Boats stop at Festival Pier.

Information for shareholders attending the 2010 AGM

The AGM will be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX on Friday 30th April 2010 at 11.00am. **Please note that this is a different venue from previous years.**

If you plan to attend the AGM, please bring this card with you. This card will allow you entry to the meeting with a minimum of formality. You will be given full instructions on what to do with this card at the appropriate time during the meeting.

An update on e-communications

We are making greater use of our website and email to communicate directly with shareholders. We now send Barclays e-view members regular, up to date information about their shareholding and Barclays performance direct to their inbox. Therefore, in future, we will not send you paper copies of shareholder documentation unless you have already positively told us that you would like to receive them. Please note that Barclays reserves the right to send you shareholder information by post should we feel it is appropriate. For more information, or if you have any questions, please visit our website *www.barclays.com/investorrelations* or contact the Registrar to Barclays.

Why not log on to Barclays e-view and see the benefits?

If you join Barclays e-view or are an existing e-view member, we will automatically enter you

into our free prize draw to win one of five £200 cash prizes!

Barclays e-view is an easy and convenient way to:

Access your Barclays shareholding details and check your share sales, purchases or transfers;

Receive important shareholder information such as the Annual Review, Annual Report or Results Announcements directly to your email address;

View dividend information, including electronic tax vouchers;

Change your address and/or bank details online; and

Register your voting instructions for General Meetings.

For more details, see overleaf

Barclays PLC

Poll card for the Annual General Meeting

This card should only be completed during the meeting

Holders of ordinary shares as well as proxies and authorised representatives of corporations are entitled to vote.

Please write an **X** in the For, Against or Vote Withheld box for each resolution below. If you wish to cast your votes partly for, partly withheld or partly against a resolution, you should write the number of votes cast For, Against or Vote Withheld in the appropriate box.

To be held at the Royal Festival Hall,

Southbank Centre, Belvedere Road,

London SE1 8XX

on Friday 30th April 2010 at 11.00am

Signature(s)

Date

Resolutions

		For	Against	Vote Withheld
1.	To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2009.	••	••	••
2.	To approve the Remuneration Report for the year ended 31st December 2009.	••	••	••
3.	To re-elect Reuben Jeffery III as a Director of the Company.	••	••	••
4.	To re-elect Marcus Agius as a Director of the Company.	••	••	••
5.	To re-elect David Booth as a Director of the Company.	••	••	••
6.	To re-elect Sir Richard Broadbent as a Director of the Company.	••	••	••
7.	To re-elect Sir Michael Rake as a Director of the Company.	••	••	••
8.	To re-elect Sir Andrew Likierman as a Director of the Company.	••	••	••
9.	To re-elect Chris Lucas as a Director of the Company.	••	••	••
10.	To reappoint PricewaterhouseCoopers LLP as the Auditors of the Company.	••	••	••
11.	To authorise the Directors to set the remuneration of the Auditors.	••	••	••
12.	To authorise the Company and its subsidiaries to make political donations and incur political expenditure.	••	••	••
13.	To authorise the Directors to allot securities.	••	••	••
14.	To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders.	••	••	••
15.	To authorise the Company to purchase its own shares.	••	••	••
16.	To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice.	••	••	••
17.	To adopt the Articles of Association.	••	••	••
18.	To approve and adopt the Barclays Group SAYE share option scheme.	••	••	••

Why not log on to Barclays e-view and see the benefits?

An increasing number of shareholders choose to receive their Barclays communications electronically and are discovering the convenience of using the internet and email to find out about their shareholding and Barclays.

To enter the prize draw, please follow these 3 easy steps:

Step 1

Go to www.eviewsignup.co.uk

Step 2

Register for electronic communications by following the instructions onscreen.

Step 3

You will be sent an access number in the post the next working day.

If you have any questions, please contact the Registrar to Barclays.

Prize draw terms and conditions

The prize is a cheque for £200

1. We, Barclays PLC, are promoting the prize draw.

2. There will be five prize draws on Monday 10th May 2010.

3. The winners of the prizes will be the first five names drawn at random from all eligible entries.

4. The draw will be supervised by an independent observer.

5. The prize draw is open to our private shareholders who are aged 18 or over, live in the United Kingdom and either join e-view or have already joined e-view prior to 11.00am on Friday 7th May 2010. Each shareholder will be entered into the prize draw once.

6. You do not need to buy further shares to be entered into the prize draw.

7. We will provide the name and county of each winner, and the name of the independent observer, to anyone who sends a stamped address envelope to: The Manager, Shareholder Relations, Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP, within 28 days of the date of the draw (Monday 10th May 2010). The details will also be available on our website.

8. We will contact the prize winners within five working days of the draw and ask them for the address to which we should send the prize. We will send out the prizes within 10 working days of receipt of the address.

9. We will be responsible for all costs of sending out the prizes to the winners.

10. We can publish the name and county of each winner after the date of the final draw. We may ask each winner to allow us to publish a photograph of them and they must not refuse without good reason.

11. If you enter the prize draw we will assume that you accept these terms and conditions.

12. Our decision is final and we will not respond to any questions or complaints about it.

13. We are not responsible for any injuries, loss or damage of any kind arising from or in connection with the prize draw unless, by law, we must accept responsibility.

Barclays PLC

Explanatory notes

1. Voting

If you want to attend and vote at the Barclays AGM, you must be entered on the Company s register of members by no later than 6.00pm on Wednesday 28th April 2010. This time will still apply for the purpose of deciding if you are entitled to attend and vote if the meeting is adjourned for less than 48 hours. If the meeting is adjourned for a longer time and you still want to attend and vote, you must be on the Barclays register of members by no later than 6.00pm two days before the time fixed for the adjourned meeting.

2. Vote online

You can appoint a proxy to vote your shares online at *www.barclays.com/investorrelations/vote.* To log on you will need your Voting ID, Task ID and Shareholder Reference Number which are printed on the front of this form. Your votes must be registered by no later than 11.00am on Wednesday 28th April 2010.

3. Proxy

You are entitled to attend, speak and vote at the AGM or you can appoint one or more people (called proxies) to attend, speak and vote on your behalf. A proxy need not be a Barclays shareholder but must attend the meeting in person.

Write the name of the person you have chosen as your proxy in the box on the Proxy Form unless you wish to appoint the Chairman of the meeting. If no name is inserted, the Chairman of the meeting will be authorised to vote on your behalf.

If more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to different shares. Unless you complete the form to show how you want them to vote, your proxy or proxies can vote, or not vote, as they see fit, on any matter which is put before the meeting. To appoint more than one proxy, please photocopy the Proxy Form and indicate the number of shares that you are authorising them to act as your proxy for. Mark the box on the Proxy Form to show that you have appointed more than one proxy.

4. Revoking your proxy

If you complete the Proxy Form to appoint a proxy or proxies, this will not stop you from attending and voting at the meeting if you later find you are able to do so.

5. Authority and timing

To be valid, you must return this Proxy Form, together with a certified copy of the power of attorney or other authority (if any) under which it is executed, to the Registrar to Barclays, Aspect House, Spencer Road, Lancing, West Sussex BN99 6NA, United Kingdom, in the pre-paid envelope provided, so that it is received by no later than 11.00am on Wednesday 28th April 2010.

6. Joint shareholders

The signature of any one of the joint holders will be enough to appoint either the Chairman or one or more proxies to attend, speak and vote at the meeting.

7. Vote Withheld

The Vote Withheld option is given to enable you to abstain on any particular resolution. The Vote Withheld is not a vote in law and will not be counted in the calculation of the proportion of votes For or Against a resolution.

8. Corporate shareholders

If you are attending as a representative of a shareholder that is a corporation, you will need to show our Registrars evidence that you have been properly appointed as a corporate representative to gain entry to the AGM.

9. Euroclear electronic proxy appointment service (CREST)

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To be valid, the CREST message must be received by the receiving agent (ID RA19) no later than 11.00am on Wednesday 28th April 2010. For this purpose the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the receiving agent is able to retrieve the message. After this time, changes of instructions to proxies appointed through CREST should be communicated to the proxy by other means. If you are a CREST personal member or other CREST sponsored member, you should contact your CREST sponsor for help with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual (available via www.euroclear.com/CREST). The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001.

Shareholder information

If you need help, contact the Registrar to Barclays

Telephone	Email	Postal address
0871 384 2055*	questions@share-registers.co.uk	The Registrar to Barclays Aspect House
(in the UK)		Spencer Road
+44 121 415 7004		Lancing, West Sussex BN99 6DA
(from overseas)		United Kingdom

* Calls to this number are charged at 8p per minute if using a BT landline. Call charges may vary if using other telephone providers.

Important new information please remember to tell the Registrar to Barclays if you move home

After the AGM, if you hold 1,500 shares or less, you will be able to change your address quickly and easily over the telephone using the contact details above. If you hold more than 1,500 shares, you will need to write to the Registrar and provide a copy of your share certificate or most recent dividend tax voucher.

The paper used throughout this document is produced from Elemental Chlorine Free (ECF) pulps. The wood for these is sourced from fully sustainable forests. Additionally, the manufacturing mill is certified to ISO 9002 Quality Assurance standard, the ISO 14001 Environmental Management standard, and registered with EMAS (the Eco-Management and Audit Scheme).

Barclays PLC

Proxy Form for the

Annual General Meeting

To be held at the Royal Festival Hall, Southbank Centre,

Belvedere Road, London SE1 8XX

on Friday 30th April 2010 at 11.00am

+ +

Voting ID: **Task ID:** **Shareholder Reference Number:**

You can vote your Barclays shares by completing and sending this form back in the enclosed pre-paid envelope, or you can vote online at www.barclays.com/investorrelations/vote. Before completing this form, please read the explanatory notes on the back of the form.

I/We hereby appoint the Chairman of the meeting, or as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting (AGM) of Barclays PLC (the Company) to be held on Friday 30th April 2010 and at any adjournment of that meeting.

Resolutions

The full wording of the resolutions and brief biographical details of those Directors standing for re-election at the 2010 AGM are in the Notice of Meeting which has been sent to you with this form. Please write an **X** in the For, Against or Vote Withheld box for each resolution below. If you do not complete the boxes below, the person you appoint as proxy can decide whether, and how, he or she votes in relation to any matter which is properly put before the meeting.

	For	Against	Vote Withheld		For	Against	Vote Withheld
1. To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2009.	··	··	··	11. To authorise the Directors to set the remuneration of the Auditors.	··	··	··

Important: fold along this line

2. To approve the Remuneration Report for the year ended 31st December 2009.	••	••	••	12. To authorise the Company and its subsidiaries to make political donations and incur political expenditure.	••	••	••
3. To re-elect Reuben Jeffery III as a Director of the Company.	••	••	••	13. To authorise the Directors to allot securities.	••	••	••
4. To re-elect Marcus Agius as a Director of the Company.	••	••	••	14. To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders.	••	••	••
5. To re-elect David Booth as a Director of the Company.	••	••	••	15. To authorise the Company to purchase its own shares.	••	••	••
6. To re-elect Sir Richard Broadbent as a Director of the Company.	••	••	••	16. To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice.	••	••	••
7. To re-elect Sir Michael Rake as a Director of the Company.	••	••	••	17. To adopt the Articles of Association.	••	••	••

8. To re-elect Sir Andrew Likierman as a Director of the Company.	••	••	••	18. To approve and adopt the Barclays Group SAYE share option scheme.	••	••	••
9. To re-elect Chris Lucas as a Director of the Company.	••	••	••				
10. To reappoint PricewaterhouseCoopers LLP as the Auditors of the Company.	••	••	••				

•• Please indicate with an X if this Proxy Form is one of multiple instructions being given. Please refer to note 3 overleaf.

Signature(s) **Date**

Please complete and return this Proxy Form in the enclosed pre-paid envelope so that it is received by the Registrar no later than 11.00am on Wednesday 28th April 2010.

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Barclays PLC Sharestore

Attendance Card

Name

Information for Sharestore members attending the 2010 AGM

The AGM will be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX on Friday 30th April 2010 at 11.00am. **Please note that this is a different venue from previous years.**

If you plan to attend the AGM, please bring this card with you. This card will allow you entry to the meeting with a minimum of formality. You will be given full instructions on what to do with this card at the appropriate time during the meeting.

How to ask a question

If you intend to ask a question relating to the business of the meeting

You should register your question at the Question Registration Point in the Exhibition Area before the meeting starts. There is also provision to register your question within the meeting room once the meeting has started.

If you would like to ask a question about a personal matter

You should go to the Customer Relations Point in the Exhibition Area. This is staffed by Senior Customer Relations personnel who will be available before, during and after the meeting. All questions raised will be reviewed by the Chairman following the meeting and a reply will be sent out to you within 14 days.

Travelling to the AGM

The nearest tube stations are Waterloo on the Bakerloo, Northern, Jubilee and Waterloo & City lines, Embankment on the District and Circle lines and Charing Cross on the Northern and Bakerloo lines. The nearest overground train stations are Waterloo and Charing Cross. Buses stop on Waterloo Bridge, York Road, Belvedere Road and Stamford Street. Boats stop at Festival Pier.

How we want to communicate with you

Sharestore Reference Number

We are making greater use of our website and email to communicate directly with Sharestore members.

We now send Barclays e-view members regular, up to date information about their shareholding and Barclays directly to their inbox.

We will not send paper shareholder documents to you unless you have positively told us that you would like to receive them.

Please note that Barclays reserves the right to send you shareholder information by post should we feel it is appropriate.

Your options

1. Website

If you do not want to receive hard copy documents you do not need to take any further action. You can view the information on our website.

2. Email

If you would like to receive an email to tell you when shareholder information is available on the website, please join Barclays e-view at our secure website *www.eviewsignup.co.uk.*

3. Paper

If you would like to continue to receive paper documentation, please tell us which of the following documents you would like to receive and return the form to the Registrar in the enclosed pre-paid envelope.

Annual Review

This document is about 20 pages long and gives you a clear overview of our company and its financial position.

Full Annual Report

This document is about 350 pages long and gives you very detailed financial and other information.

For more details, see overleaf

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Barclays PLC Sharestore

Poll card for the Annual

General Meeting

to be held at the Royal Festival Hall,

Southbank Centre, Belvedere Road,

London SE1 8XX

on Friday 30th April 2010 at 11.00am

This card should only be completed during the meeting

Members of Barclays Sharestore, their proxies and authorised representatives of corporations are entitled to vote.

Please write an **X** in the For, Against or Vote Withheld box for each resolution below. If you wish to cast your votes partly for, partly withheld or partly against a resolution, you should write the number of votes cast For, Against or Vote Withheld in the appropriate box.

Signature(s)

Date

Resolutions

	For	Against	Vote Withheld		For	Against	Vote Withheld
1. To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2009.	··	··	··	11. To authorise the Directors to set the remuneration of the Auditors.	··	··	··
2. To approve the Remuneration Report for the year ended 31st December 2009.	··	··	··	12. To authorise the Company and its subsidiaries to make political donations and incur political expenditure.	··	··	··
3. To re-elect Reuben Jeffery III as a Director of the Company.	··	··	··	13. To authorise the Directors to allot securities.	··	··	··
4. To re-elect Marcus Agius as a Director of the Company.	··	··	··	14. To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders.	··	··	··
5. To re-elect David Booth as a Director of the Company.	··	··	··	15. To authorise the Company to purchase its own shares.	··	··	··
6. To re-elect Sir Richard Broadbent as a Director of the Company.	··	··	··	16. To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice.	··	··	··
7. To re-elect Sir Michael Rake as a Director of the Company.	··	··	··	17. To adopt the Articles of Association.	··	··	··
8. To re-elect Sir Andrew Likierman as a Director of the Company.	··	··	··	18. To approve and adopt the Barclays Group SAYE share option scheme.	··	··	··
9. To re-elect Chris Lucas as a Director of the Company.	··	··	··				
10. To reappoint PricewaterhouseCoopers LLP as the Auditors of the Company.	··	··	··				

Why not log on to Barclays e-view and see the benefits?

If you join Barclays e-view or are an existing e-view member, we will automatically enter you into our free prize draw to win one of five £200 cash prizes!

An increasing number of shareholders choose to receive their Barclays communications electronically and are discovering the convenience of using the internet and email to find out about their shareholding and Barclays.

To enter the prize draw, please follow these 3 easy steps:

Step 1

Go to www.eviewsignup.co.uk

Step 2

Register for electronic communications by following the instructions onscreen.

Step 3

You will be sent an access number in the post the next working day.

If you have any questions, please contact the Registrar to Barclays.

Prize draw terms and conditions

The prize is a cheque for £200

1. We, Barclays PLC, are promoting the prize draw.
2. There will be five prize draws on Monday 10th May 2010.
3. The winners of the prizes will be the first five names drawn at random from all eligible entries.
4. The draw will be supervised by an independent observer.
5. The prize draw is open to our private shareholders who are aged 18 or over, live in the United Kingdom and either join e-view or have already joined e-view prior to 11.00am on Friday 7th May 2010. Each shareholder will be entered into the prize draw once.
6. You do not need to buy further shares to be entered into the prize draw.
7. We will provide the name and county of each winner, and the name of the independent observer, to anyone who sends a stamped address envelope to: The Manager, Shareholder Relations, Barclays Corporate Secretariat, 1 Churchill Place, London E14 5HP, within 28 days of the date of the draw (Monday 10th May 2010). The details will also be available on our website.
8. We will contact the prize winners within five working days of the draw and ask them for the address to which we should send the prize. We will send out the prizes within 10 working days of receipt of the address.
9. We will be responsible for all costs of sending out the prizes to the winners.
10. We can publish the name and county of each winner after the date of the final draw. We may ask each winner to allow us to publish a photograph of them and they must not refuse without good reason.
11. If you enter the prize draw we will assume that you accept these terms and conditions.
12. Our decision is final and we will not respond to any questions or complaints about it.
13. We are not responsible for any injuries, loss or damage of any kind arising from or in connection with the prize draw unless, by law, we must accept responsibility.

Barclays PLC

Explanatory notes

1. Voting

If you want to attend and vote at the Barclays AGM, you must be entered on the Sharestore register of members by no later than 6.00pm on Wednesday 28th April 2010. This time will still apply for the purpose of deciding if you are entitled to attend and vote if the meeting is adjourned for less than 48 hours. If the meeting is adjourned for a longer time and you still want to attend and vote, you must be on the Sharestore register of members by no later than 6.00pm two days before the time fixed for the adjourned meeting.

2. Vote online

You can appoint a proxy to vote your shares online at *www.barclays.com/investorrelations/vote.* To log on you will need your Voting ID, Task ID and Sharestore Reference Number which are printed on the front of this form. Your votes must be registered by no later than 11.00am on Wednesday 28th April 2010.

3. Proxy

You are entitled to attend, speak and vote at the AGM or you may instruct Equiniti Corporate Nominees Limited to appoint one or more people (called proxies) to attend, speak and vote on your behalf. A proxy need not be a Barclays shareholder but must attend the meeting in person.

Write the name of the person you have chosen as your proxy in the box on the Proxy Form unless you wish to appoint the Chairman of the meeting. If no name is inserted, the Chairman of the meeting will be authorised to vote on your behalf.

If more than one proxy is appointed, each proxy must be appointed to exercise the rights attached to different shares. Unless you complete the form to show how you want them to vote, your proxy or proxies can vote, or not vote, as they see fit, on any matter which is put before the meeting. To appoint more than one proxy, please

photocopy the Proxy Form and indicate the number of shares that you are authorising them to act as your proxy for. Mark the box on the Proxy Form to show that you have appointed more than one proxy.

4. Revoking your proxy

If you return this form to appoint someone (either the Chairman of the meeting or the person named) to attend and vote on your behalf and you have not revoked that instruction by 11.00am on Wednesday 28th April 2010 you will not be able to change your instruction. This means that you could attend the meeting but not vote in person at the meeting itself.

5. Authority and timing

To be valid, you must return this Proxy Form, together with a certified copy of the power of attorney or other authority (if any) under which it is executed, to the Registrar to Barclays, Aspect House, Spencer Road, Lancing, West Sussex BN99 6NA, United Kingdom, in the pre-paid envelope provided, so that it is received by no later than 11.00am on Wednesday 28th April 2010.

6. Joint Sharestore members

The signature of any one of the joint holders will be enough to appoint either the Chairman or one or more proxies to attend, speak and vote at the meeting.

7. Vote Withheld

The Vote Withheld option is given to enable you to abstain on any particular resolution. The Vote Withheld is not a vote in law and will not be counted in the calculation of the proportion of votes For or Against a resolution.

8. Corporate Sharestore members

If you are a representative of a corporation which is a Sharestore member, you will need to show our Registrars evidence that you have been properly appointed as the corporation s representative to gain entry to the AGM.

Shareholder information

If you need help, contact the Registrar to Barclays

Telephone	Email	Postal address
0871 384 2055* (in the UK) +44 121 415 7004 (from overseas)	questions@share-registers.co.uk	The Registrar to Barclays Aspect House Spencer Road Lancing, West Sussex BN99 6DA United Kingdom

* Calls to this number are charged at 8p per minute if using a BT landline. Call charges may vary if using other telephone providers.

Important new information please remember to tell the Registrar to Barclays if you move home

After the AGM, if you hold 1,500 shares or less, you will be able to change your address quickly and easily over the telephone using the contact details above. If you hold more than 1,500 shares, you will need to write to the Registrar and provide a copy of your Annual Sharestore Statement of Entitlement or most recent dividend tax voucher.

The paper used throughout this document is produced from Elemental Chlorine Free (ECF) pulps. The wood for these is sourced from fully sustainable forests. Additionally, the manufacturing mill is certified to ISO 9002 Quality Assurance standard, the ISO 14001 Environmental Management standard, and registered with EMAS (the Eco-Management and Audit Scheme).

Barclays PLC Sharestore

To be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX

Proxy Form for the Annual General Meeting

on Friday 30th April 2010 at 11.00am

Name

Address Line1

Address Line 2

Town/City

Postcode

+ +

Voting ID: **Task ID:** **Sharestore Reference Number:**

You can vote your Barclays shares by completing and sending this form back in the enclosed pre-paid envelope, or you can vote online at www.barclays.com/investorrelations/vote. Before completing this form, please read the explanatory notes on the back of the form.

I/We hereby instruct Equiniti Corporate Nominees Limited to appoint the Chairman

of the meeting, or to attend and vote on my/our behalf at the Annual General Meeting (AGM) of Barclays PLC (the Company) to be held on Friday 30th April 2010 and at any adjournment of that meeting.

Resolutions

The full wording of the resolutions and brief biographical details of those Directors standing for re-election at the 2010 AGM are in the Notice of Meeting which has been sent to you with this form. Please write an **X** in the For, Against or Vote Withheld box for each resolution below. If you do not complete the boxes below, the person you appoint as proxy can decide whether, and how, he or she votes in relation to any matter which is properly put before the meeting.

			Vote				Vote
	For	**Against**	**Withheld**		**For**	**Against**	**Withheld**
1. To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2009.	••	••	••	11. To authorise the Directors to set the remuneration of the Auditors.	••	••	••

Important: fold along this line

2. To approve the Remuneration Report for the year ended 31st December 2009.	••	••	••	12. To authorise the Company and its subsidiaries to make political	••	••	••

						donations and incur political expenditure.			
3.	To re-elect Reuben Jeffery III as a Director of the Company.	••	••	••	13.	To authorise the Directors to allot securities.	••	••	••
4.	To re-elect Marcus Agius as a Director of the Company.	••	••	••	14.	To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders.	••	••	••
5.	To re-elect David Booth as a Director of the Company.	••	••	••	15.	To authorise the Company to purchase its own shares.	••	••	••
6.	To re-elect Sir Richard Broadbent as a Director of the Company.	••	••	••	16.	To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice.	••	••	••
7.	To re-elect Sir Michael Rake as a Director of the Company.	••	••	••	17.	To adopt the Articles of Association.	••	••	••
8.	To re-elect Sir Andrew Likierman as a Director of the Company.	••	••	••	18.	To approve and adopt the Barclays Group SAYE share option scheme.	••	••	••
9.	To re-elect Chris Lucas as a Director of the Company.	••	••	••					
10.	To reappoint PricewaterhouseCoopers LLP as the Auditors of the Company.	••	••	••					

•• Please indicate with an **X** if this Proxy Form is one of multiple instructions being given.

Please refer to note 3 overleaf.

Signature(s) **Date**

Please complete and return this Proxy Form in the enclosed pre-paid envelope so that it is received by the Registrar no later than 11.00am on Wednesday 28th April 2010.

2674-067-S

Contents

The term Barclays PLC Group means Barclays PLC together with its subsidiaries and the term Barclays Bank PLC Group means Barclays Bank PLC together with its subsidiaries. Barclays and Group are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term Company , Parent Company or Parent refers to Barclays PLC and the term Bank refers to Barclays Bank PLC. The term Absa Group Limited is used to refer to Absa Group Limited and its subsidiaries and the term Absa is used to refer to the component of the Global Retail and Commercial Banking segment represented by this business. In this report, the abbreviations £m and £bn represent millions and thousands of millions of pounds sterling respectively; the abbreviations US$m and US$bn represent millions and thousands of millions of US Dollars respectively and ¤m and ¤bn represent millions and thousands of millions of euros respectively.

Information and discussion is provided on pages 31 to 80 and page 3 relating to the Group s total results rather than separating out discontinued operations, representing the Barclays Global Investors (BGI) business sold on 1st December 2009. These non-IFRS measures are provided because management considers that including BGI as part of Group operations and separately identifying the gain on this disposal provides more useful information about the performance of the Group as a whole and better reflects how the operations were managed until the disposal of BGI. The consolidated summary income statement on page 30 provides a reconciliation between continuing and total Group results.

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 Group s 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 , expect , intend , plan , goal , believe 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, business strategy, capital ratios, leverage, payment of dividends, projected levels of growth in the banking and financial markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations 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, including, but not limited to, UK domestic and global economic and business conditions, the effects of continued volatility in credit markets, market related risks such as changes in interest rates and exchange rates, effects of changes in valuation of credit market exposures, changes in valuation of issued notes, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under International Financial Reporting Standards (IFRS) applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, the outcome of pending and future litigation, the success of future acquisitions and other strategic transactions and the impact of competition a number of such factors being beyond the Group s control. As a result, the Group s actual future results may differ materially from the plans, goals, and expectations set forth in the Group s forward-looking statements.

Any forward-looking statements made herein speak only as of the date they are made. Except as required by the UK Financial Services Authority (FSA), the London Stock Exchange or applicable law, Barclays expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in Barclays expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has filed or may file with the SEC.

About Barclays

Listed in London and New York, Barclays is a major global financial services provider engaged in retail banking, credit cards, corporate and investment banking, and wealth management with an extensive international presence in Europe, United States, Africa and Asia.

Our performance in brief

Group profit before tax was £11,642m, 92% up on 2008, including the £6,331m gain on sale from the disposal of Barclays Global Investors (BGI)

Global Retail and Commercial Banking generated good income growth of £1,004m (7%) to £16,097m

Investment Banking and Investment Management recorded very strong profit growth driven by Barclays Capital s profit before tax increase of 89% to £2,464m (2008: £1,302m) and the sale of BGI

BGI was sold resulting in a profit on disposal of £6,331m and a retained 19.9% economic interest in the enlarged BlackRock group (the disposed business is treated as discontinued operations below)

Core Tier 1 capital ratio was 10.0% at 31st December 2009 (2008: 5.6%) and Tier 1 capital ratio was 13.0% (2008: 8.6%)

Income statement highlights Group total

For the year ended 31st December	2009			2008
			Total	Total
	Continuing	Discontinued		
	£m	£m	£m	£m
Total income net of insurance claims	**29,123**	**1,863**	**30,986**	23,115
Impairment charges and other credit provisions	**(8,071)**		**(8,071)**	(5,419)
Operating expenses	**(16,715)**	**(1,137)**	**(17,852)**	(14,366)
Gain on sale of Barclays Global Investors		**6,331**	**6,331**	

Profit before tax	**4,585**	**7,057**	**11,642**	6,077
Profit attributable to equity holders of the Parent	**2,628**	**6,765**	**9,393**	4,382
Basic earnings per share			**86.2p**	59.3p
Dividend per ordinary share			**2.5p**	11.5p
Return on average shareholders equity			**23.8%**	16.5%
Cost:income ratio			**58%**	62%
Core Tier 1 ratio			**10.0%**	5.6%

Contribution to Group total in come £m	**Global Retail and Commercial Banking comprised:**	**Investment Banking and Investment Management comprised:**
	UK Retail Banking	
	Barclays Commercial Bank	Barclays Capital
	Barclaycard	Barclays Global Investors
	GRCB Western Europe	Barclays Wealth
	GRCB Emerging Markets	
	GRCB Absa	

Barclays at a glance

Barclays operates a universal banking business model helping the Group stay strong, profitable and independent throughout the crisis.

In November 2009, Barclays restructured the Group so the businesses could better support customers and clients. The 2009 Annual Report and Accounts reflects the Group s reporting structure in place during 2009.

Global Retail and Commercial Banking (GRCB)

UK Retail Banking	Barclays Commercial Bank	Barclaycard	GRCB Western Europe	GRCB Emerging Markets
UK Retail Banking provides a wide range of products, investment and banking services to small businesses, retail and affluent customers as well as offering a gateway to more specialised services from other parts of Barclays.	Barclays Commercial Bank provides banking services to customers via a network of relationship, regional, industry-sector and product specialists.	Barclaycard is a multi-brand international credit card, consumer lending and payment processing business. Barclaycard is one of the leading credit card businesses in Europe, with a fast growing business in the United States and South Africa.	GRCB Western Europe serves approximately 2.8 million retail and commercial banking customers in France, Italy, Portugal, Spain and Russia through 1,300 distribution channels.	GRCB Emerging Markets serves retail and commercial banking customers in Botswana, Egypt, Ghana, India, Kenya, Mauritius, Pakistan, Seychelles, Tanzania, Uganda, the UAE, Zambia, Indonesia and Zimbabwe.

Key points

Over 300 years of history and expertise in banking

Over 50 countries in which we operate

144,200 employees

48 million customers and clients globally

Investment Banking and Investment Management

GRCB Absa	Barclays Capital	Barclays Global Investors	Barclays Wealth
GRCB Absa offers a complete range of banking products and services, including current accounts, savings products, bancassurance, mortgages, instalment finance as well as customised business solutions for commercial and large corporate customers.	Barclays Capital is a global investment bank, which offers clients the full range of services covering strategic advisory and M&A; equity and fixed income capital raising and corporate lending; and risk management across foreign exchange, interest rates, equities and commodities.	BGI transformed the investment industry by creating the first index strategy in 1971 and the first quantitative active strategy in 1979. On 1st December 2009, Barclays completed the sale of BGI to BlackRock.	Barclays Wealth provides international and private banking, fiduciary services, investment management, and brokerage and works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Group Chairman s statement

Marcus Agius

Barclays recognises the vital economic and social purpose that banks play, and we are committed to meeting our responsibilities to stakeholders and society in general.

Key points

Regulation needs to be strengthened but it must not result in a financial system that cannot serve the needs of the global economy

2009 has been another difficult year for a number of the major economies in the world and this has continued to impact not just the banking industry, but also our customers and our clients. Despite the exceptional efforts of governments, central bankers and regulators to stabilise matters in the second half of 2008 particularly in the UK confidence generally continued to decline to dangerously low levels in early 2009. And while conditions improved as the year progressed such that essential stability in the financial system has now been restored the resulting impact in terms of higher global economic growth has still to be felt. Good progress has been made within the G20 forum as to the nature and extent of future regulations for the banking industry and there is a reasonable measure of international consensus as to the future measures which will need to be implemented. Regulation remains the focus of intense international debate, however, and much work remains to be done in order to deliver an effective solution on a co-ordinated basis.

At Barclays we believe it is important that the banking industry itself learns the lessons from the crisis given the economic and financial costs that have arisen. I said in my report to shareholders last year and I repeat it now that we very much regret the problems that banks have caused. We also acknowledge and are grateful for the help and assistance given to the banking sector by governments across the world. We are determined that there must be no repeat of the turmoil that has affected the industry and wider economy, and fully recognise that changes have to be made. Banks must earn once more the confidence and trust of key stakeholders such as customers and clients, employees, shareholders, regulators, politicians and society in general. While much remains to be done in this respect, we should not lose sight of what has already been achieved, particularly in the UK, in terms of strengthening capital ratios and improving liquidity across the sector, whilst also reducing leverage.

The regulatory reform agenda is a vital component of rebuilding confidence and trust and providing a healthy, stable and sound financial system, but it is essential that this agenda produces a level playing field internationally. Both financial and human capital are mobile and in the absence of internationally agreed standards, such capital will migrate to take advantage of differences in regulation. We therefore welcome the efforts by bodies such as the Financial Stability Board and the Basel Committee to produce internationally agreed standards and we will continue to co-operate

with these international agencies as they work towards determining these standards.

It is also important that we do not seek to regulate too hastily or, in the understandable desire to avoid a repetition of recent events, go too far in terms of the reform agenda. Regulation needs to be strengthened but it must not result in a financial system that cannot serve the needs of the global economy. As recent events have shown, the financial sector has become increasingly interconnected in recent years in support of the trends in globalisation which have occurred. It follows that new solutions must be carefully balanced and fully thought through and agreed before implementation. We must take the time properly to understand the consequences and in particular the cumulative impact of the regulatory reforms being contemplated. We must ensure that the end result achieves three objectives:

First, a safer and more secure financial system;

Second, a banking industry that is well equipped to support the needs of the global economy; and

Third, the ability of the suppliers of capital to earn an economic return on their capital.

All parties need to have confidence that any new regulation will be effective, but it must not be so heavy-handed as to restrict the banking industry s ability to support economic growth or to limit its ability to attract new capital in the future.

Barclays own focus in 2009 was to maintain strategic momentum despite the difficult environment. In particular, we have:

- Significantly strengthened our capital and liquidity positions and reduced our leverage;
- Focused on our customers and clients;
- Managed the business through the economic downturn, by a combination of income growth, strong cost control and careful risk management; and
- Contributed to the evolving debate on the future of the industry.

Group Chairman s statement

continued

Compensation has been the subject of considerable comment over the last 12 months. We understand public concerns over bank bonuses and are fully committed to implementing the Financial Stability Board Implementation Standards endorsed by the G20 and the FSA Remuneration Code. We will ensure that our remuneration systems do not reward failure but only reward long-term success and only on a risk adjusted basis. The Board HR and Remuneration Committee has exercised careful governance over the process for determining overall levels of compensation with the objective of maximising long-term shareholder value by restricting compensation to the minimum level consistent with retaining high quality employees in an intensely competitive international marketplace for talent. A full report is contained in the Remuneration Report on pages 170 to 186.

Looking forward, the competitive and regulatory environment will be very different from the recent past. Barclays strategy will evolve in response to these changes but we remain committed to the universal banking model since we believe that the diversification benefits of this model have protected shareholders from the worst effects of the crisis over the last two years. And as the global economy becomes more interlinked, it will continue to require integrated and international banks that are able to serve the needs of the increasing number of large multinational companies (and other major clients, such as sovereign governments themselves) that require a broad range of services from their banks, including credit provision, payments capability, access to the capital markets and the ability to manage the financial risks they face, such as interest rate, foreign exchange rate and commodity price risk.

This requirement to serve the needs of our customers and clients highlights the economic and social roles played by banks. The banking

industry, through its core activities of payments, delivering safe storage for deposits, lending, asset management and investment banking, plays a key role in the smooth functioning and well being of economies. We exist to enable our customers to achieve and progress their financial objectives. And it will be critical to the future growth of the global economy that integrated banks such as Barclays are able to continue to finance the increase in global trade that has led to such an increase in living standards in both developed and developing economies.

At Barclays, we are committed to meeting our responsibilities to stakeholders. These include customers and clients, shareholders, employees, government and regulators and society in general. We recognise in particular that we have a responsibility to:

- Support appropriate risk-taking by customers;
- Treat our customers fairly;
- Invest for the future;

- Act as a responsible global citizen;
- Pay responsibly;
- Manage our affairs prudently and in a way that creates confidence;
- Produce good returns for our shareholders; and
- Pay our fair share of taxes to the revenue authorities.

These have been and will be our guiding lights as we seek to regain the trust and confidence of stakeholders. And we are under no illusion that this will take time and that we will be judged by our actions.

Banks must recognise that we must earn once more the confidence and trust of key stakeholders such as customers and clients, employees, shareholders, regulators, politicians and society in general

Barclays focus in 2009 was to maintain strategic momentum despite the difficult environment

Board changes

There have been a number of Board changes during the year with five Directors leaving the Board and two new non-executive Directors being appointed. I stated in last year s report that Sir Nigel Rudd and Professor Dame Sandra Dawson would retire at the 2009 Annual General Meeting. Stephen Russell retired in October after nine years dedicated service, including six years sterling work as Chairman of the Board Audit Committee. Patience Wheatcroft retired from the Board in order to take up a position as Editor in Chief, *Wall Street Journal* Europe. All made a valuable contribution, particularly during the recent crisis, and we wish them well. Amongst the executive Directors, we were sad to see Frits Seegers leave the Group in November following changes to the structure of the Group. On behalf of the Board, I would like to thank Frits for his significant efforts on Barclays behalf and wish him success for the future.

We appointed two new non-executive Directors during the year, Simon Fraser and Reuben Jeffery. Simon brings valuable experience from his time as Chief Investment Officer for Fidelity International and Reuben has extensive experience in investment banking, regulation and government services.

Marcus Agius

Group Chairman

9th March 2010

£35bn of new lending to UK households and businesses of all sizes

Barclays continues to support businesses throughout the downturn

Local businesses and start-ups supported through the Enterprise Finance Guarantee (EFG)

At the beginning of 2009, we committed to making an additional £11bn new credit available to the UK economy. At the end of 2009, the actual figure was over £35bn with around half to businesses, including support for more business start-ups in 2009 than for many years. A particular focus has been on viable local businesses that, because they cannot offer sufficient security to meet normal commercial lending, would not otherwise be able to obtain finance for their business to survive and grow.

We announced a further £88m in early 2010 to lend through the EFG, to help more businesses obtain finance. Under the scheme the Government guarantees a proportion of the lending if the customer is unable to repay the debt and loans are available to businesses with sales turnover of up to £25m operating in the UK.

We have worked closely with the Government on the scheme and have already made available over £150m in EFG loans in the last year.

We have been a leading supporter of support schemes for local businesses since the downturn began. In addition to providing nearly one in every four EFG loans across the UK last year, we continued to provide loans receiving European Investment Bank (EIB) support in 2009 with over £330m of finance approved as eligible for EIB cash back.

For more information on Barclays lending

go to *www.barclays.com/annualreport09*

Leadership and governance

Board of Directors

Marcus extensive background in banking began at Lazard where he worked from 1972 to 2006, latterly as Chairman of Lazard in London and Deputy Chairman of Lazard LLC. He was Chairman of BAA plc until 2006 and is currently Senior Independent Director of the British Broadcasting Corporation (BBC) and Chairman of the Trustees of The Royal Botanic Gardens.

Term of office: Marcus joined the Board in September 2006 as a non-executive Director and was appointed Chairman on 1st January 2007. Marcus was last re-elected by shareholders at the AGM in 2009.

Independent: On appointment

External appointments: Senior Independent Director of the BBC since 2006. Chairman of the Trustees of the Royal Botanic

Sir Richard has experience of both the private and public sector having worked in high-level banking roles and the Civil Service. He was the Executive Chairman of HM Customs and Excise from 2000 to 2003. Formerly a member of the Group Executive Committee of Schroders PLC and a non-executive Director of the Securities Institute. Sir Richard is Chairman of Arriva PLC.

Term of office: Sir Richard joined the Board in September 2003. Appointed Senior Independent Director on 1st September 2004 and Deputy Chairman on 16th July 2009. Sir Richard was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Chairman of Arriva PLC since 2004. Executive Chairman of HM Customs and Excise until 2003. Former Group Executive Committee member of Schroders PLC. Non-executive Director of the

David manages his own venture capital investments, having retired from the Management Committee of Morgan Stanley in 1997. David was employed by Morgan Stanley from 1982 to 1992, and again from 1995 to 1997. He held various key positions there, including Head of Government Bond Trading, Head of Mortgage Trading, Sales and Finance and Head of Global Operations and Technology.

Term of office: David joined the Board in May 2007. David was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Director of East Ferry Investors, Inc. Trustee of the Brooklyn Botanic Garden. Various positions at Morgan Stanley & Co. until 1997. Director of the Discount Corporation of New York until 1993.

Leigh is Chairman of Qantas Airways Limited, a Director of Bechtel Group Inc, Chairman of Bechtel Australia Pty Ltd and Senior Adviser to Kohlberg, Kravis, Roberts and Co. Leigh joined the Rio Tinto Group in 1970 and was a Director of Rio Tinto plc from 1994 and Rio Tinto Limited from 1995, and was Chief Executive of the Rio Tinto Group from 2000 until 2007.

Term of office: Leigh joined the Board in October 2004. Leigh was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Chairman of Qantas Airways Limited since November 2007. Chairman of Bechtel Australia Pty Ltd since July 2009. Director of Bechtel Group Inc since July 2009. Senior Adviser to Kohlberg Kravis Roberts & Co since January 2009. Chairman of the

Gardens, Kew. Chairman of The Foundation and Friends of the Royal Botanic Gardens, Kew. Chairman of Lazard in London and Deputy Chairman of Lazard LLC until 2006. Chairman of BAA plc until 2006.

Committee membership:

Chairman of the Board Corporate Governance and Nominations Committee since January 2007. Member of the Board HR and Remuneration Committee since January 2007.

Securities Institute until 1995.

Committee membership: Member of the Board Risk Committee since April 2004 (Chairman January 2006 to December 2009). Chairman of the Board HR and Remuneration Committee since January 2007 (member since April 2004). Member of the Board Corporate Governance and Nominations Committee since September 2004.

Committee membership: Chairman of the Board Risk Committee since January 2010 (member since January 2008). Member of Board Corporate Governance and Nominations Committee since January 2010.

Murdoch Childrens Research Institute since December 2009. Board Member of the National Gallery of Victoria Foundation. Chief Executive of Rio Tinto from 2000 until 2007. Director of Freeport-McMoran Copper & Gold Inc. until 2004.

Committee membership: Member of the Board HR and Remuneration Committee since July 2005. Member of the Barclays Asia Pacific Advisory Committee.

Fulvio is currently Chief Executive Officer and General Manager of Enel SpA, the Italian energy group, where he was previously Chief Financial Officer from 1999-2005. Fulvio has held a number of high-level financial roles, including Chief Financial Officer and General Manager of Telecom Italia and General Manager and Chief Financial Officer of Ferrovie dello Stato. He was also head of the accounting, finance, and control department of Montecatini and was in charge of finance at Montedison-Compart. He has held positions in finance and operations in various affiliates of Mobil Oil Corporation in Italy and Europe.

Term of office: Fulvio joined the Board in April 2006. Fulvio was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Chief Executive of Enel SpA since

Simon has extensive experience of the institutional fund management industry, having worked at Fidelity International from 1981 to 2008, latterly as President of the Investment Solutions Group and President of the Retirement Institute. Simon held a number of positions during his career at Fidelity International, including President, European & UK Institutional Business, Global Chief Investment Officer, Chief Investment Officer for Asia Pacific and Chief Investment Officer of the European Investment Group. Simon remains a Director of Fidelity European Values PLC and Fidelity Japanese Values PLC.

Term of office: Simon Fraser joined the Board in March 2009. Simon was last re- elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Director of Fidelity European Values PLC since July 2002. Director of Fidelity Japanese Values PLC since May 2000. Director of The Merchants Trust PLC

Reuben is a Senior Adviser at the Center for Strategic & International Studies in Washington, D.C. and previously served in the US government as Under Secretary of State for Economic, Energy and Agricultural Affairs (2007-2009). Prior to joining the Department of State, Reuben was the Chairman of the Commodity Futures Trading Commission (2005-2007) and before that held a number of positions in US government service (2002-2005). He spent 18 years at Goldman, Sachs & Co. between 1983-2001, where he was managing partner of Goldman Sachs in Paris and of the firm s European Financial Institutions Group in London.

Term of office: Reuben Jeffery joined the Board in July 2009.

Independent: Yes

External appointments: Senior Adviser at the Center for Strategic & International Studies, Washington D.C.

Sir Andrew is Chairman of the National Audit Office, having held a number of public roles in the financial services sector, including Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury and non-executive Director of the Bank of England. Sir Andrew is also Dean of the London Business School. He has been at the London Business School from 1974- 1976, 1979-1993 and since 2004.

Term of office: Sir Andrew joined the Board in September 2004. Sir Andrew was last re- elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Dean of the London Business School since January 2009. Chairman of the National Audit Office since December 2008. Trustee of the Institute for Government since September 2008. Chairman of Applied Intellectual Capital Inc. until 2008. Non-executive Director of the

2005. Director of ENDESA SA since June 2009. Director of AON Corporation since January 2008. Chief Financial Officer and General Manager of Telecom Italia until 1999. General Manager and Chief Financial Officer of Ferrovie dello Stato until 1998.

Committee membership: Member of the Board Audit Committee since September 2006.

since August 2009. Director and Chairman Designate of Foreign & Colonial Investment Trust PLC since September 2009.

Committee membership: Member of the Board Audit Committee since May 2009. Member of the Board HR and Remuneration Committee since May 2009.

Committee membership: Member of Board Risk Committee since January 2010.

Bank of England until 2008. Non-executive Director and Vice-Chairman of the Tavistock and Portman NHS Trust until 2008. Non-executive Director and Chairman of the MORI Group until 2005.

Committee membership: Member of the Board Audit Committee since September 2004. Member of the Board Risk Committee since September 2004.

Sir Michael is currently Chairman of BT Group PLC, Chairman of the UK Commission for Employment and Skills and Chairman of easyJet plc. Sir Michael previously worked at KPMG from 1974-2007 where he spent a number of years in Continental Europe and the Middle East. He was Senior Partner of the UK firm from 1998-2000 and Chairman of KPMG International from 2002-2007.

Term of office: Sir Michael joined the Board in January 2008. Sir Michael was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Chairman of BT Group PLC since 2007. Chairman of easyJet plc since January 2010 (Deputy Chairman June 2009-December 2009). Director of the Financial Reporting Council since 2007. Chairman of the UK Commission for Employment and Skills since 2007. Director of the McGraw-Hill Companies since 2007. Chairman of KPMG International until 2007. Chairman of Business in the Community from 2004 until 2007.

Sir John is Chairman of Merlin Entertainments Limited. Until July 2008 he was Chairman of Cadbury Schweppes PLC, having worked at Cadbury s in various roles, including that of Chief Executive, since 1968. He is a Director of the Financial Reporting Council, an Adviser to CVC Capital Partners, an Association Member of BUPA and a Governor of both Reading and Aston University Councils.

Term of office: Sir John joined the Board in June 2005. Sir John was last re-elected by shareholders at the AGM in 2009.

Independent: Yes

External appointments: Chairman of Merlin Entertainments Limited since December 2009. Deputy President of the Chartered Management Institute 2008-2009 (President 2007-2008). Director of the Financial Reporting Council since 2004. Adviser to CVC Capital Partners. Chairman of Cadbury

Key responsibilities

Board of Directors

The Board is collectively responsible for the success of the Group: the executive Directors are directly responsible for running the business operations and the non-executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board. In addition to their statutory duties, the Directors must ensure that the Board focuses effectively on all its accountabilities. The Board determines the strategic objectives and policies of the Group to deliver long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls.

Executive Committee

The Board delegates the responsibility for the day-to-day management of the Company to the Group Chief Executive and he is responsible for ensuring that the business is operating effectively. The Group Chief Executive chairs the Executive Committee, which supports him in this role. The Executive Committee is supported by a number of management committees, including the Disclosure Committee, the Group Governance and Control Committee, the Group Risk Oversight Committee and the Group Brand and Reputation Committee.

Further information on the responsibilities of the Board and the Executive Committee can be found in the Corporate Governance Report on pages 151 to 169.

Committee membership: Chairman of the Board Audit Committee since March 2009 (member since January 2008). Member of the Board Risk Committee since May 2009. Member of Board Corporate Governance and Nominations Committee since May 2009.

Schweppes PLC until July 2008. Deputy President of the CBI until June 2008 (former member and President). Non-executive Director of the Rank Group PLC until 2006.

Committee membership: Member of the Board Corporate Governance and Nominations Committee since September 2006. Member of the Board HR and Remuneration Committee since July 2005.

John was appointed Group Chief Executive of Barclays on 1st September 2004, prior to which he had been Group Deputy Chief Executive from 1st January 2004. He joined Barclays in 1982 and has held various positions across the Group, including the position of Group Finance Director from 2000 until the end of 2003. He was Chief Executive of Retail Financial Services from 1998 to 2000 and Chairman of the Asset Management Division from 1995 to 1998. Following the sale of BGI, John is a non-executive Director of BlackRock, Inc. John is also a non-executive Director of AstraZeneca PLC. He is Chairman of Business Action on Homelessness, President of the Employer s Forum on Disability, Honorary President of the UK Drug Policy Commission and a member of the International Advisory Panel of the Monetary Authority of Singapore.

Term of office: John joined the Executive Committee in September 1996 and was appointed to the Board in June 1998. John was last re-elected at the AGM in 2009.

External appointments:

Non-executive Director of BlackRock, Inc since December 2009. Non-executive Director of AstraZeneca PLC since 2006. Non-executive Director of British Grolux Investments Limited since 1999. Chairman of Business Action on Homelessness since 2006. President of the Employer s Forum on Disability since 2005. Honorary

Robert E Diamond Jr is responsible for the Corporate and Investment Banking and Wealth Management businesses of the Barclays Group, comprising Barclays Capital, Barclays Corporate and Barclays Wealth. Bob was formerly Vice Chairman and Head of Global Fixed Income and Foreign Exchange at CS First Boston and he was a member of the Executive Board and Operating Committee of CS First Boston. Following the sale of BGI, Bob is a non-executive Director of BlackRock Inc.

Term of office: Bob was appointed President and became an executive Director in June 2005. He has been a member of the Barclays Executive Committee since September 1997. Bob was last re-elected by shareholders at the AGM in 2009.

External appointments:

Non-executive Director of BlackRock, Inc. Chairman, Board of Trustees of Colby College, Waterville, Maine. Chairman, Old Vic Productions Plc. Trustee, The Mayor s Fund for London. Member of the Advisory Board, Judge Business School. Member of International Advisory Board, British-American Business Council. Life Member of The Council on Foreign Relations. Member of The International Advisory Board, The Atlantic Council.

Chris has worked across financial services for most of his career, including three years in New York as Head of the US Banking Audit Practice of PricewaterhouseCoopers LLP. Chris joined Barclays from PricewaterhouseCoopers LLP, where he was UK Head of Financial Services and Global Head of Banking and Capital Markets. He was Global Relationship Partner for Barclays for the 1999-2004 financial years and subsequently held similar roles for other global financial services organisations.

Term of office: Chris was appointed Group Finance Director and became a member of the Executive Committee in April 2007. Chris was last re-elected by shareholders at the AGM in 2009.

External appointments: UK Head of Financial Services and Global Head of Banking and Capital Markets of PricewaterhouseCoopers LLP until 2006.

President of the UK Drug Policy Commission since 2007. Member of the International Advisory Panel of the Monetary Authority of Singapore since 2006.

Leadership and governance

Executive committee

See page 11 for full biography.

See page 11 for full biography.

See page 11 for full biography.

Jerry is responsible for the firm s Global Markets businesses, encompassing the Trading, Sales and Research functions globally. He joined Barclays Capital in June 1997 from Bankers Trust in London where he had been a Senior Managing Director of Derivatives Products, responsible for the European business. Prior to this, he was based in Toronto, Canada, where he was responsible for the Canadian Dollar interest rate derivatives business. Before Bankers Trust, he worked for the Bank of Nova Scotia. Jerry currently serves on the Boards of SIFMA (Securities Industry and Financial Markets Association), Room to Read and Queen s University.

Mark joined Barclays as Group General Counsel in 2003. Included within his area of responsibility are legal and regulatory compliance issues throughout the bank. He chairs the Group Operating Committee and Group Governance and Control Committee. Previously, Mark was a partner in the international law firm, Clifford Chance, where his practice spanned bank finance, capital markets and financial services regulation. He spent four years at UBS as General Counsel of its investment bank. Mark is past Chairman of the General Counsel 100 Group and of the Board of the International Swaps and Derivatives Association (ISDA). He is a Governor of the College of Law.

Antony was appointed Chief Executive of Global Retail Banking and joined the Barclays Executive Committee in November 2009. Prior to that he had been Chief Executive of Barclaycard since January 2006. Antony is a Barclays appointed non-executive Director of Absa, which is majority owned by Barclays. Since October 2008, Antony has been on the Board of Visa Europe Ltd.

Tom joined Barclays in September 1996 after 18 years at JP Morgan where he held a number of roles, including Head of Fixed Income Sales, Trading and Research, and was responsible for all activities with investors in the United States. He has served on the US Treasury Borrowing Advisory Committee and is a former Chair of the US Bond Market Association, a predecessor organisation to SIFMA (Securities Industry and Financial Markets Association).

Robert has been the Chief Risk Officer for Barclays Group since 2004. He first joined Barclays in 2002 as Head of Risk Management at Barclays Capital. Robert is a non-executive Director of Absa, which is majority owned by Barclays. Before joining Barclays, Robert spent most of his career at JP Morgan in the capital markets, fixed income, emerging market and credit areas in New York and London.

Maria is the Group Chief Executive of Absa Group Ltd, which is majority owned by Barclays. Prior to joining Absa on 1st March 2009, she was Group Chief Executive of Transnet Limited, the state-owned South African freight transport and logistics service provider. This was after a successful term as Director-General of the National Treasury (formerly the Department of Finance). Maria is an accomplished academic, who has previously taught at various institutions. She currently serves on the executive committees of the International Business Council, the World Bank Chief Economist Advisory Panel, Business Trust (South Africa), Business Leadership South Africa and the Banking Association of South Africa.

Rich joined Barclays Capital in 1994 and assumed responsibility for several of its support areas. He became Chief Operating Officer (COO) of Barclays Global Investors (BGI) and a member of the BGI Executive Committee in December 2002. In January 2005, Rich was appointed COO of Barclays Investment Banking and Investment Management businesses comprising Barclays Capital, Barclays Wealth and BGI. Prior to joining Barclays Capital, Rich held senior front-office, finance and technology positions at the Bank of Boston and the Bank of New England.

Cathy was appointed as Group Human Resources Director in April 2005 prior to which she held the position as Investor Relations Director for four years. In July 2008 her remit was extended to include Strategy, Corporate Affairs and Brand and Marketing. Prior to Barclays, Cathy was a Practice Leader at Ernst and Young and has previously held roles at Deloitte, Watson Wyatt, Percom and Volex Plc. Cathy is a Council Member of the Royal College of Art and a Board Member of the IFS School of Finance.

Group Chief Executive s review

John Varley

Our key output goal is to produce top quartile total shareholder returns over time. We achieved that goal for 2009.

Summary

Our primary objective is generating returns for shareholders. But we recognise that we can, and should, in ways consistent with that objective, contribute to the well-being of society by conducting our business responsibly and by performing well, on behalf of our customers, our core functions of payments and money transmission, safe storage of deposits, maturity transformation and lending, and the provision of advice and execution in underwriting and trading. These activities lie at the heart of economic activity in a modern economy, and if economies are to grow and reap all the beneficial consequences that flow from that growth then banks must help those they serve take appropriate risks. Getting this balance between our obligation to create returns for our owners and our need to do that in a responsible way has never been more important.

Economic slowdown last year impacted most parts of the world in which we operate. But despite that, I am pleased with the way we have performed both in 2009 and in the two tumultuous years which preceded it. That performance allows us to enter 2010 with confidence.

During 2009, we increased our income substantially. Barclays Capital had a very strong year across all global franchises, in particular as its businesses in North America started to reap the benefits of the acquisition of the Lehman Brothers North American business and integration. We have invested during 2009 in building out our equities and advisory platforms in Europe and Asia, which will be sources of income growth in Barclays Capital in the years ahead. Barclaycard also produced good income growth. The steadiness of our profit performance over the past three years, even after absorbing the impact of higher impairments and the continued legacy of credit market writedowns, is attributable to the diversification of income that we have built during recent years.

It was clear as we came into 2009 that the regulatory balance sheet should be an area of considerable focus during the year. So we have strengthened our capital position, reduced leverage and added to our liquidity buffer. We are, by consequence, both well prepared for any future economic weakness and also able to continue to execute on our strategy as opportunities arise.

In March, we decided not to participate in the UK Government s Asset Protection Scheme, following the application of a detailed stress test by the UK Financial Services Authority to determine our resilience to stressed credit risk, market risk and economic conditions. This test confirmed our expectation that we would continue to be able to meet our regulatory capital obligations.

In April, we announced our intention to sell the iShares business of Barclays Global Investors (BGI). Following unsolicited interest for the whole of BGI, and strategic analysis of the optimal ownership structure within the future asset management industry given the direction of regulation, we

agreed in June to sell the whole of BGI to BlackRock, Inc. (BlackRock). We completed this transaction in December for an aggregate consideration of $15.2bn (£9.5bn), realising a profit on disposal of £6.3bn. Our shareholders will be able to participate in the institutional asset management sector through our continuing holding of 37.567 million new BlackRock shares. This gives us an economic interest of 19.9% in the enlarged BlackRock group, and also provides a strong basis for a new commercial relationship between Barclays and BlackRock, which will be particularly relevant to Barclays Capital as a provider, and Barclays Wealth as a consumer. Bob Diamond and I look forward to contributing to the progress of this new global leader in asset management as members of the BlackRock Board of Directors.

Across our retail and commercial banking activities we continued to consolidate our position in our core markets through organic revenue, cost and risk management measures. We took advantage of inorganic opportunities as they arose. In September, we established a long-term life insurance joint venture with CNP Assurances (CNP) in Spain, Italy and Portugal. In the same month, we agreed to acquire the Portuguese credit card business of Citibank International plc, adding some 400,000 new credit card customers to our Portuguese business as we continued to invest in the expansion of our GRCB Western European retail operations. And in October we agreed to acquire Standard Life Bank Plc from Standard Life Plc, adding an attractive mortgage and savings book to our UK Retail business. This acquisition completed in early January 2010.

2009 priorities

In my review a year ago, I said that we had three priorities for 2009: staying close to customers and clients; managing our risks and maintaining strategic momentum. How did we fare in these areas?

Staying Close to Customers and Clients: In the dense fog that was brought down on the industry by the credit crunch, it was clear that we needed a powerful magnetic north customers. The rapid economic slowdown of 2008 and 2009 has complicated the lives of many of those that we serve. Our job in 2009 was to stay close to them as they sought to navigate the risks and the opportunities thrown up by the crisis. The income line is a good proxy for customer activity levels and customer relationships. And our income generation in 2009 achieved record levels.

I am pleased with the number of new mortgage, savings, Premier accounts and Local Business customers we have added in UK Retail Banking and with the increase in customer account balances.

In Barclays Commercial Bank, we were able to increase average asset and deposit balances in a difficult business environment.

In Barclaycard, we rolled out a number of initiatives to offer support to customers in financial difficulties whilst limiting our exposure to the most at risk segments of the market.

Group Chief Executive s review

continued

There is a lot of focus from stakeholders on the willingness of banks to lend, and of course availability of credit is a critical component of economic stabilisation and regeneration. In April 2009, we said that we would make an additional £11bn of lending available to UK households and businesses. In fact, our gross new lending to UK households and businesses in 2009 totalled some £35bn, indicating both that we were open for business, and that we were able to extend credit on terms which we regard as prudent.

Our retail and commercial banking businesses in GRCB Western Europe, where we now serve almost three million customers, have continued to grow. In addition to the CNP joint venture and cards acquisition in Portugal, we added nearly 100 new branches in Italy and 50 in Portugal and attracted almost £8bn of new customer deposits as we increased our focus on the asset:liability mix of our business flows in these markets. Our task looking forward is to ensure this business produces sustainable profits, which will require it to be less reliant on one-offs than it has been in the past two years.

In the developing countries of the world in which we operate, our performance in the ten mature markets of Africa and the Indian Ocean where we are present has been strong. GRCB Emerging Markets as a whole made a loss. We now serve almost four million customers across these markets, but we have been too aggressive in our approach to business expansion here over the past two years. This business must now convert investments made in the last three years (in terms of people, customer recruitment and sales outlets) into sustainable profits.

GRCB Absa performed resiliently in a very difficult economic environment. Notable during the year was its ability to continue to grow customer deposit balances, particularly for the South African consumer.

Our success in Barclays Capital is reflected both in the exceptional revenue progress across 2009 and also in some of the client and market-nominated awards which it has won over the year. These included Primary Debt House of the Year from Euromoney, IFR Bond House of the Year, Derivative House of the Year from *Risk* magazine and the Number 1 Ranking for US Equity Research and US Fixed Income Research in the Annual Institutional Investor All-America Team surveys.

In Barclays Wealth we continued to attract client assets at a time of great uncertainty. Our intention for 2010 and beyond is to accelerate growth in the High Net Worth businesses.

Managing Our Risks: As we expected, 2009 was another year of vicious testing of our risk management. In February, we shared with the market our planning assumption for loan loss rates for 2009, indicating that we expected them to be in the range of 130 to 150 basis points, predicated on

certain macroeconomic assumptions. The economies of the world in which we do business performed worse in 2009 than our central planning case had projected at the beginning of the year. Despite that, our loan loss rate was 135bps on a consistent basis[a], towards the bottom end of the 130-150bps range we planned for. This is evidence of the robust risk management and planning procedures we have in place. And although impairment rose significantly in 2009 versus 2008 (and in certain areas of our business could rise further in 2010), a combination of strong income and good cost control enabled us, though substantial profit generation, to enter 2010 with our Core Tier 1 capital ratio at 10.0%. At the same time, we reduced our leverage to 20x, from 28x, and our total assets by 33%, and we increased the surplus of liquid assets in the balance sheet by £84bn.

Governments, regulators and banks are currently focused on many of these metrics of financial and risk management health as they seek to ensure that the excesses of the previous economic cycle, and the costs of financial failure that have resulted from it, are not repeated. We support these moves and are committed to adapting our business to the changes that result.

Those reforms need to balance three things: the need for a safer financial system, the importance of economic growth and the ability of the suppliers of bank capital to earn appropriate returns. The achievement of those twin objectives, which is so important to the world over the course of the next decade, will be facilitated by a strong and supportive banking system providing credit, managing risk and supporting innovation. An important dimension of the reform agenda is that decisions about investment banking are based on science and experience, not on rhetoric. There has been much talk about gambling by investment banks . Barclays Capital no more gambles in the work it does on behalf of its clients than the clients do themselves. Its work is the work of risk management and financing. Its job is to help governments, companies and investors around the world raise money, stimulate economic growth, create employment, and manage pensions and other savings. This is a real economy role.

Investment banking plays an important part in the universal banking model that we have built in Barclays because many of those that we serve need to have access to the capital markets, and because we cannot meet their financing and risk management needs without having a strong advisory, execution and trading capability within the Group. History and the current crisis demonstrate that the performance of the capital markets businesses and retail and commercial businesses is naturally asymmetrical. The asymmetry of their respective income and impairment cycles provides a strong source of resilience. The effects and benefits of that are very clear in the performance of

November 2009:
Regrouping of activities

Global Retail Banking

In 2009, Global Retail Banking (GRB) businesses were resilient in unsettling and challenging times. We have shown that we are strongly positioned to build and grow in a tough environment. For example, the acquisitions of Standard Life Bank and Citigroup s credit card business in Portugal show our appetite and capabilities to maximise on market opportunities, whether through organic or inorganic growth.

Looking forward, I am very excited about the potential for GRB in 2010 and beyond. We want to be the best retail bank in our chosen markets and to be seen as a leader in our industry. We want to grow our non-UK business and increase, over time, the ratio of non-UK to UK business. The emphasis is on creating critical mass in markets where we have a greater presence. Our ambition is depth, not breadth.

To help us achieve this, our key priorities for this year are:

Profit growth and profit diversification;

Improving our liquidity the ratio between loans and deposits;

Deeper penetration of our existing markets and international diversification; and

Generation of net equity.

Delivering on these priorities and ensuring that we maintain control over every aspect of our operations are key to achieving our ambitions and strategy. The external environment has been extremely difficult, but when the cycle turns, the profits of GRB and its contribution to Barclays Group will shift significantly.

Antony Jenkins

Chief Executive,

Global Retail Banking

Barclays during this cycle. That is one of the principal benefits of the universal banking model; the others include: capital and funding efficiencies; and business and risk diversification. Forcing banks to adopt narrow business models, as some have suggested as part of the ongoing reform dialogue, will not make the system safer. There has been no correlation so far in this crisis between failure and the popular dichotomies drawn of bank business models: big or small; narrow or broad; domestic or international.

Maintaining Strategic Momentum: Despite the regulatory uncertainty that will continue to confront the industry this year, our strategic path remains clear to increase the growth potential of Barclays by continuing to diversify our business by customer, product and geography. That strategy lay behind the broadening of our executive Committee[b] and changes to senior management responsibilities that I announced in November 2009.

The executive Directors of the Group, Bob Diamond, Group President, Chris Lucas, Group Finance Director, and myself, have been joined on the Executive Committee by the leaders of a number of Barclays business units and control and governance functions. We have also regrouped our activities to form:

- Global Retail Banking (GRB), comprising UK Retail Banking, Barclaycard and the former Western Europe and Emerging Markets businesses, led by Antony Jenkins.

- Corporate and Investment Banking (CIB), comprising Barclays Capital and Barclays Commercial Bank (now called Barclays Corporate); Jerry del Missier and Rich Ricci are Co-Chief Executives of Corporate and Investment Banking.

GRB focuses on mass consumers, mass affluent consumers and small business customers. We have significantly changed the footprint here over the past three years, and we intend to push that forward, increasing, through time, the ratio of non-UK to UK business whilst strengthening our UK franchises. We will place particular emphasis on creating appropriate scale in the markets in which we have a presence. As we do that, our objectives will be four-fold: profit growth; an improved loan-to-deposit ratio; further international diversification through deepening existing presences; and the generation of net equity.

Barclays Corporate, as part of CIB, focuses on the high end of what we used to call Barclays Commercial, particularly financial institutions, public sector entities and corporate clients. We brought this business alongside Barclays Capital within CIB because we see significant synergy in sharing relationship management and sector expertise across the two. Realisation of that synergy is enabled by the increasing fungibility of client requirements

between traditional corporate banking and investment banking product needs within our client base. This is a global opportunity with significant income growth potential for CIB in the years ahead. Our early work has only reinforced that strongly held belief.

In the area of wealth management, the competitive landscape in the global industry has gone through a sea change over the course of the last three years. That creates opportunity, and we intend to seize that by investing to change the scale of this business over the next five years.

Remuneration

Recognising the political and regulatory focus on remuneration practices, and the interest of both our shareholders and our staff in the topic, it is important for me to say that we see compensation as a means of supporting the implementation of strategy in a way that best serves the interests of our shareholders. So our objective in this area is to ensure that we use remuneration well, making it the servant of the interests of our owners. We aim to achieve an appropriate balance between paying dividends to shareholders, investing in the business, strengthening our capital ratios and paying staff appropriate compensation. I don t pretend that achieving that balance is always easy, or that the judgements involved are straightforward. The market for the best people is both global and intensely competitive. Banking is a service industry and, if we are to remain successful, we must attract and retain the best people. We have to pay for performance but, I emphasise, we seek to pay no more than the amount consistent with competitiveness.

Our compensation framework is determined by the Board HR and Remuneration Committee, a sub-committee of the Group Board which is chaired by our Deputy Chairman, Sir Richard Broadbent. My recommendations to the Remuneration Committee and its decisions are only made after appropriate input from the Board Group Risk Committee and the Group Chief Risk Officer to ensure that the level of risk within the business and the quality of underlying profits generated are taken properly into account. The Remuneration Committee has also considered the impact on profits of our usage of Government and Central Bank schemes, higher liquidity requirements and the shape of the yield curve.

Our discretionary pay awards for 2009 are fully compliant with the FSA Remuneration Code and the Financial Stability Board Implementation Standards, endorsed by the G20. This has resulted in an increase in the deferred awards by approximately 70% and greater use of equity in deferral structures, particularly to senior staff. 100% of the discretionary pay awards for 2009 to our Executive Committee will be deferred.

Corporate and Investment Banking and Wealth Management

In November 2009 we announced changes to the management structure and leadership team of the Barclays Group. The formation of Corporate and Investment Banking and Wealth Management was designed to accelerate the execution of our strategy, continue to adjust dynamically to the changing environment, and respond rapidly to client and customer needs.

Now is the time for execution, for capitalising on the progress we have made and for seizing the opportunity before us.

By moving Commercial Banking, now Barclays Corporate, into the new Corporate and Investment Banking and Wealth Management grouping, we signalled our desire to extend the already attractive synergies and working practices among our three global businesses, Barclays Corporate, Barclays Capital and Barclays Wealth. Barclays Corporate is a great business, with superb relationships, a client-focused culture, and outstanding prospects around the globe.

Barclays is now one of a handful of leading global universal banks able to offer the full array of products and services to clients, and we are gathering momentum as we increase market share in all our franchises. This new structure allows us to serve our clients even better.

We have a unique opportunity, and we are determined to take advantage. We have the right model, the right culture and the right people to succeed as long as we continue to manage our risks and our costs, deliver flawless execution of our plans, and maintain our momentum. Most important of all, however, we must as always, stay close to our clients who need us more than ever.

Robert E Diamond Jr

Chief Executive,

Corporate and Investment Banking

and Wealth Management

Group Chief Executive s review

continued

The overall quantum of compensation we pay is designed to ensure that we exceed the FSA s minimum capital requirements at all times. We understand how important it is to our shareholders that we maintain Core Tier 1 ratio well in excess of regulatory minima. A direct and intended consequence of our decisions on pay has been the further strengthening of this ratio. Meanwhile, we have been able to meet the commitment that we announced in April 2009 to resume dividend payments and we seek to ensure that we manage the business in such a way (including in relation to compensation) as facilitates the adoption of a conservative but progressive dividend policy.

Our approach to the UK Bank Payroll Tax since the tax was announced in December last year has been to manage the compensation pool in such a way that the cost of the tax to the Group broadly equates to a reduction in the size of the pool, with the reduction being borne by senior executives. The cost to the Group of the UK Bank Payroll Tax in respect of 2009 cash compensation is £190m, and £35m in respect of certain prior year awards which may fall within the proposed legislation. Where a liability arises in subsequent years, we will follow the same approach.

2010 strategic framework

The economic outlook remains uncertain. The worst of the financial crisis is behind us, but the environment remains unpredictable, and for that reason, we have to be very clear about the strategic framework in which we will be doing business in 2010 and beyond. The principal components are as follows:

1. We will continue to act as responsible corporate citizens. We will ensure that our wider responsibilities to society are reflected in how we act. To the extent consistent with what is required of us by our regulators and with our obligations to shareholders, we will continue to play our part as a source, via service to customers and clients, of economic growth and job creation in the geographies in which we operate. We must behave constructively to help our customers and clients as they cope with the economic downturn and to support governments and supervisors as they deal with the effects of the financial crisis.

2. We will ensure that we maintain a sound financial and organisational footing that anticipates and adapts to the regulatory changes that will be required from us. The Basel authorities announced a package of proposed reforms in December on which they are consulting. We are working hard to advocate regulatory consistency; to ensure that the cumulative impact of intended reforms on the economy is well understood, and to ensure the reforms are implemented over sufficiently extended transitional periods to enable the banking industry to support economic growth and job creation. We will be obliged to accommodate such changes as are finally enacted over the coming years and we will have the ability over the period to take mitigating actions. Meanwhile, we are seeking to anticipate many of the changes that may be required of us in the areas of capital, leverage and liquidity. It is within our power to be net generators, rather than consumers, of capital, which our performance in 2009 demonstrates. We will maintain high levels of liquidity, and we will be very attentive to the size and composition of our balance sheet. In particular, we will manage leverage tightly, and we will seek to bring down, over time, our loan to deposit ratio. Stress testing has been institutionalised across Barclays in recent years. This is also now part of the FSA supervision cycle. We will ensure that we continue to monitor regularly our responsiveness to changing economic, market and operational environments and align our views with those of our regulator.

3. We have recommenced dividend payments in accordance with our prior commitments. We will make three quarterly fixed payments in 2010 and a final variable payment relating to the calendar year 2010 in March 2011. Given uncertainty about the full consequences of regulatory reform, prudence dictates that our dividend policy should be conservative. But, subject to that caveat, we intend our dividend policy to be progressive relative to a 2009 annualised dividend of 4.5 pence per share.

4. Our allocation of capital across the Group will continue to be made on both an economic and strategic basis, reflecting our goal of increasing the international diversification of our income sources in the pursuit of medium-term growth. So we will nurture Barclays Wealth, Barclays Corporate, Absa and GRB, whilst ensuring that Barclays Capital takes advantage of the structural changes in the investment banking sector. 2010 will be another year, however, in which we put returns before growth, and where prudence will determine our approach to balance sheet size.

5. Notwithstanding the regulatory uncertainty which colours the goals I have described so far, we must deliver another year of significant profitability. The balance of earnings is also important to us, and we continue over time to target two-thirds of our profits coming from GRB, Absa, Barclays Wealth and Barclays Corporate and one-third from Barclays Capital.

Absa

Since its establishment in 1991, Absa has grown into a well-diversified financial services group and although 2009 has been a test of our resilience as an organisation, I am satisfied that we have delivered solid underlying performance, improved our risk management and continued to strengthen our balance sheet. Absa maintains a strong capital base and is well positioned for future growth. During the year we launched our One Absa strategy which aims to drive an integrated approach across all of our businesses so that our customers are serviced in a seamless manner. Our strategic objectives are supported by four key pillars:

Achieving sustainable growth in targeted markets;

Embedding balance sheet optimisation and proactive risk management;

Ensuring a simple streamlined Group for customer delivery; and

Instilling a customer and people centred ethos in our organisation.

Implementation of the strategy is a key priority and in this regard we have reorganised the top management team to drive a disciplined focus on delivery. With the economic prospects in 2010 expected to remain uncertain, we are confident that our strategy is robust and positions us well to capitalise on the growth opportunities that emerge.

Maria Ramos

Group Chief Executive

Absa Group Ltd

Goals

As I stated at the time of our Interim Results last August, our key output goal is to produce top quartile total shareholder returns (TSR) over time. We achieved that goal for 2009, generating a TSR of 80% for 2009, at the upper end of our peer group[c]. But I recognise that for many shareholders the starting point from which this return was generated was unacceptably low. We will continue to measure our performance against this output goal.

We will carefully manage multiple input goals. These include economic profit; overall balance sheet size and leverage; risk weighted assets (RWAs) and the returns they generate; the level of our Core Tier 1 capital; our return on equity; our overall funding and liquidity positions, and our loan to deposit ratio as part of this; our comparative income and cost performance (the jaws); and dividend payments.

Our medium-term goal is to generate an average return on equity that exceeds our cost of equity over the cycle. In 2009 and again in 2010, the combination of very high levels of capital and the relatively high cost of capital make this a very stretching target. But we are well aware of the direction in which our shareholders expect us to be moving in this context, and we have constructed our medium-term plans accordingly.

Conclusion

We have over 144,000 employees worldwide who have helped us weather the economic storm of the last two and a half years. They have not allowed the events in the market place to distract them from attending to the needs of those they serve; on behalf of the Board, I thank them warmly. They are as determined as I am that we shall meet the expectations of our owners in the year ahead, by putting the resources of the Group to work on behalf of our customers and clients.

John Varley

Group Chief Executive

Notes

a On consistent year end loans and advances balances and impairment at average 2008 foreign exchange rates.
b The following have been promoted to the Group Executive Committee: Antony Jenkins, Chief Executive of Global Retail Banking; Tom Kalaris, Chief Executive of Barclays Wealth; Rich Ricci, Co-Chief Executive of Corporate and Investment Banking; Jerry del Missier, Co-Chief Executive of Corporate and Investment Banking; Maria Ramos, Chief Executive of Absa; Mark Harding, Group General Counsel; Robert Le Blanc, Chief Risk Officer; Cathy Turner, Group Head of Human Resources and Corporate Affairs.
c TSR (Total Shareholder Return) is defined as the value created for shareholders through share price appreciation, plus reinvested dividend payments and is compared against a peer group containing Banco Santander, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HSBC, JP Morgan Chase, Lloyds Banking Group, Royal Bank of Scotland, Unicredit and UBS.

Maintaining strategic momentum

Premier, full-service, global investment bank delivering through the cycle

Providing holistic solutions for customers

Strong client franchise reflected by top-line income of £17.9bn; up 81%

The past year has seen us deliver on our vision to be a premier, full-service, global investment bank. This means we have the scope and the scale to compete against the very best firms in all the different businesses in all of the different regions. Our Fixed Income, Currency and Commodities businesses (FICC) are top three globally, and our new Equities and M&A advisory franchises are building real momentum and delivering excellent results. Our vision means achieving leading positions for our clients in every region and in every business in which we compete.

Our clients continue to come to us with their business challenges, and we are using the breadth and depth of our expertise to help address their needs comprehensively. We are expertly placed to service the needs of our clients, whether it s a government looking to raise syndicated debt, an institutional investor wanting to increase its equities exposure or a large corporate undertaking a rights issue. We provide holistic solutions for our clients.

This is what we mean when we say that our client focus is driving our business. We are helping our clients to meet their challenges, and the scope of how we can help them is wider than ever. And this is what makes Barclays Capital such an exciting place to be right now. We are now one of a handful of leading global, full-service investment banks. Our businesses are growing with speed, discipline and focus, resulting in a full-service offering much greater than the sum of those businesses.

We re having new conversations with existing clients. We re delivering for clients we ve never worked with before. And we re using the strength of our full-service franchise to make a real difference to their success.

Further information on Barclays Capital is available at

www.barclays.com/annualreport09

The role of banks and banking in society

The severity of the current financial crisis and the magnitude of public support that has been channelled into the financial sector have prompted a heated debate about the role, scale and usefulness of banks. In this article from *The Sunday Telegraph,* John Varley provides a summary of how we have responded.

My belief is that the work of banks is important to the economies of the world; and is therefore important to society. But with that role goes the obligation to conduct our business responsibly and to support economic progress.

Most customers that I speak to say that they want to get back on track, to move forward again and to put the recession behind them. They want their bank to focus on providing them with the means to build opportunity, security and a better future. And they want their bank to put its strength and resources at their disposal in a way that is at once helpful and prudent. To them, that s what supporting economic progress means.

The causes behind the financial crisis are complex and have already been well rehearsed. The industry has much to be sorry for, and, as the chief executive of a big bank, I have expressed sorrow and regret for the errors that we, as a sector, made. Without decisive, determined and significant action to restore confidence by authorities around the world, including here in the UK, the banking system would have collapsed. Even those banks that did not take capital from governments clearly benefited (and continue to benefit) from these actions. We are grateful for them, and our behaviour should acknowledge that benefit.

The task of governments, regulators and banks alike is to learn the lessons of the last two years and to ensure that nothing like this happens again. Decisions have to be taken about the banking industry that will influence its shape and direction over the next 30 years decisions relating to capital, funding and liquidity, leverage, provisioning, accounting and compensation. We have already seen considerable change since the start of the crisis: banks are much better capitalised; leverage is down materially; liquidity buffers have increased; risk management practices have been strengthened. But there will be more change.

This means there is an important and difficult trade-off to be engineered between improving the stability of the financial system on the one hand and stimulating and supporting economic growth on the other. As policy-makers strive to get the balance right, we should not lose sight of the fact that, no matter how painful this crisis, the world is in a much better place today than it was 30 years ago. Over that period, even having taken into account the impact of the current recession, the net growth in global GDP is well above 120%, representing a real per capita increase of more than

40%. That growth lifted millions of people around the world out of poverty and gave billions of people a better life. The benefit has been felt as much in the developing world as the developed. Maintaining it, and continuing to make people s lives better because of it, requires change, but judicious change. And that includes the requirement that we, the banks, define our core purpose in a way that people understand and support.

Banks contribute to society through five core activities: providing reliable and efficient payment systems; delivering safe storage (for deposits and savings); maturity transformation (or the conversion of savings into loans); asset management; and what is loosely referred to as investment banking.

The core activities of an investment bank

Some question the utility of investment banking. I want to explore the point here for a moment. What lies behind the question is the presumption that investment banking is gambling . But it is clear to me that the three core activities of an investment bank advice, execution and funding, each of which I describe below (note that proprietary trading is not a core function) are critical to the health of the real economy, because those activities are aimed at helping clients generate the real economy outputs of investment, trade, wealth generation, and employment. Investment banks are vital intermediaries in the economic system connecting sources of funds with investment opportunities. History shows that healthy global GDP growth requires funding support from the capital markets.

I ll illustrate. A list of some clients on whose behalf Barclays Capital, our own investment bank, has been active recently (a matter of public record) does not reveal names that you would associate with gambling. These include Her Majesty s Government; The Kingdom of Spain; The Republic of France; The Republic of South Africa; Roche; Pfizer; Sainsbury s; British Telecom; Vodafone; Novartis; Centrica; EDF; London Stock Exchange; John Lewis; Network Rail; Harvard University and General Electric.

These governments and companies are no more involved in gambling than we are gambling by serving them. They represent the real economy. We support them with their financing and risk management needs which, in turn, drive economic growth. While I have cited household names, the companies we serve in the area of financing and risk management include

Key points

Banks provide:

- Reliable and efficient payment systems
- Safe storage for deposits and savings
- Maturity transformation
- Asset management
- Investment banking

thousands of mid-sized companies as well manufacturing and service businesses which may not be household names but which employ a large proportion of the UK workforce.

What does financing and risk management mean? As I have noted, there are three activities in an investment bank. The first is providing advice. This means working with clients to design solutions for their needs, whether they are financing government debt; raising funds to build a new factory; raising funds to complete an acquisition; or hedging the risk of foreign currency, commodity or interest rate volatility to ensure certainty of cash flow.

The second is execution. The investment bank helps clients put in place whatever solution has been designed, irrespective of who designed it. This could involve ensuring new equity or debt makes its way from investors to the company. Banks commit to ensure that such issuance will be successful by promising to take whatever investors do not. Execution could also involve structuring a risk management solution by purchasing appropriate securities and packaging them to meet client objectives. Banks take risks here to help their clients absorb and manage their own risk.

The third is funding. The efficiency of markets for new issuance (whether debt or equity) is entirely reliant on the existence of effective and efficient secondary markets through which equity and debt securities are traded. Secondary market activity (that is daily dealing in the stock market) signals investor appetite for different types of transactions; provides clear benchmarks for pricing and lowers the cost of issuance. Market makers (like Barclays Capital) play a critical role in maintaining the efficiency of traded markets by ensuring that clients can always get access to a price and can be confident that individual markets will be available when they need them.

All three of these activities have clear relevance to the health of the real economy. If you switch off investment banking, you switch off a fundamental supply of credit to companies and governments. Our analysis suggests that global economic growth of 4% per annum (which I would argue is what the world needs to create employment and relieve poverty through time) requires global capital markets to grow at twice that rate 8%. I cannot think of a better way to demonstrate the social utility of investment banking activity. And if you think of the societal issues that confront our world an ageing population, a lack of infrastructure supporting economic growth, the need for greater health provision, climate change broadly based banks with capital markets capabilities have the skills to help. They help with savings and investment products to support the privatisation of welfare provision; with financing resource in the areas of health provision and infrastructure and with trading skills in the area of the management of carbon emissions.

Regulation in banking

The new regulatory structure will require banks to hold more capital and more liquidity. There will be a new focus on top down supervision to ensure that regulators have the tools to manage collective risk (in particular, the amount of debt) in the system. Products must be simpler and more transparent. And incentives and compensation must be better aligned to delivery, must take account of risk, and must be paid out over time. Good performance should be rewarded fairly. Bad performance should not. This is something we have always believed.

On compensation specifically, the international agreement on reforms to the structure of remuneration that were announced by the G20 in September is a good step forward. The British banks have committed to

implementing those, as well as the new FSA Code on Remuneration. At Barclays, we have been working on reforming our remuneration practices since the beginning of this year. Our historical practices were generally well aligned with the changes afoot, but we are amending where we need to. This is, though, difficult territory. On the one hand, we must be sensitive to the views of many stakeholders that bankers are paid too much. On the other, we have to recognise that talent is not a commodity, and that our shareholders and customers expect Barclays to field the best people we can across all of our businesses. We compete in global markets, and labour has, in my experience, never been more mobile. We will strive to get the balance right here. Our objective is to pay the minimum compensation consistent with competitiveness and performance.

Those calling for an age of simpler, old-fashioned, more tightly regulated banking were probably not around in the days of Bretton Woods or Glass Steagall. Because if they were, they would remember a time when less than 50% of the adult population in the developed world had a bank account, when credit was strictly rationed, when a mortgage cartel controlled home loans and when, with credit supply directed by governments, industry complained constantly of being starved of funds.

Regulation is a substitute neither for sound judgement nor for a sense of personal and corporate responsibility. The primary obligation lies with bank boards. We must keep our sights at all times on what our customers expect of us (helping them achieve their financial goals and helping them take appropriate risk); and on what our owners expect of us (that we will use well the resources generated by running a profitable business). Those two things, for me, are the essence of responsible banking.

Translated into an operational agenda, a bank which is behaving responsibly and a bank which is playing its role in society should invest for the future. It should support appropriate risk taking by its customers. It should run capital ratios that create confidence. It should employ talented staff. It should manage its business in a way that enables it to pay dividends to its shareholders (mostly pension funds on which retired citizens rely). And it should pay due tax to its revenue authorities.

Success in banking

Success in the banking sector creates good things for society the facilitation of wealth creation by customers; the generation of direct and indirect employment; payment of dividends and tax; economic stabilisation and growth. But success creates responsibilities, and we must understand the obligations that go with being a successful bank. We have to make certain that we use our profits well in particular, that our contribution to society recognises society s contribution to our success.

The strands of responsible banking and successful competition are intertwined. We are, I believe, at our most productive (in an economic and social sense) if we compete successfully. The capacity of British banks like Barclays to support the UK economy in the way that I have been describing depends on the banking playing field being kept level as the authorities here and around the world make their decisions. Safeguarding existing jobs and creating new ones and lending supportively to British householders and businesses (thereby helping create jobs beyond those which exist directly in the banking industry, itself one of the biggest employers in this country). Ultimately these things depend on our being allowed to compete on equal terms with the best banks in the world.

Note

This article by John Varley was first published in *The Sunday Telegraph* on

15th November 2009.

Sustainability

Responsible banking

Despite the difficult economic conditions in 2009, we have continued to maintain our commitment to corporate and social responsibility as it is an integral part of how we do business. We report progress on integrating sustainability through five themes.

Barclays is making progress on embedding sustainability into our business. We are ranked in the top quartile of global banks in the Dow Jones Sustainability Index. However, we realise we have a long way to go and will continue to build our programme in the year ahead. We have remained open for business throughout the downturn, and at the same time have reinforced our commitment to be a responsible lender, providing access to credit and support while maintaining prudent lending standards. We are focused on offering a strong, safe and responsible service that contributes to the economic progress of society as a whole.

As well as supporting our customers and clients, and the communities in which we operate, we have:

- developed our role as an equal opportunities employer;
- taken action on climate issues; and
- aimed to operate as a responsible global citizen.

The Group Executive Committee is responsible for our overall sustainability strategy, and works to support the Chief Executive in its implementation. This Committee, along with the Board, reviews progress against sustainability objectives twice a year, using a robust reporting framework that includes over

100 performance indicators. We integrate sustainability into our operations in five areas.

Customers and clients

In 2009, we continued to help customers make the most of their money with advice, innovative new products and services, and tailor-made help for those in financial difficulty.

Whilst remaining conservative in our approach to risk, we have remained competitive in the mortgage market and increased our lending by 7% to a mortgage balance of £87.9bn at the end of 2009. At the same time Barclaycard provided a package of support, including a price freeze for many of our UK customers.

Our strategic sustainability themes

Customers and clients	Financial inclusion	Environment	Diversity and our people	Citizenship
Ensuring our products and services meet the needs of customers and clients by developing innovative solutions to enhance performance, relationships and satisfaction.	Extending the reach of banking services in developing markets and reducing financial exclusion in developed markets.	Minimising direct environmental impacts by mitigating Barclays energy, water and carbon footprints and managing the risks and opportunities associated with climate change.	Attracting employees from the widest possible talent pools and developing and retaining colleagues on the basis of performance and ability.	Managing Barclays indirect economic, ethical, social and environmental impacts, encouraging our supply chain to be more sustainable, and investing in local communities where we do business.
Progress in 2009 £35bn gross new lending to UK households and businesses	Progress in 2009 3.2m entry-level bank accounts opened across our global operations to date	Progress in 2009 3.5bn tonnes of carbon has been traded to date with a notional value of £45bn	Progress in 2009 24% of Barclays senior managers are female	Progress in 2009 £55m invested in communities globally
£87.9bn total UK mortgage lending at the end of 2009	£500,000 new funding package to support credit unions and community finance organisations in the UK	79% of surveyed employees believe Barclays is an environmentally responsible bank	58,000+ employees received direct support for fundraising, volunteering and giving	157 suppliers completed our sustainability screening questionnaire during 2009

In April 2009, we committed to make an additional £11bn of credit available to the UK economy over the year. Our gross new lending in 2009 was £35bn, about half to households and half to businesses.

Financial inclusion

In the UK our Cash Card Account is an entry-level bank account with almost 844,000 customers, many living in deprived areas, while Money Skills is a new programme designed to help disadvantaged people make informed, responsible financial decisions.

Across Africa, we offer dedicated accounts for people on low incomes, and are one of the only global banks to work with indigenous financial systems as a way of providing wider access to financial services.

Environment

As part of our commitment to minimising our environmental footprint, we successfully made our global banking operations carbon neutral in 2009.

Barclays Climate Action Programme continues to focus on greater energy efficiency, as well as working with suppliers to reduce their CO_2 emissions and developing products and services that will help our customers to do the same.

Key points

- £35bn gross new lending to UK households and businesses
- More than 58,000 employees received direct support for fundraising and volunteering

Diversity and our people

Our diversity and inclusion strategy is focused on increasing the number of senior women across our business. To read more, refer to page 24.

Citizenship

With more than 48 million customers in over 50 countries, we must act as a responsible global citizen. This means ensuring that we do business in a socially and ethically responsible way, while working with our supply chain partners to ensure they adopt a similar set of principles.

Barclays believes that banks have a crucial role to play within the communities they serve even more so during these challenging economic times.

In 2009, as well as committing over £55m to community initiatives around the world, we also invested our skills and resources. 58,000 employees gave their time to support a wide range of projects, from helping those affected by HIV/AIDS in Africa, to providing free financial advice for elderly people in the UK.

Barclays operates in accordance with the Universal Declaration of Human Rights, and Barclays Statement on Human Rights further integrates these issues through our employment policies and practices, our supply chain and the responsible use of our products and services.

Partnerships are also a crucial part of the programme, such as our work with the World Wildlife Fund in eastern Africa to pioneer a new era of conservation in the region where communities are supported to utilise their resources more sustainably.

Many of our major environmental and social impacts are indirect and arise through business relationships with suppliers and clients. Our Environmental and Social Impact Assessment policy focuses on any lending we carry out in sensitive sectors and is also the mechanism by which we apply the Equator Principles to our projects. The Equator Principles are based on the International Finance Corporation s Performance standards, which form the financial services industry standard to manage environmental and social risks in project finance deals above US$10m.

Our Environmental Risk Management team operates across the Group, and in 2009 it assessed more than 290 project and non-project finance transactions.

In 2009, working with the United Nations Environment Programme Finance Initiative, we developed a human rights toolkit, which provides a framework for lending managers and which we have embedded into our own employee guidance tools on environmental risk.

As well as managing our own direct social, ethical and environmental impacts, by working closely with our suppliers we can help them to share our commitment to sustainability.

This was underlined in 2009 with the launch of a new statement on Supply Chain Sustainability, outlining how we work with suppliers and what we expect from them in return.

Banking on Change partnership

Developed partnership with CARE International and Plan International to improve access to basic financial services in Africa, Asia and South America

Three-year initiative intends to reach 500,000 people and is a £10m commitment by Barclays

In 2008, Barclays committed to a global three-year partnership with non-governmental organisations (NGOs) CARE International and Plan International in order to extend innovation and accelerate sustainable access to basic financial services. The three-year initiative aims to reach more than 500,000 people across Africa, Asia and South America and represents a £10m commitment by Barclays.

The partnership perfectly combines the experience and delivery structures of the two NGOs with the financial expertise of Barclays. Together this will enable us to promote and train community groups on savings-led community finance and create bespoke financial channels, products and services.

The initiative gives individuals the opportunity to save regularly and provides communities with a way to manage their money, increasing their ability to deal with life emergencies, and invest in their own and their children s future.

Our people

Global minimum standards

To maintain the right balance between overall control and effective local decision making we have established global governance frameworks and minimum standards to regulate how we manage and treat our employees around the world. The key areas covered by the minimum standards are summarised below.

Performance management and compensation

The performance and development process provides employees with the opportunity to have regular discussions with their line managers about their performance and to receive coaching for their personal development. The performance of employees is typically assessed twice a year and a performance rating is agreed with the line manager.

We are committed to the principle of pay for performance. Compensation is based on the performance of individuals and their businesses. Our compensation philosophy is to drive a high performance culture within the appropriate risk and governance frameworks.

Employee relations

Barclays recognises and works constructively with 30 employee representative organisations throughout the world.

Diversity and inclusion

Barclays operates across the globe and engages with employees across a wealth of diverse and rich cultures. Our mission is to create confidence and trust to do the right thing for both our customers and employees through creating a truly inclusive environment. We will achieve this through ensuring that everything we do treats people fairly through valuing diversity. An example of the progress made in this area is that currently three of our major businesses have female Chief Executive Officers who lead more than half of our employees globally.

Health and safety

Our commitment is to ensure the health, safety and welfare of our employees and to provide and maintain safe working conditions. Effective management of health and safety will have a positive effect on the services we provide. Good working climates will help our employees to perform better in serving our customers which in turn will create value for all our stakeholders customers, employees, shareholders and the communities that we serve.

Training

Developing both existing and new employees is key to our future prosperity. We undertake this through formal classroom-based training and informal on-the-job training, education and coaching. Minimum mandatory training is provided to all employees to ensure that our employees understand Barclays policies and procedures and their role in meeting our regulatory responsibilities.

Regular employee opinion surveys are used to assess employee engagement. The findings are benchmarked against other global financial services organisations and high-performing organisations.

Key performance indicators

Financial KPIs

Definition	Why it s important to the business and management			
Profit before tax	Profit before tax is a key indicator of financial performance to many of our stakeholders.			**Total profit before tax**
		2007	2008	**2009**
		£7,076m	£6,077m	**£11,642m**
				Profit before tax from continuing operations
Profit before tax is one of the two primary profitability measures used to assess performance and represents total income less impairment charges and operating expenses.	Excluding movement on own credit, gains on acquisitions and disposals and gains on debt buy-backs, Group profit before tax increased 243% to £5,634m from £1,643m.	2007	2008	**2009**
		£ 6,223m	£ 5,136m	**£ 4,585m**
	Total Group profit before tax is represented here alongside profit before tax from continuing operations to aid comparison.			
Economic profit	Barclays believes that economic profit encourages both profitable growth and the efficient use of capital.			
Economic Profit (EP) is the other primary profitability measure used by Barclays. EP is profit after tax and non-controlling interests less a capital charge (average shareholders equity and goodwill excluding non-controlling interests multiplied by the Group s cost of equity).				
Shareholder returns	These measures indicate the returns shareholders are receiving for their investment in Barclays both in terms of relative share price movements and the business performance. These metrics demonstrate the alignment of Barclays strategy and operations			**Total shareholder return**
		2007	2008	**2009**
		3rd	2nd	**1st**

Total shareholder return (TSR) is defined as the value created for shareholders through share price appreciation, plus reinvested dividend payments. We compare Barclays performance with a group of international peers and aim for top quartile performance. Return on average shareholders equity is calculated as profit after tax divided by the average shareholders equity during the year, which is made up of share capital, retained earnings and other reserves.

with the interests of shareholders.

Peer group: Banco Santander, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HSBC, JP Morgan Chase, Lloyds Banking Group, Royal Bank of Scotland, Unicredit and UBS.

quartile	quartile	**quartile**
		Return on average shareholders equity
2007	2008	**2009**
20.3%	16.5%	**23.8%**

Capital ratios

Capital requirements are part of the regulatory framework governing how banks and depository institutions are managed. Capital ratios express a bank s capital as a percentage of its risk weighted assets. Both Tier 1 and Core Tier 1 capital resources are defined by the UK FSA. Core Tier 1 is broadly tangible shareholders funds less the capital deductions from Tier 1. In the 2008 accounts, we showed Equity Tier 1 ratio which was broadly representative of the Core Tier 1 ratio. In 2009, the UK FSA formalised a definition for Core Tier 1 which is now published consistently by the industry in the UK.

The Group s capital management activities seek to maximise shareholders value by optimising the level and mix of its capital resources.

The Group s capital management objectives are to:

Maintain sufficient capital resources to meet the minimum regulatory capital requirements set by the UK FSA and the US requirements that a financial holding company be well capitalised

Maintain sufficient capital resources to support the Group s Risk Appetite and economic capital requirements

Support the Group s credit rating

Ensure locally regulated subsidiaries can meet their minimum capital requirements

Allocate capital to businesses to support the Group s strategic objectives, including optimising returns on economic and regulatory capital.

We expect to maintain our Core Tier 1 and Tier 1 ratios at levels which significantly exceed the current minimum requirements of the UK FSA.

		2007	2008	**2009**
Adjusted gross leverage Adjusted gross leverage is defined as the multiple of adjusted total tangible assets over total qualifying Tier 1 capital. Adjusted total tangible assets are total assets less derivative counterparty netting, assets under management on the balance sheet, settlement balances, goodwill and intangible assets. Tier 1 capital is defined by the UK FSA.	Barclays believes that there will be more capital and less leverage in the banking system and that lower leverage will be regarded as a key measure of stability going forward. This is consistent with the views of our regulators and investors.	33x	28x	**20x**

Financial KPIs continued

Definition	Why it s important to the business and management
Loan funding ratio This is the ratio of customer loans to deposits and long-term funding. It represents the Group s access to high quality and stable funding sources to fund customer assets. The ratio is calculated by dividing customer loans by customer deposits plus greater than one year funding (in each case, excluding Absa).	International regulators have considered the imposition of a backstop core funding ratio as a means of limiting liquidity risk to individual banks and to the financial system as a whole. We have no clear guidance on whether such a ratio will be developed in the UK. The Barclays Liquidity Risk Framework already limits the Group s reliance on less stable sources of funding and we use the ratio to monitor wholesale refinancing risk and to ensure that short-term wholesale financing is not used to fund core customer assets. Comparative data for 2007 is unavailable as the Group has only formally measured this ratio since 2008.
Average term of unsecured liabilities This is calculated as the term of outstanding wholesale borrowing (excluding subordinated debt and excluding Absa, that has country specific funding dynamics that differ from the rest of the Group), after removing the short-term deposits that are directly invested in the liquidity pool. The longer the average term the lower the aggregate refinancing risk in wholesale markets.	The extension of the term of our wholesale financing has meant that, as at 31st December 2009, over 81% of net wholesale funding has remaining maturity greater than one year and, as at the same date, there was no net wholesale unsecured refinancing required within six months. This improvement in the term of wholesale funding has meant that Barclays has no reliance on short-term wholesale funding markets and consequently has greatly increased the Group s resilience to any future liquidity stress event. Comparative data for 2007 is unavailable as the Group has only formally measured the average term of its unsecured liabilities since 2008.

Note

Loan funding ratio and average term of unsecured liabilities have been introduced as monitors of the Group s funding model.

Strategic KPIs: Build the best bank

Definition	Why it s important to the business and management	2007	2008	**2009**
UK retail banking customer satisfaction The Retail Banking Service Monitor tracks satisfaction amongst Barclays customers. Approximately 10,000 customers a month are researched for this study. The satisfaction score is measured using the percentage of customers who state they are Very or Completely satisfied with Barclays. We also benchmark our performance in comparison with competitors using syndicated or directly commissioned research.	Putting the customer first and improving customer service is fundamental to our goal of being the UK s best bank. Customer satisfaction targets are set at a strategic business unit level and business area action plans are developed through the continuous tracking of customer satisfaction and complaints feedback. Since June 2008 customer satisfaction and advocacy have been on an increasing trend as a result of significant improvements to our service and innovations in our product offerings.			
UK Retail Banking Cost: Income Ratio is included within the cost management strategic KPI				
Net lending in Barclays Commercial Bank Net lending represents the change in our loans and advances to customers during the year.	Building the best bank means we are there for our customers. We have supported our customers through the recession via campaigns such as Turning the Corner which has been awarded Best Customer Relationship Initiative in the B2B Marketing Awards. The campaign offers online expert advice, insight and networking events to connect our customers, attracting over 70,000 hits on our website and over 3,700 people attending connect events. We continue to be committed to lend to viable businesses across all portfolios, demonstrated through £14bn of new term lending and our stable approval rates on new credit applications.	14%	10%	**(8)%**
Barclaycard International number of customers	Barclaycard is one of Europe s largest multi-branded credit card businesses, with a fast growing business in the United States and South Africa. In 2003 we targeted growing Barclaycard s international operations to the same scale as its UK business over ten years. This KPI demonstrates how this target is being balanced and maintained.			

The total number of customers split between UK and non-UK.

Key performance indicators

continued

Strategic KPIs: Build the best bank continued

Definition

International generation of income

Percentage of total income net of insurance claims and benefits generated outside of the UK.

Why it s important to the business and management

The goal of increasing the international diversification of our income helps to reduce risk and is demonstrated by our continuing focus to increase the ratio of non-UK to UK businesses.

Strategic KPIs: Develop Retail and Commercial Banking activities in selected countries outside the UK

Definition

Number of distribution outlets outside the UK

Represents total number of branches and sales centres outside the UK.

Why it s important to the business and management

This represents the growth in our footprint around the world, providing a clear indication of the development of our activities outside the UK.

2007	2008	**2009**
2,349	3,158	**3,063**

Sales centres are a low cost option for testing demand for banking services in small towns and remote areas, and also augment branch distribution in larger cities. These sites are reviewed periodically to assess benefits to customers and the franchise as a whole. In 2009, the number of sales centres in Emerging Markets were reduced as the demand for products and services in these areas did not require the presence of dedicated distribution outlets.

As sales centres do not offer transaction services there is limited impact on customer service, whereas new customers or prospects can be served from the nearest Barclays branch.

Proportion of Global Retail and Commercial Banking international income Percentage of total Global Retail and Commercial Banking income earned outside the UK.	This demonstrates the successful execution on Barclays strategy of diversifying our business base by geography over time to achieve higher growth.

Strategic KPIs: Enhance operational excellence

Definition	Why it s important to the business and management
Risk management **Loan loss rate** The loan loss rate represents the impairment charge on loans and advances as a proportion of the period and balances.	The granting of credit is one of Barclays major sources of income and its most significant risk. The loan loss rate is an indicator of the cost of granting credit.

Strategic KPIs: Enhance operational excellence continued

Definition

Cost management

cost:income ratio by business

productivity benchmarking

Cost:income ratio is defined as operating expenses compared to total income net of insurance claims. This is compared to a peer set we consider relevant for each business.

Why it s important to the business and management

This is a measure management use to assess the productivity of the business operations. We target a top quartile cost:income ratio of each of our businesses relative to their peers.

a Peers include related credit card business

b Absa Group Limited

c Cost:net income

GRCB Emerging Markets is not disclosed as there is not an appropriate peer group for comparison.

Sustainability

Definition	Why it s important to the business and management
Global investment in our communities Barclays total contribution to supporting the communities where we operate.	Investing in the communities in which we operate is an integral part of Barclays sustainability strategy. We are committed to maintaining investment in our communities for the long-term both in good times and in bad. This metric demonstrates our commitment over time.

Our People

Definition	Why it s important to the business and management	2007	2008	**2009**
Colleagues involved in volunteering, regular giving and fundraising initiatives The total number of Barclays employees taking part in volunteering, giving and fundraising activities with Barclays support.	Barclays community investment programme aims to engage and support colleagues around the world to get involved with our main partnerships, as well as the local causes they care about. Harnessing their energy, time and skills delivers real benefit to local communities, to their own personal development and to their engagement with Barclays.	44,000	57,000	**58,000**
Employee opinion survey for Global Retail and Commercial Banking and Group Centre A survey of employees, the results of which give demographic and diversity information as well as an indication of employee perceptions in four key areas: Barclays Top Leadership, Business Unit Leadership, Customer Focus and Employee Engagement. The results are analysed to show year on year trends of employee opinion and are benchmarked against other global financial services organisations and high performing organisations.	The results of the survey provide leaders with insight into employee views on key business drivers from which they can establish action plans for improvements based on both strengths and weaknesses identified.			

Financial review

Consolidated summary income statement

Year ended 31st December	2009			2008			2007		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Net interest income	**11,918**	**33**	**11,951**	11,469		11,469	9,598	12	9,610
Net fee and commission income	**8,418**	**1,759**	**10,177**	6,491	1,916	8,407	5,771	1,937	7,708
Principal transactions	**7,057**	**67**	**7,124**	2,019	(10)	2,009	4,970	5	4,975
Net premiums from insurance contracts	**1,172**		**1,172**	1,090		1,090	1,011		1,011
Other income	**1,389**	**4**	**1,393**	367	10	377	186	2	188
Total income	**29,954**	**1,863**	**31,817**	21,436	1,916	23,352	21,536	1,956	23,492
Net claims and benefits incurred on insurance contracts	**(831)**		**(831)**	(237)		(237)	(492)		(492)
Total income net of insurance claims	**29,123**	**1,863**	**30,986**	21,199	1,916	23,115	21,044	1,956	23,000
Impairment charges and other credit provisions	**(8,071)**		**(8,071)**	(5,419)		(5,419)	(2,795)		(2,795)
Net income	**21,052**	**1,863**	**22,915**	15,780	1,916	17,696	18,249	1,956	20,205
Operating expenses	**(16,715)**	**(1,137)**	**(17,852)**	(13,391)	(975)	(14,366)	(12,096)	(1,103)	(13,199)
Share of post-tax results of associates and joint ventures	**34**		**34**	14		14	42		42
Profit on disposal of subsidiaries, associates and joint ventures	**188**		**188**	327		327	28		28
Gains on acquisitions	**26**		**26**	2,406		2,406			
Profit before tax and disposal of discontinued operations	**4,585**	**726**	**5,311**	5,136	941	6,077	6,223	853	7,076
Profit on disposal of discontinued operations		**6,331**	**6,331**						
Profit before tax	**4,585**	**7,057**	**11,642**	5,136	941	6,077	6,223	853	7,076
Tax	**(1,074)**	**(280)**	**(1,354)**	(453)	(337)	(790)	(1,699)	(282)	(1,981)
Profit after tax	**3,511**	**6,777**	**10,288**	4,683	604	5,287	4,524	571	5,095
Profit for the year attributable to									
Equity holders of the Parent	**2,628**	**6,765**	**9,393**	3,795	587	4,382	3,886	531	4,417
Non-controlling interests	**883**	**12**	**895**	888	17	905	638	40	678
	3,511	**6,777**	**10,288**	4,683	604	5,287	4,524	571	5,095

Earnings per share									
Basic earnings per share	**24.1p**	**62.1p**	**86.2p**	51.4p	7.9p	59.3p	60.6p	8.3p	68.9p
Diluted earnings per share	**22.7p**	**58.9p**	**81.6p**	49.8p	7.7p	57.5p	58.8p	8.1p	66.9p

The consolidated summary income statement above sets out the Group s results analysed between continuing and discontinued operations for each income statement line for ease of comparability. The income statement on page 204 and the five-year summary included on page 39 shows the income statement on a continuing basis with profit after tax from discontinued operations shown as a single line under profit after tax from continuing operations, in accordance with IFRS.

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Income statement commentary

2009/08

Barclays delivered net profit for the year of £10,288m in 2009, an increase of 95% on 2008. This included the BGI gain on sale of £6,331m before tax, and was achieved after absorbing: £6,086m in writedowns on credit market exposures (including impairment of £1,669m), other Group impairment of £6,402m and a charge of £1,820m relating to the tightening of own credit spreads. Profit included £1,255m of gains on debt buy-backs and extinguishment.

Total income net of insurance claims grew 34% to £30,986m, and income from continuing operations grew 37% to £29,123m, with particularly strong growth in Barclays Capital. Within Global Retail and Commercial Banking (GRCB), Barclaycard and GRCB Western Europe also reported good income growth. The aggregate revenue performance of GRCB businesses was, however, affected by the impact of margin compression on deposit income as a result of the very low absolute levels of interest rates. Barclays Capital income was up 122% compared to 2008. Top-line income rose by £8,004m reflecting the successful integration of the acquired Lehman Brothers North American businesses, buoyant market conditions observed across most financial markets in the first half of 2009 and a good relative performance in the second half of 2009 despite weaker markets. Income in Barclays Capital was impacted by writedowns of £4,417m (2008: £6,290m) relating to credit market exposures held in its trading books and by a charge of £1,820m (2008: gain of £1,663m) relating to own credit.

Impairment charges against loans and advances, available for sale assets and reverse repurchase agreements increased 49% to £8,071m, reflecting deteriorating economic conditions, portfolio maturation and currency movements. The impairment charge against credit market exposures included within this total reduced 5% to £1,669m. Impairment charges as a percentage of Group loans and advances as at 31st December 2009 increased to 156bps from 95bps, or 135bps on constant 2008 year end balance sheet amounts and average foreign exchange rates.

Total operating expenses increased 24% to £17,852m, but by 10% less than the rate of increase in Group total income. Operating expenses from continuing operations increased 25% to £16,715m. Expenses in GRCB were well controlled, with the cost:income ratio improving from 53% to 52%. Operating expenses in Barclays Capital increased by £2,818m to £6,592m reflecting the inclusion of the acquired Lehman Brothers North American business. The Group total cost:income ratio improved from 62% to 58% (57% on a continuing basis). At Barclays Capital the compensation:income ratio improved from 44% to 38%.

2008/07

Net profit for the year increased 4% to £5,287m. This included gains on acquisitions of £2,406m, including £2,262m gain on acquisition of Lehman Brothers North American businesses; profit on disposal of Barclays Closed UK Life assurance business of £326m; gains on Visa IPO and sales of shares in MasterCard of £291m; and gross credit market losses and impairment of £8,053m.

Total income net of insurance claims grew 1% to £23,115m and income from continuing operations grew 1% to £21,199m. Income in GRCB increased 17% and was particularly strong in businesses outside of the UK. Income in Barclays Capital was affected by very challenging market conditions in 2008, with income falling by £1,888m (27%) on 2007, reflecting gross losses of £6,290m relating to credit market assets, partially offset by gains of £1,663m on the fair valuation of notes issued due to widening of credit spreads and £1,433m in related income and hedges. Excluding credit market related losses, gains on own credit and related income and hedges, income in Barclays Capital increased 6%.

Impairment charges and other credit provisions of £5,419m increased 94% on the prior year. Impairment charges included £1,763m arising from US sub-prime mortgages and other credit market exposures. Other wholesale impairment charges increased significantly as corporate credit conditions turned sharply worse. Significant impairment growth in GRCB businesses reflected book growth and deteriorating credit conditions particularly in the US, South Africa and Spain.

Total operating expenses increased 9% to £14,366m and operating expenses from continuing operations increased 11% to £13,391m. This reflected continued investment in the distribution network in the GRCB businesses. Expenses fell in Barclays Capital due to lower performance related costs. Group gains from property disposals were £148m (2007: £267m). Head office costs included £101m relating to the UK Financial Services Compensation Scheme. Underlying cost growth was well controlled. The Group cost:income ratio deteriorated by five percentage points to 62% (63% on a continuing basis).

Financial review

Income statement commentary

continued

Continuing operations

The commentary below reflects the Group s results from continuing operations.

Net interest income

2009/08

Group net interest income increased 4% (£449m) to £11,918m (2008: £11,469m) reflecting growth in average customer balances primarily in Barclaycard and Western Europe, and net funding costs and hedging recognised in Head Office Functions and Other Operations.

Group net interest income includes the impact of structural hedges which function to reduce the impact of the volatility of short-term interest rate movements on equity and customer balances that do not re-price with market rates. In total, equity structural hedges generated a gain of £1,162m (2008: £21m gain).

Further discussion of margins is included in the analysis of results by business on pages 58 to 79.

2008/07

Group net interest income increased 19% (£1,871m) to £11,469m (2007: £9,598m) reflecting balance sheet growth across the Global Retail

and Commercial Banking businesses and in particular very strong growth internationally driven by expansion of the distribution network and entrance into new markets. An increase in net interest income was also seen in Barclays Capital due to strong results from global loans and money markets.

The contribution of structural hedges relative to average base rates increased income by £117m (2007: £351m expense), largely due to the effect of the structural hedge on changes in interest rates.

Net fee and commission income

2009/08

Net fee and commission income increased 30% (£1,927m) to £8,418m (2008: £6,491m). Banking and credit related fees and commissions increased 33% (£2,370m) to £9,578m (2008: £7,208m), primarily due to Barclays Capital s strong performance in Equities and Investment Banking.

2008/07

Net fee and commission income increased 12% (£720m) to £6,491m (2007: £5,771m). Banking and credit related fees and commissions increased 13% (£845m) to £7,208m (2007: £6,363m), reflecting growth in Barclaycard International, increased fees from advisory and origination activities in Barclays Capital and increased foreign exchange, derivative and debt fees in Barclays Commercial Bank.

Net interest income	2009 £m	2008 £m	2007 £m
Cash and balances with central banks	**131**	174	145
Available for sale investments	**1,937**	2,355	2,580
Loans and advances to banks	**513**	1,267	1,416
Loans and advances to customers	**18,456**	23,754	19,559
Other	**199**	460	1,596
Interest income	**21,236**	28,010	25,296
Deposits from banks	**(634)**	(2,189)	(2,720)
Customer accounts	**(2,716)**	(6,697)	(4,110)
Debt securities in issue	**(3,889)**	(5,910)	(6,651)
Subordinated liabilities	**(1,718)**	(1,349)	(878)
Other	**(361)**	(396)	(1,339)
Interest expense	**(9,318)**	(16,541)	(15,698)
Net interest income	**11,918**	11,469	9,598

Net fee and commission income	2009 £m	2008 £m	2007 £m
Brokerage fees	**88**	56	78
Investment management fees	**133**	120	122
Banking and credit related fees and commissions	**9,578**	7,208	6,363
Foreign exchange commission	**147**	189	178
Fee and commission income	**9,946**	7,573	6,741
Fee and commission expense	**(1,528)**	(1,082)	(970)
Net fee and commission income	**8,418**	6,491	5,771

Principal transactions

2009/08

Principal transactions comprise net trading income and net investment income. Net trading income increased £5,662m to £7,001m (2008: £1,339m). The majority of the Group s trading income arises in Barclays Capital. Fixed Income, Currency and Commodities drove the very strong increase in trading income as the expansion of the business and client flows more than absorbed gross credit market losses of £4,417m (2008: £6,290m) and losses relating to own credit of £1,820m (2008: £1,663m gain).

Net investment income decreased 92% (£624m) to £56m (2008: £680m) driven by realised losses in commercial real estate equity investments and losses in the principal investments business, partially offset by gains on disposal of available for sale investments within Barclays Capital.

2008/07

Net trading income decreased 64% (£2,415m) to £1,339m (2007:£3,754m). The majority of the Group s net trading income arose in Barclays Capital. There was growth in fixed income, prime services, foreign exchange, commodities and emerging markets. There were net losses from credit market dislocation partially offset by the benefits of widening credit spreads on structured notes issued by Barclays Capital.

Net investment income decreased 44% (£536m) to £680m (2007: £1,216m) reflecting the lower profits realised on the sale of investments, the continued decrease in value of assets backing customer liabilities in Barclays Life Assurance and fair value decreases of a number of investments reflecting the current market condition. This was offset by a £170m increase

in dividend income reflecting the Visa IPO dividend received by GRCB Western Europe, GRCB Emerging Markets and Barclaycard.

Net premiums from insurance contracts

2009/08

Net premiums from insurance contracts increased 8% (£82m) to £1,172m (2008: £1,090m) primarily reflecting expansion in GRCB Western Europe and GRCB Absa, partially offset by the impact of the sale of the closed life assurance business in the second half of 2008.

2008/07

Net premiums from insurance contracts increased 8% (£79m) to £1,090m (2007: £1,011m), primarily due to expansion in GRCB Western Europe reflecting a full year s impact of a range of insurance products launched in late 2007, partially offset by lower net premiums following the sale of the closed life assurance business in the second half of 2008.

Other income

2009/08

Other income includes £1,170m gains on debt buy-backs relating to Upper Tier 2 perpetual debt and its corresponding hedge and £85m (2008: £24m) from the repurchase of securitised debt issued by Barclays Commercial Bank.

2008/07

Certain asset management products offered to institutional clients by Absa are recognised as investment contracts. Accordingly, the invested assets and the related liabilities to investors are held at fair value and changes in those fair values are reported within other income. Other income in 2008 includes a £46m gain from the Visa IPO.

Principal transactions	2009 £m	2008 £m	2007 £m
Net trading income	**7,001**	1,339	3,754
Net gain from disposal of available for sale assets	**349**	212	560
Dividend income	**6**	196	26
Net gain from financial instruments designated at fair value	**(208)**	33	293
Other investment income	**(91)**	239	337
Net investment income	**56**	680	1,216
Principal transactions	**7,057**	2,019	4,970

Other income	2009 £m	2008 £m	2007 £m
Increase/(decrease) in fair value of assets held in respect of linked liabilities to customers under investment contracts	**102**	(1,219)	23
(Increase)/decrease in liabilities to customers under investment contracts	**(102)**	1,219	(23)
Property rentals	**64**	73	53
Gain on debt buy backs and extinguishments	**1,255**	24	
Other	**70**	270	133
Other income	**1,389**	367	186

Net premiums from insurance contracts	2009 £m	2008 £m	2007 £m
Gross premiums from insurance contracts	**1,224**	1,138	1,062
Premiums ceded to reinsurers	**(52)**	(48)	(51)
Net premiums frominsurance contracts	**1,172**	1,090	1,011

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continued

Net claims and benefits incurred under insurance contracts

2009/08

Net claims and benefits incurred under insurance contracts increased 251% (£594m) to £831m (2008: £237m) reflecting the expansion in GRCB Western Europe and GRCB Absa and a credit as a result of falls in equity markets and the disposal of the closed life assurance business.

2008/07

Net claims and benefits incurred under insurance contracts decreased 52% (£255m) to £237m (2007: £492m), principally due to a decrease in the value of unit linked insurance contracts in Barclays Wealth, explained by falls in equity markets and the disposal of closed life business in October 2008. This was partially offset by the growth in GRCB Western Europe.

Impairment charges and other credit provisions

2009/08

Impairment charges on loans and advances and other credit provisions increased 50% (£2,445m) to £7,358m (2008: £4,913m). The increase was primarily due to economic deterioration and portfolio maturation, currency movements and methodology enhancements, partially offset by a contraction in loan balances.

The impairment charge in Global Retail and Commercial Banking increased by 85% (£2,473m) to £5,395m (2008: £2,922m) as charges rose in all portfolios, reflecting deteriorating credit conditions across all regions.

In Investment Banking and Investment Management, impairment was broadly unchanged at £1,949m (2008: £1,980m).

The impairment charge against available for sale assets and reverse repurchase agreements increased by 41% (£207m) to £713m (2008: £506m), driven by impairment against credit market exposures.

Further discussion of impairments is included in the analysis of results by business on pages 58 to 79.

2008/07

Impairment charges on loans and advances and other credit provisions increased 77% (£2,131m) to £4,913m (2007: £2,782m). The increase was caused by charges against ABS CDO Super Senior and other credit market positions and as a result of deteriorating economic conditions coupled with growth in several portfolios.

The impairment charge in Global Retail and Commercial Banking increased by 51% (£983m) to £2,922m (2007: £1,939m) resulting from deteriorating economic conditions and growth in several portfolios.

In Investment Banking and Investment Management, impairment increased by 136% (£1,140m) to £1,980m (2007: £840m). This included a charge of £1,517m against ABS CDO Super Senior and other credit market positions. The remaining movement primarily related to charges in the private equity and other loans business.

The impairment charge against available for sale assets and reverse repurchase agreements increased by £493m to £506m (2007: £13m) driven by impairment against credit market exposures.

Net claims and benefits incurred on insurance contracts	2009 £m	2008 £m	2007 £m
Gross claims and benefits incurred on insurance contracts	**858**	263	520
Reinsurers share of claims incurred	**(27)**	(26)	(28)
Net claims and benefits incurred on insurance contracts	**831**	237	492

Impairment charges and other credit provisions	2009 £m	2008 £m	2007 £m
Impairment charges on loans and advances			
New and increased impairment allowances	**8,111**	5,116	2,871
Releases	**(631)**	(358)	(338)
Recoveries	**(150)**	(174)	(227)
Impairment charges on loans and advances	**7,330**	4,584	2,306
Charge/(release) in respect of provision for undrawn contractually committed facilities and guarantees provided	**28**	329	476
Impairment charges on loans and advances and other credit provisions	**7,358**	4,913	2,782
Impairment charges on reverse repurchase agreements	**43**	124	
Impairment on available for sale assets	**670**	382	13
Impairment charges and other credit provisions	**8,071**	5,419	2,795
Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures included above:			
Impairment charges on loans and advances	**1,205**	1,218	300
Charges in respect of undrawn facilities and guarantees		299	469
Impairment charges on loans and advances and other credit provisions on ABS CDO Super Senior and other credit market exposures	**1,205**	1,517	769
Impairment charges on reverse repurchase agreements		54	
Impairment charges on available for sale assets	**464**	192	13
Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures	**1,669**	1,763	782

Operating expenses

2009/08

Operating expenses increased 25% (£3,324m) to £16,715m (2008: £13,391m). The increase was driven by a 38% increase (£2,744m) in staff costs to £9,948m (2008: £7,204m).

Administrative expenses grew 2% (£98m) to £4,889m (2008: £4,791m) reflecting the impact of acquisitions made during 2008, the costs of servicing an expanded distribution network across Global Retail and Commercial Banking, and expenses relating to the Financial Services Compensation Scheme.

Operating expenses increased due to a £119m decrease in gains from sale of property to £29m (2008: £148m) as the Group wound down its sale and leaseback of freehold property programme.

Amortisation of intangibles increased £171m to £447m (2008: £276m) primarily related to the intangible assets arising from the acquisition of the Lehman Brothers North American businesses.

2008/07

Operating expenses increased 11% (£1,295m) to £13,391m (2007: £12,096m).

Administrative expenses grew 30% (£1,100m) to £4,791m (2007: £3,691m), reflecting the impact of acquisitions (in particular Lehman Brothers North American businesses and Goldfish), fees associated with Group capital raisings, the cost of the Financial Services Compensation Scheme as well as continued investment in the Global Retail and Commercial Banking distribution network.

Operating expenses were reduced by gains from the sale of property of £148m (2007: £267m) as the Group continued the sale and leaseback of some of its freehold portfolio in 2008.

Amortisation of intangible assets increased 55% (£98m) to £276m (2007: £178m), primarily related to intangible assets arising from the acquisition of Lehman Brothers North American businesses.

Goodwill impairment of £112m reflects the full write-down of £74m relating to EquiFirst and a partial write-down of £37m relating to FirstPlus following its closure to new business in August 2008.

Staff costs

2009/08

Staff costs increased 38% (£2,744m) to £9,948m (2008: £7,204m) driven by a 40% increase in salaries and accrued incentive payments, primarily in Barclays Capital, reflecting the inclusion of the acquired Lehman Brothers North American businesses and associated net increase of 7,000 employees in September 2008.

In December 2009, the UK government announced that the Finance Bill 2010 will introduce a bank payroll tax of 50% applicable to discretionary bonuses over £25,000 awarded to UK bank employees between 9th December 2009 and 5th April 2010. Draft legislation and further guidance on its application has been published. Based on this, and in accordance with IAS 19 Employee benefits, we have accrued for the estimated tax payable in respect of employee services provided during the period. For 2009, £190m has been included within Other Staff Costs in respect of 2009 cash awards. A further provision of £35m has also been included in Other Staff Costs in respect of certain prior year awards being distributed during the tax window, which may fall within the proposed legislation.

Defined benefit plan pension costs decreased £122m to £33m credit (2008: cost of £89m) primarily due to the UK Retirement Fund whose charges decreased as a result of a one-off credit of £371m from the closure of the final salary scheme to existing members.

2008/07

Staff costs decreased 5% (£407m) to £7,204m (2007: £7,611m). Salaries and accrued incentive payments fell overall by 8% (£535m) to £5,787m in 2008 (2007: £6,322m), after absorbing increases of £718m relating to in year hiring and staff from acquisitions. Performance related costs were 48% lower, driven mainly by Barclays Capital.

Defined benefit plans pension costs decreased 41% (£61m) to £89m (2007: £150m). This was due to recognition of actuarial gains, higher expected return on assets and reduction in past service costs partially offset by higher interest costs and reduction in curtailment credit.

Operating expenses	2009 £m	2008 £m	2007 £m
Staff costs	**9,948**	7,204	7,611
Administrative expenses	**4,889**	4,791	3,691
Depreciation	**759**	606	453
Impairment charges/(releases)			
property and equipment	**33**	33	2
intangible assets	**28**	(3)	14
goodwill	**1**	112	
Operating lease rentals	**639**	520	414
Gain on property disposals	**(29)**	(148)	(267)
Amortisation of intangible assets	**447**	276	178
Operating expenses	**16,715**	13,391	12,096

Staff costs	2009 £m	2008 £m	2007 £m
Salaries and accrued incentive payments	**8,081**	5,787	6,322
Social security costs	**606**	444	480
Pension costs			
defined contribution plans	**224**	221	119
defined benefit plans	**(33)**	89	150
Other post retirement benefits	**16**	1	9
Other	**1,054**	662	531
Staff costs	**9,948**	7,204	7,611

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continued

Staff numbers

2009/08

Staff numbers are shown on a full-time equivalent basis. Group permanent and fixed-term contract staff comprised 55,700 (31st December 2008: 59,600) in the UK and 88,500 (31st December 2008: 93,200) internationally.

UK Retail Banking number of employees decreased 2,200 to 30,400 (31st December 2008: 32,600) reflecting active cost management. Barclays Commercial Bank number of employees decreased 400 to 9,100 (31st December 2008: 9,500) reflecting tightly managed costs, partly offset by the expansion of risk and offshore support operations. Barclaycard number of employees decreased 300 to 10,300 (31st December 2008: 10,600) reflecting the centralisation of certain support functions in Absa from Absa Card and active cost management, offset by increases in collections capacity. GRCB Western Europe number of employees decreased 200 to 11,600 (31st December 2008: 11,800) primarily due to restructuring within Spain and Russia, partially offset by increases in Portugal and Italy to support the expansion of the network in these countries. GRCB Emerging Markets number of employees decreased 2,700 to 17,400 (31st December 2008: 20,100) mainly driven by the introduction of more effective and efficient structures. GRCB Absa number of employees decreased 2,500 to 33,300 (31st December 2008: 35,800), reflecting restructuring and a freeze on recruitment.

Barclays Capital number of employees increased 100 to 23,200 (31st December 2008: 23,100) as a net reduction in the first half of the year was offset by strategic growth in the business and the annual graduate intake. Barclays Wealth number of employees decreased 500 to 7,400 (31st December 2008: 7,900) reflecting active cost management, including efficiency savings in non-client facing areas.

2008/07

Staff numbers are shown on a full-time equivalent basis. Total Group permanent and fixed-term contract staff comprised 59,600 (2007: 60,900) in the UK and 93,200 (2007: 70,600) internationally.

UK Retail Banking staff numbers increased 700 to 32,600 (2007: 31,900). Barclays Commercial Bank staff numbers increased 200 to 9,500 (2007: 9,300), reflecting investment in product expertise, sales and risk capability and associated support areas. Barclaycard staff numbers increased 1,200 to 10,600 (2007: 9,400), primarily due to the transfer of staff into Absacard as a result of the acquisition of a majority stake in the South African Woolworth Financial Services business in October 2008. GRCB Western Europe staff numbers increased 3,600 to 11,800 (2007: 8,200), reflecting expansion of the retail distribution network. GRCB Emerging Markets staff numbers increased 6,800 to 20,100 (2007: 13,300), driven by expansion into new markets and continued investment in distribution in existing countries. GRCB Absa staff numbers increased 600 to 35,800 (2007: 35,200), reflecting continued growth in the business and investment in collections capacity.

Barclays Capital staff numbers increased 6,900 to 23,100 (2007: 16,200), due principally to the acquisition of Lehman Brothers North American businesses. Barclays Wealth staff numbers increased 1,000 to 7,900 (2007: 6,900), principally due to the acquisition of the Lehman Brothers North American businesses.

Staff numbers			
As at 31st December	**2009**	**2008**	**2007**
UK Retail Banking	**30,400**	32,600	31,900
Barclays Commercial Bank	**9,100**	9,500	9,300
Barclaycard	**10,300**	10,600	9,400
GRCB Western Europe	**11,600**	11,800	8,200
GRCB Emerging Markets	**17,400**	20,100	13,300
GRCB Absa	**33,300**	35,800	35,200
Barclays Capital	**23,200**	23,100	16,200
Barclays Wealth	**7,400**	7,900	6,900
Head office functions and other operations	**1,500**	1,400	1,100
Total Group permanent and fixed-term contract staff worldwide	**144,200**	152,800	131,500

Share of post-tax results of associates and joint ventures

2009/08

The share of post-tax results of associates and joint ventures increased £20m to £34m (2008: £14m), reflecting a £23m increase in results from joint ventures largely from Barclaycard and Barclays Capital, and a £3m decrease in results from associates, mainly due to reduced contributions from private equity investments.

2008/07

The overall share of post-tax results of associates and joint ventures decreased £28m to £14m (2007: £42m), mainly due to reduced contributions from private equity associates and Barclays Capital joint ventures.

Profit on disposal of subsidiaries, associates and joint ventures

2009/08

The profit on disposal of £188m (2008: £327m) is largely attributable to the sale of 50% of Barclays Vida y Pensiones Compañía de Seguros (£157m), and the 7% sale of GRCB Emerging Markets Botswana business (£24m).

2008/07

On 31st October 2008 Barclays completed the sale of Barclays Life Assurance Company Ltd to Swiss Reinsurance Company for a net consideration of £729m leading to a net profit on disposal of £326m.

Gains on acquisitions

2009/08

Gains of £26m for the year relate to the acquisition of the Portuguese credit card business of Citibank International PLC in December 2009.

2008/07

The gains on acquisitions in 2008 related to the acquisition of Lehman Brothers North American businesses (£2,262m) on 22nd September 2008, Goldfish credit card UK business (£92m) on 31st March 2008 and Macquarie Bank Limited Italian residential mortgage business (£52m) on 6th November 2008.

Share of post-tax results of associates and joint ventures	2009 £m	2008 £m	2007 £m
Profit from associates	**19**	22	33
Profit/(loss) from joint ventures	**15**	(8)	9
Share of post-tax results of associates and joint ventures	**34**	14	42

Profit on disposal of subsidiaries, associates and joint ventures	2009 £m	2008 £m	2007 £m
Profit on disposal of subsidiaries, associates and joint ventures	**188**	327	28

Gains on acquisitions	2009 £m	2008 £m	2007 £m
Gains on acquisitions	**26**	2,406	

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Tax

2009/08

The effective tax rate for 2009, based on profit before tax on continuing operations, was 23.4% (2008: 8.8%). The effective tax rate differs from the UK tax rate of 28% (2008: 28.5%) because of non-taxable gains and income, different tax rates applied to taxable profits and losses outside the UK, disallowed expenditure and adjustments in respect of prior years. The low effective tax rate of 8.8% on continuing operations in 2008 mainly resulted from the Lehman Brothers North American businesses acquisition.

2008/07

The effective rate of tax for 2008, based on profit before tax on continuing operations, was 8.8% (2007: 27.3%). The effective tax rate differs from the 2007 effective rate and the UK corporation tax rate of 28.5% principally due to the Lehman Brothers North American businesses acquisition.

Discontinued operations

Profit after tax from discontinued operations

2009/08

Profit after tax from discontinued operations increased £6,173m to £6,777m, reflecting the gain on sale of the discontinued operations of £6,331m (2008: £nil) and other profit before tax of £726m (2008: £604m). The results for 2009 included 11 months of operations compared to 12 months for 2008.

2008/07

The profit after tax from discontinued operations increased 6% to £604m, reflecting an 8% appreciation of the average value of the US Dollar against Sterling and a £128m decrease in operating expenses, principally reflecting reduced performance related costs, offset by a decline in income from fees and commissions and a reduction in trading income.

Economic profit

Economic profit comprises:

Profit after tax and non-controlling interests; less

Capital charge (average shareholders equity excluding non-controlling interests multiplied by Barclays cost of equity).

The Group cost of equity has been applied at a uniform rate of 12.5%[a]. The costs of servicing preference shares are included in non-controlling interests. As such, preference shares are excluded from average shareholders equity for economic profit purposes.

Tax	2009 £m	2008 £m	2007 £m
Profit before tax from continuing operations	**4,585**	5,136	6,223
Tax charge at average UK corporation tax rate of 28% (2008: 28.5%, 2007: 30%)	**1,284**	1,464	1,867
Prior year adjustments	**(220)**	(171)	(17)
Differing overseas tax rates	**(27)**	175	(82)
Non-taxable gains and income (including amounts offset by unrecognised tax losses)	**(112)**	(859)	(136)
Share-based payments	**(38)**	201	71
Deferred tax assets not recognised/(previously not recognised)	**27**	(504)	(159)
Change in tax rates	**(12)**	(1)	24
Other non-allowable expenses	**172**	148	131
Tax charge	**1,074**	453	1,699
Effective tax rate	**23%**	9%	27%

Discontinued operations	2009 £m	2008 £m	2007 £m
Profit for the year from discontinued operations, including gain on disposal	**6,777**	604	571

Reconciliation of economic profit	2009 £m	2008 £m	2007 £m
Profit attributable to equity holders of the Parent	**9,393**	4,382	4,417
Add back of amortisation charged on acquired intangible assets [b]	**348**	254	137
Profit for economic profit purposes	**9,741**	4,636	4,554
Average shareholders equity for economic profit purposes[c,d] (rounded to nearest £50m)	**38,950**	27,400	23,700
Post-tax cost of equity	**12.5%**	10.5%	9.5%
Capital charge [a]	**(4,866)**	(2,876)	(2,264)
Economic profit	**4,875**	1,760	2,290

Notes

a The Group cost of equity changed from 1st January 2009 from 10.5% to 12.5%.
b Amortisation charged for purchased intangibles, adjusted for tax and non-controlling interests.
c Average ordinary shareholders equity for Group economic profit calculation is the sum of adjusted equity and reserves plus goodwill and intangible assets arising on acquisition, but excludes preference shares.
d Averages for the period will not correspond exactly to period end balances disclosed on the balance sheet. Numbers are rounded to the nearest £50m for presentation purposes only.

Financial review

Five-year consolidated summary income statement

For the year ended 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Continuing operations					
Net interest income	**11,918**	11,469	9,598	9,133	8,060
Non-interest income	**18,036**	9,967	11,938	11,372	8,600
Net claims and benefits incurred on insurance contracts	**(831)**	(237)	(492)	(575)	(645)
Total income net of insurance claims	**29,123**	21,199	21,044	19,930	16,015
Impairment charges and other credit provisions	**(8,071)**	(5,419)	(2,795)	(2,154)	(1,571)
Operating expenses	**(16,715)**	(13,391)	(12,096)	(11,723)	(9,748)
Share of post-tax results of associates and joint ventures	**34**	14	42	46	45
Profit on disposal of subsidiaries, associates and joint ventures	**188**	327	28	323	
Gain on acquisitions	**26**	2,406			
Profit before tax from continuing operations	**4,585**	5,136	6,223	6,422	4,741
Tax from continuing operations	**(1,074)**	(453)	(1,699)	(1,611)	(1,251)
Profit after tax from continuing operations	**3,511**	4,683	4,524	4,811	3,490
Profit for the year from discontinued operations, including gain on disposal	**6,777**	604	571	384	351
Net profit for the year	**10,288**	5,287	5,095	5,195	3,841
Profit attributable to equity holders of the Parent	**9,393**	4,382	4,417	4,571	3,447
Profit attributable to non-controlling interests	**895**	905	678	624	394
	10,288	5,287	5,095	5,195	3,841
Selected financial statistics					
Basic earnings per share	**86.2p**	59.3p	68.9p	71.9p	54.4p
Basic earnings per share from continuing operations	**24.1p**	51.4p	60.6p	66.6p	49.5p
Diluted earnings per share	**81.6p**	57.5p	66.9p	69.8p	52.6p
Dividends per ordinary share	**2.5p**	11.5p	34.0p	31.0p	26.6p
Dividend payout ratio	**2.9%**	19.4%	49.3%	43.1%	48.9%
Profit attributable to the equity holders of the Parent as a percentage of:					
average shareholders equity	**23.8%**	16.5%	20.3%	24.7%	21.1%
average total assets	**0.5%**	0.2%	0.3%	0.4%	0.4%
Average United States Dollar exchange rate used in preparing the accounts	**1.57**	1.86	2.00	1.84	1.82
Average Euro exchange rate used in preparing the accounts	**1.12**	1.26	1.46	1.47	1.46
Average Rand exchange rate used in preparing the accounts	**13.14**	15.17	14.11	12.47	11.57

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying financial statements.

Financial review

Consolidated summary balance sheet

As at 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Assets					
Cash and other short-term funds	**83,076**	31,714	7,637	9,753	5,807
Trading portfolio and financial assets designated at fair value	**193,912**	306,836	341,171	292,464	251,820
Derivative financial instruments	**416,815**	984,802	248,088	138,353	136,823
Loans and advances to banks	**41,135**	47,707	40,120	30,926	31,105
Loans and advances to customers	**420,224**	461,815	345,398	282,300	268,896
Available for sale financial investments	**56,483**	64,976	43,072	51,703	53,497
Reverse repurchase agreements and cash collateral on securities borrowed	**143,431**	130,354	183,075	174,090	160,398
Other assets	**23,853**	24,776	18,800	17,198	16,011
Total assets	**1,378,929**	2,052,980	1,227,361	996,787	924,357
Liabilities					
Deposits and items in the course of collection due to banks	**77,912**	116,545	92,338	81,783	77,468
Customer accounts	**322,429**	335,505	294,987	256,754	238,684
Trading portfolio and financial liabilities designated at fair value	**137,454**	136,366	139,891	125,861	104,949
Liabilities to customers under investment contracts	**1,679**	69,183	92,639	84,637	85,201
Derivative financial instruments	**403,416**	968,072	248,288	140,697	137,971
Debt securities in issue	**135,902**	149,567	120,228	111,137	103,328
Repurchase agreements and cash collateral on securities lent	**198,781**	182,285	169,429	136,956	121,178
Insurance contract liabilities, including unit-linked liabilities	**2,140**	2,152	3,903	3,878	3,767
Subordinated liabilities	**25,816**	29,842	18,150	13,786	12,463
Other liabilities	**14,922**	16,052	15,032	13,908	14,918
Total liabilities	**1,320,451**	2,005,569	1,194,885	969,397	899,927
Shareholders equity					
Shareholders equity excluding non-controlling interests	**47,277**	36,618	23,291	19,799	17,426
Non-controlling interests	**11,201**	10,793	9,185	7,591	7,004
Total shareholders equity	**58,478**	47,411	32,476	27,390	24,430
Total liabilities and shareholders equity	**1,378,929**	2,052,980	1,227,361	996,787	924,357
Risk weighted assets and capital ratios [a]					
Risk weighted assets	**382,653**	433,302	353,878	297,833	269,148
Tier 1 ratio	**13.0%**	8.6%	7.6%	7.7%	7.0%
Risk asset ratio	**16.6%**	13.6%	11.2%	11.7%	11.3%
Selected financial statistics					
Net asset value per ordinary share	**414p**	437p	353p	303p	269p
Number of ordinary shares of Barclays PLC (in millions)	**11,412**	8,372	6,601	6,535	6,490

Year-end United States Dollar exchange rate used in preparing the accounts	**1.62**	1.46	2.00	1.96	1.72
Year-end Euro exchange rate used in preparing the accounts	**1.12**	1.04	1.36	1.49	1.46
Year-end Rand exchange rate used in preparing the accounts	**11.97**	13.74	13.64	13.71	10.87

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying financial statements.

Note

a Risk weighted assets and capital ratios for 2006 and 2005 are calculated on a Basel I basis.
Risk weighted assets and capital ratios for 2009, 2008 and 2007 are calculated on a Basel II basis.

Financial review

Balance sheet commentary

Shareholders equity

Shareholders equity, including non-controlling interests, increased 23% to £58.5bn in 2009 driven by profit after tax of £10.3bn. Net tangible asset value increased by 47% to £38.5bn. Net tangible asset value per share increased to 337p (2008: 313p).

Balance sheet

Total assets decreased by £674bn to £1,379bn in 2009, primarily reflecting movements in market rates and active reductions in derivative balances.

Balances attributable to derivative assets and liabilities would have been £374bn lower (31st December 2008: £917bn lower) than reported under IFRS if netting were permitted for assets and liabilities with the same counterparty or for which we hold cash collateral.

Excluding this, assets and liabilities held under investment contracts, settlement balances, goodwill and intangible assets, our adjusted total tangible assets were £969bn at 31st December 2009 (31st December 2008: £1,027bn). On this basis, we calculate adjusted gross leverage, being the multiple of adjusted total tangible assets over total qualifying Tier 1 capital, as 20x as at 31st December (31st December 2008: 28x).

Assets and risk weighted assets were affected by the depreciation in value of various currencies relative to Sterling during 2009. As at 31st December 2009, the US Dollar and the Euro had depreciated 10% and 7%, respectively, relative to Sterling.

Capital management

At 31st December 2009, on a Basel II basis, our Core Tier 1 ratio was 10.0% (31st December 2008: 5.6%) and our Tier 1 ratio was 13.0% (31st December 2008: 8.6%). Capital ratios reflect a 12% decrease (£51bn) in risk weighted assets to £383bn in 2009. Key drivers included a reduction in the overall size of the balance sheet and foreign exchange movements.

Liquidity

The liquidity pool held by the Group increased to £127bn at 31st December 2009 from £43bn at the end of 2008. Whilst funding markets were difficult, particularly in the first half of 2009, the Group were able to increase available liquidity and the Group extended the average term of unsecured liabilities from 14 months to 26 months. The Group issued £15bn equivalent in public senior unguaranteed debt markets, across multiple currencies and maturities. In addition, the Group raised £1.8bn equivalent in the covered bond market and issued £21bn equivalent of structured notes. The Group have continued to manage liquidity prudently in the light of market conditions and in anticipation of ongoing regulatory developments.

Foreign currency translation

During 2009, US Dollar and Euro depreciated 10% and 7%, respectively, relative to Sterling. As a result, foreign currency assets and risk weighted assets decreased in value in Sterling terms.

The Group s hedging strategy in respect of net investments in foreign currencies is designed to minimise the volatility of the capital ratios caused by changes in the Sterling value of foreign currency capital resources and risk weighted assets due to movements in foreign currency exchange rates. In this regard, the Group s 31st December 2009 Core Tier 1 ratio is hedged to approximately 75%, 25% and 80% of the movements in US Dollar, Euro and South African Rand respectively against Sterling.

The currency translation reserve reduced by £1.2bn in 2009. This reflected movements in foreign currency net investments which are partially economically hedged through preference share capital (denominated in US Dollars and Euros) that is not revalued for accounting purposes.

Financial review

Balance sheet commentary

continued

Total assets and risk weighted assets by business

2009/08

Total assets decreased by £674bn to £1,379bn and risk weighted assets decreased £51bn to £383bn.

Barclays UK Retail Bank s total assets increased 4% to £105.2bn (31st December 2008: £101.4bn) driven by growth in mortgage balances. Risk weighted assets increased 6% (£1.7bn) to £32.2bn (2008: £30.5bn), a significant contributor being the growth in the mortgage book.

Total assets in Barclays Commercial Bank fell 10% (£8.5bn) to £75.5bn (2008: £84.0bn) driven by reduced overdraft borrowings and lower volumes in Barclays Asset and Sales Finance business. New term lending was £14bn. Risk weighted assets fell 4% (£2.8bn) to £60.3bn (2008: £63.1bn) largely reflecting a reduction in net balance sheet exposures offset by the impact of deteriorating credit conditions.

Total assets decreased 2% to £30.2bn (2008: £30.9bn) in Barclaycard reflecting the depreciation in the US Dollar and Euro against Sterling, the decision to stop writing new business in FirstPlus and tighter lending criteria. Risk weighted assets increased 12% (£3.3bn) to £30.6bn (2008: £27.3bn) due to higher volumes and the impact of moving toward an advanced risk measurement methodology offset by favourable foreign exchange and lower secured lending balances in FirstPlus.

Total assets in GRCB Western Europe remained stable at £64.2bn (2008: £65.5bn), as underlying asset growth was offset by depreciation in the period end value of the Euro against Sterling. Risk weighted assets decreased 12% (£4.6bn) to £32.4bn (2008: £37.0bn) driven by active management and the migration of certain retail portfolios onto the advanced credit risk approach.

GRCB Emerging Markets total assets decreased 14% (£2.0bn) to £11.9bn (2008: £13.9bn), and risk weighted assets decreased 15% (£2.2bn) to £12.4bn (2008: £14.6bn) due to the business pro-actively managing down portfolio exposures and the impact of exchange rate movements driven by a realignment of lending strategy in light of the economic downturn. Customer assets decreased 25% (£2.4bn) to £7.3bn (2008: £9.7bn) and customer deposits decreased 9% (£0.8bn) to £8.5bn (2008: £9.3bn).

Total assets in GRCB Absa increased 13% to £45.8bn (2008: £40.4bn) and risk weighted assets increased 14% (£2.6bn) to £21.4bn (2008: £18.8bn), reflecting the impact of exchange rate movements.

Total assets in Barclays Capital reduced 37% to £1,019.1bn (2008: £1,629.1bn) primarily as a result of lower derivative balances. There were further reductions in the trading portfolio and lending as well as depreciation in the value of other currencies relative to Sterling. These reductions contributed to an overall decrease of 9% in the adjusted gross leverage assets to £618.2bn (2008: £681bn). Risk weighted assets reduced 20% (£46.3bn) to £181.1bn (2008: £227.4bn) following reductions in the size of the balance sheet and reclassification of certain securitisation assets to capital deductions and depreciation on the value of other currencies against Sterling, partially offset by a deterioration in credit conditions which increased probabilities of default.

Barclays Global Investors total assets have decreased £65.9bn to £5.4bn (2008: £71.3bn) reflecting the sale of BGI and the Group s ongoing interest in BlackRock shares.

In Barclays Wealth, total assets increased 14% to £15.1bn (2008: £13.3bn) and risk weighted assets increased 10% (£1.1bn) to £11.4bn (2008: £10.3bn) reflecting growth in loans and advances.

Total assets by business	2009 £m	2008 £m	2007 £m
UK Retail Banking	**105,228**	101,384	88,477
Barclays Commercial Bank	**75,547**	84,029	74,566
Barclaycard	**30,220**	30,925	22,121
GRCB Western Europe	**64,185**	65,519	43,702
GRCB Emerging Markets	**11,874**	13,866	9,188
GRCB Absa	**45,824**	40,391	36,368
Barclays Capital	**1,019,120**	1,629,117	839,850
Barclays Global Investors	**5,406**	71,340	89,218
Barclays Wealth	**15,095**	13,263	18,188
Head office functions and other operations	**6,430**	3,146	5,683
Total assets	**1,378,929**	2,052,980	1,227,361

Risk weighted assets by business under Basel II	2009 £m	2008 £m	2007 £m
UK Retail Banking	**32,176**	30,491	31,463
Barclays Commercial Bank	**60,292**	63,081	57,040
Barclaycard	**30,566**	27,316	20,199
GRCB Western Europe	**32,396**	36,953	24,971
GRCB Emerging Markets	**12,399**	14,607	10,484
GRCB Absa	**21,410**	18,846	17,829
Barclays Capital	**181,117**	227,448	178,206
Barclays Global Investors	**73**	3,910	4,369
Barclays Wealth	**11,354**	10,300	8,216
Head office functions and other operations	**870**	350	1,101
Total risk weighted assets	**382,653**	433,302	353,878

2008/07

Total assets increased 67% to £2,053.0bn (2007: £1,227.4bn). Risk weighted assets increased 22% to £433.3bn (2007: £353.9bn).

UK Retail Banking total assets increased 15% to £101.4bn (2007: £88.5bn) driven by growth in mortgage balances. Risk weighted assets decreased 3% to £30.5bn (2007: £31.5bn) as lending growth mainly in high quality, low risk mortgages was more than offset in capital terms by active risk management.

Barclays Commercial Bank total assets grew 13% to £84.0bn (2007: £74.6bn) driven by higher loans and advances. Risk weighted assets increased 11% to £63.1bn (2007: £57.0bn). This was slightly lower than asset growth, reflecting a relative increase in lower risk portfolios.

Barclaycard total assets increased 40% to £30.9bn (2007: £22.1bn) reflecting increases in International assets, the acquisition of Goldfish and the appreciation of the Euro and US Dollar against Sterling. Risk weighted assets increased 35% to £27.3bn (2007: £20.2bn), driven by acquisitions, the redemption of securitisation deals and exposure growth predominantly in the US.

GRCB Western Europe total assets grew 50% to £65.5bn (2007: £43.7bn) reflecting growth in retail mortgages, unsecured lending, commercial lending and a 31% appreciation over the year in the value of the Euro against Sterling. Risk weighted assets increased 48% to £37bn (2007: £25.0bn), primarily reflecting underlying lending growth and the appreciation of the Euro.

GRCB Emerging Markets total assets grew 51% to £13.9bn (2007: £9.2bn) reflecting increases in retail and commercial lending combined with the impact of Sterling depreciation. Risk weighted assets increased 39% to £14.6bn (2007: £10.5bn), reflecting portfolio growth.

GRCB Absa total assets increased 11% to £40.4bn (2007: £36.4bn) reflecting broad based asset growth. Risk weighted assets increased 6% to £18.8bn (2007: £17.8bn), reflecting balance sheet growth.

Barclays Capital total assets increased 94% (£789.2bn) to £1,629.1bn (2007: £839.9bn) due to an increase in derivative assets of £736.7bn, predominantly driven by significant volatility and movements in yield curves in 2008, together with a substantial depreciation in Sterling against most major currencies. Total assets excluding derivatives increased by 9% in

Sterling. On a constant currency basis, total assets excluding derivatives decreased by approximately 15%. Risk weighted assets increased 28% to £227.4bn (2007: £178.2bn). This was driven by the depreciation in Sterling against the US Dollar and Euro, and an increase in market volatility.

The total assets of our former business, Barclays Global Investors, decreased 20% to £71.3bn (2007: £89.2bn), mainly attributable to adverse market movements in certain asset management products recognised as investment contracts. Risk weighted assets decreased 11% to £3.9bn (2007: £4.4bn) mainly attributed to changes in the asset class mix, partially offset by the weakening of Sterling against other currencies.

Barclays Wealth total assets decreased 27% to £13.3bn (2007: £18.2bn) reflecting the sale of the closed life assurance business partially offset by strong growth in lending to high net worth and intermediary clients. Risk weighted assets increased 26% to £10.3bn (2007: £8.2bn) reflecting strong growth in lending.

Head office functions and other operations total assets decreased 46% to £3.1bn (2007: £5.7bn). Risk weighted assets decreased 64% to £0.4bn (2007: £1.1bn). The decrease in the year was mainly attributable to the increased netting of Group deferred tax assets and liabilities.

Adjusted gross leverage

2009/08

The adjusted gross leverage ratio is defined as the multiple of adjusted total tangible assets over total qualifying Tier 1 capital.

Limited netting is permitted under IFRS, even for receivables and payables with the same counterparty where there are contractually agreed netting arrangements. Derivative assets and liabilities would be £374bn (2008: £917bn) lower than reported under IFRS if netting were permitted for assets and liabilities with the same counterparty or for which we hold cash collateral.

Assets and liabilities also include amounts held under investment contracts with third parties of a further £2bn as at 31st December 2009 (2008: £69bn). These constitute asset management products offered to institutional pension funds which are required to be recognised as financial instruments. Changes in value in these assets are entirely to the account of the beneficial owner of the asset.

Adjusted gross leverage	2009 £m	2008 £m	2007 £m
Total assets	**1,378,929**	2,052,980	1,227,361
Counterparty net/collateralised derivatives	**(374,099)**	(917,074)	(215,485)
Financial assets designated at fair value and associated cash balances held in respect of linked liabilities to customers under investment contracts	**(1,679)**	(69,183)	(92,639)
Net settlement balances	**(25,825)**	(29,786)	(22,459)
Goodwill and intangible assets	**(8,795)**	(10,402)	(8,296)
Adjusted total tangible assets	**968,531**	1,026,535	888,482
Total qualifying Tier 1 capital	**49,637**	37,250	26,743
Adjusted gross leverage	**20**	28	33

Financial review

Balance sheet commentary

continued

Excluding these items, settlement balances, goodwill and intangible assets, our adjusted total tangible assets were £969bn at 31st December 2009 (2008: £1,026bn). At 31st December 2009 adjusted gross leverage was 20x (2008: 28x).

Adjusted total tangible assets include cash and balances at central banks of £81.5bn (2008: £30.0bn). Excluding these balances the adjusted gross leverage would be 18x (2008: 27x).

2008/07

Derivative assets and liabilities would be £917bn lower than reported under IFRS if netting were permitted for assets and liabilities with the same counterparty or for which we hold cash collateral. Assets and liabilities also include amounts held under investment contracts with third parties of a further £69bn as at 31st December 2008. These constitute asset management products offered to institutional pension funds which are required to be recognised as financial instruments. Changes in value in these assets are entirely to the account of the beneficial owner of the asset.

Excluding these items, settlement balances, goodwill and intangible assets, our adjusted total tangible assets were £1,026bn at 31st December 2008 (2007: £888bn). At 31st December 2008 adjusted gross leverage was 28x (2007: 33x).

Total shareholders equity

2009/08

Total shareholders equity increased £11,067m to £58,478m (2008: £47,411m).

Called up share capital comprises 11,412 million ordinary shares of 25p each (2008: 8,372 million ordinary shares of 25p each).

Retained earnings increased £9,637m to £33,845m (2008: £24,208m). Profit attributable to the equity holders of the Parent of £9,393m and the proceeds of capital raising of £784m were partially offset by dividends paid to shareholders of £113m. Other equity in the prior year represents Mandatorily Convertible Notes, which were converted into ordinary shares by June 2009.

Movements in other reserves, except the capital redemption reserve

and other capital reserve, reflect the relevant amounts recorded in the consolidated statement of comprehensive income on page 205.

Non-controlling interests increased £408m to £11,201m (2008: £10,793m). The increase primarily reflects profit for the year attributable to non-controlling interests of £895m, currency translation differences of £277m, offset by dividends paid of £767m.

The Group s authority to buy back equity shares was renewed at the 2009 AGM.

2008/07

Total shareholders equity increased £14,935m to £47,411m (2007: £32,476m).

Called up share capital comprised 8,372 million ordinary shares of 25p each (2007: 6,600 million ordinary shares of 25p each and 1 million staff shares of £1 each).

Retained earnings increased £3,238m to £24,208m (2007: £20,970m). Profit attributable to the equity holders of the Parent of £4,382m and the proceeds of capital raising of £1,410m were partially offset by dividends paid to shareholders of £2,344m. Other equity of £3,652m represents the issue of Mandatorily Convertible Notes, which were subsequently converted into ordinary shares prior to 1st July 2009.

Movements in other reserves, except the capital redemption reserve and other capital reserve, reflect the relevant amounts recorded in the consolidated statement of comprehensive income on page 205.

Non-controlling interests increased £1,608m to £10,793m (2007: £9,185m). The increase primarily reflects a 2008 preference share issuance by Barclays Bank PLC of £1,345m.

Barclays Bank PLC

Preference shares issued by Barclays Bank PLC are included within share capital and share premium in the Barclays Bank PLC Group but represent non-controlling interests in the Barclays PLC Group. Certain issuances of reserve capital instruments and capital notes by Barclays Bank PLC are included within other shareholders equity in the Barclays Bank PLC Group but represent non-controlling interests in Barclays PLC Group.

Total shareholders equity	2009 £m	2008 £m	2007 £m
Barclays PLC Group			
Called up share capital	**2,853**	2,093	1,651
Share premium account	**7,951**	4,045	56
Other equity		3,652	
Available for sale reserve	**(110)**	(1,190)	154
Cash flow hedging reserve	**252**	132	26
Capital redemption reserve	**394**	394	384
Other capital reserve	**617**	617	617
Currency translation reserve	**1,615**	2,840	(307)
Other reserves	**2,768**	2,793	874
Retained earnings	**33,845**	24,208	20,970
Less: Treasury shares	**(140)**	(173)	(260)
Shareholders equity excluding non-controlling interests	**47,277**	36,618	23,291
Non-controlling interests	**11,201**	10,793	9,185
Total shareholders equity	**58,478**	47,411	32,476

Total shareholders equity	2009 £m	2008 £m	2007 £m
Barclays Bank PLC Group			
Called up share capital	**2,402**	2,398	2,382
Share premium account	**12,092**	12,060	10,751
Available for sale reserve	**(84)**	(1,249)	111
Cash flow hedging reserve	**252**	132	26
Currency translation reserve	**1,615**	2,840	(307)
Other reserves	**1,783**	1,723	(170)
Other shareholders equity	**2,559**	2,564	2,687
Retained earnings	**37,089**	22,457	14,222
Shareholders equity excluding non-controlling interests	**55,925**	41,202	29,872
Non-controlling interests	**2,774**	2,372	1,949
Total shareholders equity	**58,699**	43,574	31,821

Financial review

Capital management

Capital resources

2009/08

Core Tier 1 capital for Barclays PLC Group increased £14.1bn to £38.4bn and Tier 1 capital increased £12.4bn to £49.6bn.

Retained earnings and capital issues (including the conversion of the Mandatorily Convertible Notes) contributed £9.3bn and £4.7bn respectively to Core Tier 1 and Tier 1 capital. Reductions in the adjustment for own credit (£1.3bn) and deduction for intangible assets (£1.6bn) were broadly offset by the increase in securitisation deductions (£2.1bn).

The investment in BlackRock contributed to the £2.6bn increase in deductions from Tier 1 capital. This was partially offset by an increase in the amount of Reserve Capital Instruments eligible for inclusion in Tier 1.

Tier 2 capital decreased by £7.6bn. Deductions increased by £4.6bn, mainly in respect of the investment in BlackRock and securitisation positions. Subordinated loan capital decreased by £4.0bn, driven by net redemptions, the impact of exchange rate movements and lower levels of Reserve Capital Instruments in excess of the Tier 1 limits.

2008/07

Core Tier 1 capital increased by £7.6bn to £24.4bn and Tier 1 capital increased by £10.5bn during the year, driven by issues of ordinary shares (£5.2bn), other capital issuances (£4.3bn), retained profits (£2.0bn) and exchange rate movements (£3.2bn). These movements were partially offset by an increase in intangible assets (£1.3bn), innovative Tier 1 capital in excess of regulatory limits being reclassified as Tier 2 capital (£1.3bn) and the reversal of gains on own credit, net of tax (£1.2bn).

Tier 2 capital increased by £8.5bn due to issuance of loan capital (£3.6bn) net of redemptions (£1.1bn), inclusion of innovative capital in excess of the Tier 1 limits (£1.3bn), increases in collective impairment (£1.2bn) and exchange rate movements (£3.9bn).

Capital ratios under Basel II		2009		2008		2007
	Barclays PLC	Barclays Bank PLC	Barclays PLC	Barclays Bank PLC	Barclays PLC	Barclays Bank PLC

	Group	Group	Group	Group	Group	Group
Capital ratios	**%**	**%**	%	%	%	%
Core Tier 1 ratio	**10.0**	**10.1**	5.6	5.6	4.7	4.5
Tier 1 ratio	**13.0**	**13.0**	8.6	8.6	7.6	7.3
Risk asset ratio	**16.6**	**16.6**	13.6	13.5	11.2	11.0
Risk weighted assets	**£m**	**£m**	£m	£m	£m	£m
Credit risk	**252,054**	**252,054**	266,912	266,912	244,474	244,469
Counterparty risk	**45,450**	**45,450**	70,902	70,902	41,203	41,203
Market risk						
Modelled VaR	**10,623**	**10,623**	14,452	14,452	7,270	7,270
Modelled IRDC[a] and non-VaR	**5,378**	**5,378**	7,771	7,771	5,522	5,522
Standardised	**38,525**	**38,525**	43,149	43,149	27,020	27,020
Operational risk	**30,623**	**30,623**	30,116	30,116	28,389	28,389
Total risk weighted assets	**382,653**	**382,653**	433,302	433,302	353,878	353,873

Note

a Incremental Default Risk Charge.

Financial review

Capital management

continued

Capital resources continued

Total net capital resources under Basel II Capital resources (as defined for regulatory purposes)	2009 Barclays PLC Group £m	2009 Barclays Bank PLC Group £m	2008 Barclays PLC Group £m	2008 Barclays Bank PLC Group £m	2007 Barclays PLC Group £m	2007 Barclays Bank PLC Group £m
Ordinary shareholders funds[a]	**47,277**	**55,925**	36,618	41,202	23,291	29,872
Regulatory adjustments:						
MCNs not yet converted			(3,652)			
Available for sale reserve debt[b]	**83**	**83**	372	372	49	49
Available for sale reserve equity	**(309)**	**(335)**	(122)	(63)	(295)	(514)
Cash flow hedging reserve	**(252)**	**(252)**	(132)	(132)	(26)	(26)
Defined benefit pension scheme	**431**	**431**	849	849	1,052	1,052
Adjustments for scope of regulatory consolidation	**196**	**196**	847	847	(191)	(191)
Foreign exchange on RCIs and upper Tier 2 loan stock	**25**	**25**	(231)	(231)	499	499
Adjustment for own credit	**(340)**	**(340)**	(1,650)	(1,650)	(461)	(461)
Other adjustments	**144**	**144**	305	304	465	465
Equity non-controlling interest	**2,351**	**2,351**	1,981	1,981	1,608	1,608
Less: Intangible assets	**(8,345)**	**(8,345)**	(9,964)	(9,964)	(8,191)	(8,191)
Less: Net excess of expected loss over impairment at 50%	**(25)**	**(25)**	(159)	(159)	(743)	(743)
Less: Securitisation positions at 50%	**(2,799)**	**(2,799)**	(704)	(704)	(335)	(335)
Less: Non Core Tier 1 capital issues included in shareholders funds		**(8,427)**		(8,421)		(7,236)
Core Tier 1 Capital	**38,437**	**38,632**	24,358	24,231	16,722	15,848
Preference shares [c]	**6,256**	**6,256**	6,191	6,191	5,035	5,035
Reserve Capital Instruments [d]	**6,724**	**6,724**	5,743	5,721	3,908	3,908
Tier 1 Notes [e]	**1,017**	**1,017**	1,086	1,086	899	899
Tax on the net excess of expected loss over impairment	**8**	**8**	46	46	207	207
Less: Material holdings in financial companies at 50%	**(2,805)**	**(2,915)**	(174)	(174)	(28)	(28)
Total qualifying Tier 1 capital	**49,637**	**49,722**	37,250	37,101	26,743	25,869
Revaluation reserves	**26**	**26**	26	26	26	26
Available for sale reserve equity	**309**	**335**	122	122	295	295
Collectively assessed impairment allowances	**2,443**	**2,443**	1,654	1,654	440	440

Tier 2 non-controlling interests	**547**	**547**	607	607	442	442
Qualifying subordinated liabilities [f]						
Undated loan capital	**1,350**	**1,350**	6,745	6,768	3,191	3,191
Dated loan capital	**15,657**	**15,658**	14,215	14,215	10,578	10,578
Less: Net excess of expected loss over impairment at 50%	**(25)**	**(25)**	(158)	(158)	(743)	(743)
Less: Securitisation positions at 50%	**(2,799)**	**(2,799)**	(704)	(704)	(335)	(335)
Less: Material holdings in financial companies at 50%	**(2,805)**	**(2,915)**	(174)	(174)	(28)	(28)
Total qualifying Tier 2 capital	**14,703**	**14,620**	22,333	22,356	13,866	13,866
Less: Other regulatory deductions	**(880)**	**(880)**	(856)	(964)	(826)	(826)
Total net capital resources	**63,460**	**63,462**	58,727	58,493	39,783	38,909

Notes

a For Barclays Bank PLC this balance represents Shareholders equity excluding non-controlling interests.
b Adjusted for the scope of regulatory consolidation.
c Preference shares are included in the balance sheet under non-controlling interests for Barclays PLC and shareholders equity for Barclays Bank PLC.
d Reserve Capital Instruments comprise instruments that are both debt and equity accounted and are included in the balance sheet under subordinated liabilities and non-controlling interests for Barclays PLC and subordinated liabilities and shareholders equity for Barclays Bank PLC.
e Tier 1 Notes are included in the balance sheet under subordinated liabilities.
f Qualifying subordinated liabilities include excess innovative Tier 1 instruments and are subject to limits laid down in the regulatory requirements.

Financial review

Additional financial disclosure

Deposits and short-term borrowings

Deposits

Deposits include deposits from banks and customers accounts.

	Average[a] for the year ended 31st December 2009 £m	2008 £m	2007 £m
Deposits from banks			
Customers in the United Kingdom	**13,702**	14,003	15,321
Other European Union	**48,161**	38,210	33,162
United States	**14,757**	15,925	6,656
Africa	**2,218**	3,110	4,452
Rest of the World	**24,350**	36,599	36,626
Total deposits from banks	**103,188**	107,847	96,217
Customer accounts			
Customers in the United Kingdom	**197,363**	206,020	187,249
Other European Union	**38,326**	30,909	23,696
United States	**32,218**	31,719	21,908
Africa	**37,009**	35,692	29,855
Rest of the World	**23,655**	27,653	23,032
Customer accounts	**328,571**	331,993	285,740

Deposits from banks in offices in the United Kingdom received from nonresidents amounted to £51,423m (2008: £63,284m).

	Year ended 31st December 2009 £m	2008 £m	2007 £m
Customer accounts	**322,429**	335,505	294,987
In offices in the United Kingdom:			
Current and Demand accounts			
interest free	**45,160**	41,351	33,400
Current and Demand accounts			

interest bearing	**24,066**	20,898	32,047
Savings accounts	**71,238**	68,335	70,682
Other time deposits retail	**29,678**	33,785	36,123
Other time deposits wholesale	**52,891**	74,417	65,726
Total repayable in offices in the United Kingdom	**223,033**	238,786	237,978
In offices outside the United Kingdom:			
Current and Demand accounts			
interest free	**7,308**	4,803	2,990
Current and Demand accounts			
interest bearing	**24,176**	15,463	11,570
Savings accounts	**9,950**	7,673	3,917
Other time deposits	**57,962**	68,780	38,532
Total repayable in offices outside the United Kingdom	**99,396**	96,719	57,009

Customer accounts deposits in offices in the United Kingdom received from non-residents amounted to £57,014m (2008: £61,714m).

Note

a Calculated using month-end balances.

Short-term borrowings

Short-term borrowings include deposits from banks, commercial paper and negotiable certificates of deposit.

Deposits from banks

Deposits from banks are taken from a wide range of counterparties and generally have maturities of less than one year.

	2009 £m	2008 £m	2007 £m
Year-end balance	**76,446**	114,910	90,546
Average balance[a]	**103,188**	107,847	96,217
Maximum balance	**121,940**	139,836	109,586
Average interest rate during year	**0.6%**	3.6%	4.1%
Year-end interest rate	**0.4%**	2.3%	4.0%

Commercial paper

Commercial paper is issued by the Group, mainly in the United States, generally in denominations of not less than US$100,000, with maturities of up to 270 days.

	2009 £m	2008 £m	2007 £m
Year-end balance	**19,300**	27,692	23,451
Average balance[a]	**21,835**	24,668	26,229
Maximum balance	**28,756**	27,792	30,736
Average interest rate during year	**2.5%**	4.4%	5.4%
Year-end interest rate	**2.5%**	4.2%	5.2%

Negotiable certificates of deposit

Negotiable certificates of deposits are issued mainly in the United Kingdom and United States, generally in denominations of not less than US$100,000.

	2009 £m	2008 £m	2007 £m
Year-end balance	**44,681**	61,332	58,401
Average balance[a]	**54,960**	55,122	55,394
Maximum balance	**64,054**	67,715	62,436
Average interest rate during year	**2.3%**	4.4%	5.1%

Year-end interest rate	**2.2%**	4.1%	5.0%

Financial review

Additional financial disclosure

continued

Commitments and contractual obligations

Commercial commitments include guarantees, contingent liabilities and standby facilities.

Commercial commitments	Amount of commitment expiration per period				
	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total amounts committed £m
2009					
Acceptances and endorsements	**372**	**3**			**375**
Guarantees and letters of credit pledged as collateral security	**6,770**	**4,103**	**1,286**	**3,247**	**15,406**
Securities lending arrangements[a]	**27,406**				**27,406**
Other contingent liabilities	**7,637**	**853**	**381**	**716**	**9,587**
Documentary credits and other short-term trade related transactions	**722**	**38**	**2**		**762**
Forward asset purchases and forward deposits placed	**46**				**46**
Standby facilities, credit lines and other	**145,916**	**44,004**	**9,794**	**6,753**	**206,467**
2008					
Acceptances and endorsements	576	6	3		585
Guarantees and letters of credit pledged as collateral security	7,272	2,529	1,781	4,070	15,652
Securities lending arrangements[a]	38,290				38,290
Other contingent liabilities	7,989	1,604	372	1,818	11,783
Documentary credits and other short-term trade related transactions	770	88	1		859
Forward asset purchases and forward deposits placed	50	241			291
Standby facilities, credit lines and other	195,035	29,666	26,150	8,815	259,666

Contractual obligations include debt securities, operating lease and purchase obligations.

Contractual obligations	Payments due by period				
	Less than	Between	Between	After	Total

	one year £m	one to three years £m	three to five years £m	five years £m	£m
2009					
Long-term debt	**80,824**	**31,138**	**12,982**	**28,626**	**153,570**
Operating lease obligations	**468**	**808**	**675**	**2,936**	**4,887**
Purchase obligations	**1,109**	**940**	**541**	**1,243**	**3,833**
Total	**82,401**	**32,886**	**14,198**	**32,805**	**162,290**
2008					
Long-term debt	108,172	24,701	10,855	22,008	165,736
Operating lease obligations	280	690	785	2,745	4,500
Purchase obligations	214	225	61	20	520
Total	108,666	25,616	11,701	24,773	170,756

The long-term debt does not include undated loan capital of £8,148m (2008: £13,673m). Further information on the contractual maturity of the Group s assets and liabilities is given in Note 49.

Note

a Securities lending arrangements are fully collateralised, and are not expected to result in an outflow of funds from the Group, see Note 34 on page 246 for further details.

Securities

The following table analyses the book value of securities which are carried at fair value.

	2009 Book value £m	2009 Amortised cost £m	2008 Book value £m	2008 Amortised cost £m	2007 Book value £m	2007 Amortised cost £m
Investment securities available for sale						
Debt securities:						
United Kingdom government	**77**	**74**	1,238	1,240	78	81
Other government	**10,958**	**8,389**	11,456	11,338	7,383	7,434
Other public bodies and US Agencies	**3,456**	**3,505**	14,660	14,834	5,052	5,048
Mortgage and asset backed securities	**2,498**	**2,958**	3,510	4,126	1,367	1,429
Bank and building society certificates of deposit	**7,697**	**7,343**	10,478	10,535	3,028	3,029
Corporate and other issuers	**19,202**	**18,986**	17,489	17,908	21,765	21,803
Equity securities	**6,676**	**6,247**	2,142	1,814	1,676	1,418
Investment securities available for sale	**50,564**	**47,502**	60,973	61,795	40,349	40,242
Other securities held for trading						
Debt securities:						
United Kingdom government	**6,815**	**n/a**	6,955	n/a	3,832	n/a
Other government	**54,161**	**n/a**	50,727	n/a	51,104	n/a
Other public bodies and US Agencies	**20,517**	**n/a**	21,909	n/a	9,466	n/a
Mortgage and asset backed securities	**12,942**	**n/a**	30,748	n/a	27,572	n/a
Bank and building society certificates of deposit	**995**	**n/a**	7,518	n/a	17,751	n/a
Corporate and other issuers	**21,164**	**n/a**	30,829	n/a	43,053	n/a
Equity securities	**19,602**	**n/a**	30,535	n/a	36,307	n/a
Other securities held for trading	**136,196**	**n/a**	179,221	n/a	189,085	n/a

Investment debt securities include government securities held as part of the Group s treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group. In addition, the Group holds as investments listed and unlisted corporate securities.

Bank and building society certificates of deposit are freely negotiable and have original maturities of up to five years, but are typically held for shorter periods.

In addition to UK government securities shown above, the Group held the following government securities which exceeded 10% of shareholders equity in any of the last three years. These securities are held at fair value.

Government securities	2009 Book value £m	2008 Book value £m	2007 Book value £m
United States	**17,356**	17,165	15,156
Japan	**7,609**	9,092	9,124
Germany	**9,698**	5,832	5,136
France	**2,574**	4,091	3,538
Italy	**6,297**	6,091	5,090
Spain	**4,948**	3,647	3,674

Maturities and yield of available for sale debt securities

	Maturing within one year		Maturing after one but within five years		Maturing after five but within ten years		Maturing after ten years		Total	
	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %
Government	**971**	**5.3**	**6,647**	**2.5**	**2,147**	**1.8**	**1,270**	**1.2**	**11,035**	**2.5**
Other public bodies and US Agencies	**14**	**3.6**	**148**	**2.4**	**3,279**	**4.1**	**15**	**4.8**	**3,456**	**4.1**
Other issuers	**14,727**	**2.7**	**12,983**	**1.4**	**1,075**	**3.0**	**612**	**3.4**	**29,397**	**2.3**
Total book value	**15,712**	**2.9**	**19,778**	**1.8**	**6,501**	**3.2**	**1,897**	**1.9**	**43,888**	**2.5**

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2009 by the fair value of securities held at that date.

Financial review

Additional financial disclosure

continued

Average balance sheet

Average balance sheet and net interest income (year ended 31st December)

	2009 Average balance [a]	2009 Interest	2009 Average rate	2008 Average balance [a]	2008 Interest	2008 Average rate	2007 Average balance [a]	2007 Interest	2007 Average rate
	£m	£m	%	£m	£m	%	£m	£m	%
Assets									
Loans and advances to banks[b]:									
in offices in the United Kingdom	**41,912**	**483**	**1.2**	38,913	1,453	3.7	29,431	1,074	3.6
in offices outside the United Kingdom	**35,073**	**271**	**0.8**	14,379	419	2.9	12,262	779	6.4
Loans and advances to customers[b]:									
in offices in the United Kingdom	**264,687**	**9,405**	**3.6**	249,081	13,714	5.5	205,707	13,027	6.3
in offices outside the United Kingdom	**135,936**	**8,869**	**6.5**	116,284	9,208	7.9	88,212	6,733	7.6
Lease receivables:									
in offices in the United Kingdom	**4,316**	**174**	**4.0**	4,827	281	5.8	4,822	283	5.9
in offices outside the United Kingdom	**7,406**	**732**	**9.9**	6,543	752	11.5	5,861	691	11.8
Financial investments:									
in offices in the United Kingdom	**46,702**	**1,525**	**3.3**	35,844	1,654	4.6	37,803	2,039	5.4
in offices outside the United Kingdom	**13,590**	**485**	**3.6**	10,450	697	6.7	14,750	452	3.1
Reverse repurchase agreements and cash collateral on securities borrowed:									
in offices in the United Kingdom	**163,139**	**1,770**	**1.1**	207,521	8,768	4.2	211,709	9,644	4.6
in offices outside the United Kingdom	**145,606**	**665**	**0.5**	128,250	4,450	3.5	109,012	5,454	5.0
Trading portfolio assets:									
in offices in the United Kingdom	**96,421**	**3,262**	**3.4**	107,626	4,948	4.6	120,691	5,926	4.9
in offices outside the United Kingdom	**103,789**	**3,228**	**3.1**	128,287	5,577	4.3	57,535	3,489	6.1
Financial assets designated at fair value:									

in offices in the United Kingdom	**18,881**	**822**	**4.4**	20,299	1,325	6.5	19,154	849	4.4
in offices outside the United Kingdom	**13,552**	**315**	**2.3**	8,690	426	4.9	11,298	713	6.3
Total average interest earning assets	**1,091,010**	**32,006**	**2.9**	1,076,994	53,672	5.0	928,247	51,153	5.5
Impairment allowances/provisions	**(8,705)**			(5,749)			(4,435)		
Non-interest earning assets	**782,378**			682,867			392,382		
Total average assets and interest income	**1,864,683**	**32,006**	**1.7**	1,754,112	53,672	3.1	1,316,194	51,153	3.9
Percentage of total average interest earning assets in offices outside the United Kingdom	**41.7%**			38.3%			32.2%		
Total average interest earning assets related to:									
Interest income [c]		**32,006**	**2.9**		53,672	5.0		51,153	5.5
Interest expense [c]		**(20,713)**	**1.9**		(39,820)	3.8		(39,201)	4.6
		11,293	**1.0**		13,852	1.2		11,952	0.9

Notes

a Average balances are based upon daily averages for most UK banking operations and monthly averages elsewhere.

b Loans and advances to banks and customers include all doubtful lendings, including non-accrual lendings. Interest receivable on such lendings has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Group.

c In addition to interest income and interest expense shown on the income statement on page 204, interest income and interest expense above includes interest related to principal transactions and available for sale assets and liabilities.

Average balance sheet and net interest income (year ended 31st December)

	2009			2008			2007		
	Average balance [a]	Interest	Average rate	Average balance [a]	Interest	Average rate	Average balance [a]	Interest	Average rate
	£m	£m	%	£m	£m	%	£m	£m	%
Liabilities and shareholders equity									
Deposits by banks:									
in offices in the United Kingdom	**66,394**	**805**	**1.2**	70,272	2,780	4.0	63,902	2,511	3.9
in offices outside the United Kingdom	**31,091**	**295**	**0.9**	32,172	956	3.0	27,596	1,225	4.4
Customer accounts: demand deposits:									
in offices in the United Kingdom	**20,989**	**374**	**1.8**	24,333	910	3.7	29,110	858	2.9
in offices outside the United Kingdom	**23,774**	**876**	**3.7**	14,902	572	3.8	13,799	404	2.9
Customer accounts: savings deposits:									
in offices in the United Kingdom	**71,818**	**388**	**0.5**	71,062	2,143	3.0	55,064	2,048	3.7
in offices outside the United Kingdom	**8,563**	**326**	**3.8**	7,033	413	5.9	4,848	128	2.6
Customer accounts: other time deposits retail:									
in offices in the United Kingdom	**30,233**	**647**	**2.1**	32,283	1,523	4.7	30,578	1,601	5.2
in offices outside the United Kingdom	**28,612**	**1,728**	**6.0**	20,055	1,350	6.7	12,425	724	5.8
Customer accounts: other time deposits wholesale:									
in offices in the United Kingdom	**54,459**	**1,140**	**2.1**	60,574	2,362	3.9	52,147	2,482	4.8
in offices outside the United Kingdom	**20,595**	**988**	**4.8**	31,300	2,094	6.7	24,298	1,661	6.8
Debt securities in issue:									
in offices in the United Kingdom	**75,950**	**2,186**	**2.9**	41,014	1,920	4.7	41,552	2,053	4.9
in offices outside the									

United Kingdom	**81,077**	**2,278**	**2.8**	80,768	3,734	4.6	94,271	5,055	5.4
Dated and undated loan capital and other subordinated liabilities principally:									
in offices in the United Kingdom	**26,379**	**1,889**	**7.2**	22,912	1,435	6.3	12,972	763	5.9
Repurchase agreements and cash collateral on securities lent:									
in offices in the United Kingdom	**169,824**	**1,300**	**0.8**	203,967	8,445	4.1	169,272	7,616	4.5
in offices outside the United Kingdom	**215,714**	**849**	**0.4**	177,883	2,800	1.6	118,050	5,051	4.3
Trading portfolio liabilities:									
in offices in the United Kingdom	**55,704**	**2,193**	**3.9**	56,675	2,657	4.7	47,971	2,277	4.7
in offices outside the United Kingdom	**36,812**	**999**	**2.7**	62,239	2,087	3.4	29,838	1,435	4.8
Financial liabilities designated at fair value:									
in offices in the United Kingdom	**32,573**	**1,223**	**3.8**	32,311	1,062	3.3	16,337	1,068	6.5
in offices outside the United Kingdom	**18,484**	**229**	**1.2**	14,237	577	4.1	9,190	241	2.6
Total average interest bearing liabilities	**1,069,045**	**20,713**	**1.9**	1,055,992	39,820	3.8	853,220	39,201	4.6
Interest free customer deposits:									
in offices in the United Kingdom	**43,897**			40,439			34,109		
in offices outside the United Kingdom	**4,816**			3,089			3,092		
Other non-interest bearing liabilities	**696,478**			617,910			395,946		
Non-controlling and other interests and shareholders equity	**50,447**			36,682			29,827		
Total average liabilities, shareholders equity and interest expense	**1,864,683**	**20,713**	**1.1**	1,754,112	39,820	2.3	1,316,194	39,201	3.0
Percentage of total average interest bearing non-capital liabilities in offices outside the United Kingdom	**43.5%**			41.7%			39.2%		

Note

a Average balances are based upon daily averages for most UK banking operations and monthly averages elsewhere.

Financial review

Additional financial disclosure

continued

Changes in net interest income volume and rate analysis

The following tables allocate changes in net interest income between changes in volume and changes in interest rates for the last two years. Volume and rate variances have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Where variances have arisen from changes in both volumes and interest rates, these have been allocated proportionately between the two.

	2009/2008 Change due to increase/(decrease) in:			2008/2007 Change due to increase/(decrease) in:			2007/2006 Change due to increase/(decrease) in:		
	Total change £m	**Volume £m**	**Rate £m**	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
Interest receivable									
Loans and advances to banks:									
in offices in the UK	**(970)**	**104**	**(1,074)**	379	354	25	427	402	25
in offices outside the UK	**(148)**	**310**	**(458)**	(360)	117	(477)	291	(1)	292
	(1,118)	**414**	**(1,532)**	19	471	(452)	718	401	317
Loans and advances to customers:									
in offices in the UK	**(4,309)**	**814**	**(5,123)**	687	2,525	(1,838)	1,780	1,337	443
in offices outside the UK	**(339)**	**1,422**	**(1,761)**	2,475	2,214	261	1,802	728	1,074
	(4,648)	**2,236**	**(6,884)**	3,162	4,739	(1,577)	3,582	2,065	1,517
Lease receivables:									
in offices in the UK	**(107)**	**(27)**	**(80)**	(2)		(2)	(17)	(26)	9
in offices outside the UK	**(20)**	**92**	**(112)**	61	79	(18)	96	(30)	126
	(127)	**65**	**(192)**	59	79	(20)	79	(56)	135
Financial investments:									
in offices in the UK	**(129)**	**426**	**(555)**	(385)	(102)	(283)	103	(165)	268
in offices outside the UK	**(212)**	**171**	**(383)**	245	(163)	408	(378)	32	(410)
	(341)	**597**	**(938)**	(140)	(265)	125	(275)	(133)	(142)
Reverse repurchase agreements and cash collateral on securities borrowed:									
in offices in the UK	**(6,998)**	**(1,564)**	**(5,434)**	(876)	(188)	(688)	3,508	1,865	1,643
in offices outside the UK	**(3,785)**	**532**	**(4,317)**	(1,004)	855	(1,859)	414	430	(16)
	(10,783)	**(1,032)**	**(9,751)**	(1,880)	667	(2,547)	3,922	2,295	1,627

Trading portfolio assets:									
in offices in the UK	**(1,686)**	**(477)**	**(1,209)**	(978)	(616)	(362)	1,760	621	1,139
in offices outside the UK	**(2,349)**	**(943)**	**(1,406)**	2,088	3,303	(1,215)	881	(172)	1,053
	(4,035)	**(1,420)**	**(2,615)**	1,110	2,687	(1,577)	2,641	449	2,192
Financial assets designated at fair value:									
in offices in the UK	**(503)**	**(87)**	**(416)**	476	53	423	479	534	(55)
in offices outside the UK	**(111)**	**174**	**(285)**	(287)	(146)	(141)	478	357	121
	(614)	**87**	**(701)**	189	(93)	282	957	891	66
Total interest receivable:									
in offices in the UK	**(14,702)**	**(811)**	**(13,891)**	(699)	2,026	(2,725)	8,040	4,568	3,472
in offices outside the UK	**(6,964)**	**1,758**	**(8,722)**	3,218	6,259	(3,041)	3,584	1,344	2,240
	(21,666)	**947**	**(22,613)**	2,519	8,285	(5,766)	11,624	5,912	5,712

Changes in net interest income volume and rate analysis

	2009/2008 Change due to increase/(decrease) in: Total change	Volume	Rate	2008/2007 Change due to increase/(decrease) in: Total change	Volume	Rate	2007/2006 Change due to increase/(decrease) in: Total change	Volume	Rate
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Interest payable									
Deposits by banks:									
in offices in the UK	**(1,975)**	**(146)**	**(1,829)**	269	252	17	47	66	(19)
in offices outside the UK	**(661)**	**(31)**	**(630)**	(269)	181	(450)	88	190	(102)
	(2,636)	**(177)**	**(2,459)**		433	(433)	135	256	(121)
Customer accounts demand deposits:									
in offices in the UK	**(536)**	**(111)**	**(425)**	52	(155)	207	178	105	73
in offices outside the UK	**304**	**327**	**(23)**	168	34	134	150	95	55
	(232)	**216**	**(448)**	220	(121)	341	328	200	128
Customer accounts savings deposits:									
in offices in the UK	**(1,755)**	**23**	**(1,778)**	95	527	(432)	357	(81)	438
in offices outside the UK	**(87)**	**77**	**(164)**	285	77	208	54	45	9
	(1,842)	**100**	**(1,942)**	380	604	(224)	411	(36)	447
Customer accounts other time deposits retail:									
in offices in the UK	**(876)**	**(91)**	**(785)**	(78)	86	(164)	53	(204)	257
in offices outside the UK	**378**	**529**	**(151)**	626	500	126	242	200	42
	(498)	**438**	**(936)**	548	586	(38)	295	(4)	299
Customer accounts other time deposits wholesale:									
in offices in the UK	**(1,222)**	**(219)**	**(1,003)**	(120)	367	(487)	688	263	425
in offices outside the UK	**(1,106)**	**(605)**	**(501)**	433	469	(36)	470	45	425
	(2,328)	**(824)**	**(1,504)**	313	836	(523)	1,158	308	850
Debt securities in issue:									
in offices in the UK	**266**	**1,202**	**(936)**	(133)	(26)	(107)	203	(240)	443
in offices outside the UK	**(1,456)**	**14**	**(1,470)**	(1,321)	(673)	(648)	1,369	1,063	306
	(1,190)	**1,216**	**(2,406)**	(1,454)	(699)	(755)	1,572	823	749
	454	**233**	**221**	672	620	52	(14)	(41)	27

Dated and undated loan capital and other subordinated liabilities principally in offices in the UK									
Repurchase agreements and cash collateral on securities lent:									
in offices in the UK	**(7,145)**	**(1,217)**	**(5,928)**	829	1,471	(642)	2,536	1,090	1,446
in offices outside the UK	**(1,951)**	**497**	**(2,448)**	(2,251)	1,840	(4,091)	740	1,402	(662)
	(9,096)	**(720)**	**(8,376)**	(1,422)	3,311	(4,733)	3,276	2,492	784
Trading portfolio liabilities:									
in offices in the UK	**(464)**	**(45)**	**(419)**	380	408	(28)	263	(80)	343
in offices outside the UK	**(1,088)**	**(742)**	**(346)**	652	1,189	(537)	83	(366)	449
	(1,552)	**(787)**	**(765)**	1,032	1,597	(565)	346	(446)	792
Financial liabilities designated at fair value:									
in offices in the UK	**161**	**8**	**153**	(6)	700	(706)	571	82	489
in offices outside the UK	**(348)**	**137**	**(485)**	336	168	168	29	29	
	(187)	**145**	**(332)**	330	868	(538)	600	111	489
Total interest payable:									
in offices in the UK	**(13,092)**	**(363)**	**(12,729)**	1,960	4,250	(2,290)	4,882	960	3,922
in offices outside the UK	**(6,015)**	**203**	**(6,218)**	(1,341)	3785	(5,126)	3,225	2,703	522
	(19,107)	**(160)**	**(18,947)**	619	8,035	(7,416)	8,107	3,663	4,444
Movement in net interest income									
Increase/(decrease) in interest receivable	**(21,666)**	**947**	**(22,613)**	2,519	8,285	(5,766)	11,624	5,912	5,712
(Increase)/decrease in interest payable	**19,107**	**160**	**18,947**	(619)	(8,035)	7,416	(8,107)	(3,663)	(4,444)
	(2,559)	**1,107**	**(3,666)**	1,900	250	1,650	3,517	2,249	1,268

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Margins and Balances

For commentary on business margins please refer to the Analysis of Results by Business on pages 58 to 79.

Net interest margin	2009	2008	2007
	%	%	%
UK Retail Banking	**1.40**	1.70	1.78
UK Commercial Banking	**1.55**	1.61	1.74
Barclaycard	**9.69**	7.58	7.24
GRCB Western Europe	**1.71**	1.67	1.40
GRCB Emerging Markets	**4.49**	4.14	3.68
GRCB Absa	**2.61**	2.68	2.86
Barclays Wealth	**1.02**	1.04	1.12
GRCB and Wealth	**2.11**	2.07	2.07

Business margins	2009	2008	2007
	%	%	%
UK Retail Banking assets	**1.32**	1.25	1.20
UK Retail Banking liabilities	**1.36**	2.01	2.15
Barclays Commercial Bank assets	**1.60**	1.55	1.80
Barclays Commercial Bank liabilities	**1.22**	1.47	1.49
Barclaycard assets	**8.97**	6.92	6.51
GRCB Western Europe assets	**1.33**	1.19	1.13
GRCB Western Europe liabilities	**0.46**	1.29	1.64
GRCB Emerging Markets assets	**5.20**	4.89	6.62
GRCB Emerging Markets liabilities	**2.26**	2.12	0.75
GRCB Absa assets	**2.68**	2.79	2.70
GRCB Absa liabilities	**2.43**	3.06	3.21
Barclays Wealth assets	**1.01**	1.04	1.11
Barclays Wealth liabilities	**0.96**	0.95	1.03
Total GRCB and Wealth assets	**2.36**	2.07	2.06
Total GRCB and Wealth liabilities	**1.31**	1.72	1.80

Average balances	2009	2008	2007

	£m	£m	£m
UK Retail Banking assets	**97,830**	90,263	78,502
UK Retail Banking liabilities	**89,042**	85,892	81,848
Barclays Commercial Bank assets	**63,273**	61,710	53,947
Barclays Commercial Bank liabilities	**49,012**	47,624	46,367
Barclaycard assets	**28,102**	23,552	18,976
GRCB Western Europe assets	**51,684**	41,719	30,145
GRCB Western Europe liabilities	**17,379**	10,610	7,489
GRCB Emerging Markets assets	**8,341**	7,016	3,559
GRCB Emerging Markets liabilities	**8,200**	7,387	5,115
GRCB Absa assets	**32,483**	27,706	25,333
GRCB Absa liabilities	**17,380**	13,454	11,511
Barclays Wealth assets	**12,293**	9,749	7,403
Barclays Wealth liabilities	**37,198**	37,205	31,151
Total GRCB and Wealth assets	**294,006**	261,715	217,865
Total GRCB and Wealth liabilities	**218,211**	202,172	183,481

Note

a Including share of the interest income on Group equity.

Analysis of net interest income	**2009**	2008	2007
	£m	£m	£m
GRCB and Barclays Wealth net interest income pre product structural hedge	**8,654**	8,845	7,772
GRCB and Barclays Wealth net interest income from product structural hedge	**1,364**	44	(7)
GRCB and Barclays Wealth share of benefit of interest income on Group equity	**799**	712	547
Total GRCB and Barclays Wealth net interest income	**10,817**	9,601	8,312
Barclays Capital net interest income[a]	**1,598**	1,724	1,179
BGI net interest income[a]	**43**	(38)	(8)
Other net interest income	**(507)**	182	127
Group net interest income	**11,951**	11,469	9,610

Critical accounting estimates

The Group s accounting policies are set out on pages 193 to 203. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the Group s financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates which are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the Board Audit Committee.

Fair value of financial instruments

Some of the Group s financial instruments are carried at fair value through profit or loss, such as those held for trading, designated by management under the fair value option and non-cash flow hedging derivatives.

Other non-derivative financial assets may be designated as available for sale. Available for sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of equity. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Where a valuation model is used to determine fair value, it makes maximum use of market inputs. The classification of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Financial instruments with a fair value based on quoted market prices (Level 1) include valuations which are determined by unadjusted quoted prices for identical instruments in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm s length basis.

Financial instruments with a fair value based on observable inputs (Level 2), other than quoted market prices as described for Level 1, but which are observable for the instrument, either directly or indirectly.

Financial instruments with a fair value based on significant unobservable inputs (Level 3), include valuations which incorporate significant inputs for the instrument that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

An analysis of financial instruments carried at fair value by valuation hierarchy, particulars of the valuation techniques used and a sensitivity analysis of valuations using unobservable inputs is included in Note 50. This note also includes a discussion of the more judgemental aspects of valuation in the period, including: credit valuation adjustments on monoline exposures, commercial real estate loans, and private equity investments.

Allowances for loan impairment and other credit risk provisions

Allowances for loan impairment represent management s estimate of the losses incurred in the loan portfolios as at the balance sheet date. Changes to the allowances for loan impairment and changes to the provisions for undrawn contractually committed facilities and guarantees provided are reported in the consolidated income statement as part of the impairment charge. Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in recognition of an asset at an amount less than the amount advanced.

Within the retail and small businesses portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio

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are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for these portfolios is £3,917m (2008: £2,333m) and amounts to 53% (2008: 47%) of the total impairment charge on loans and advances in 2009.

For larger accounts, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example, the business prospects for the customer, the realisable value of collateral, the Group s position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan s original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to larger accounts is £3,441m (2008: £2,580m) and amounts to 47% (2008: 53%) of the total impairment charge on loans and advances. Further information on impairment allowances is set out in Note 7 on page 214.

Goodwill

Management have to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the process requires the identification of independent cash generating units and the allocation of goodwill to these units. This allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. If the fair value of a unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out taking into consideration changes in the market in

which a business operates (e.g. competitive activity, regulatory change). In the absence of readily available market price data this calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management s view of future performance. The most significant amounts of goodwill relate to UK Retail Banking and GRCB Absa, where goodwill impairment testing performed in 2009 indicated that this goodwill was not impaired. An analysis of goodwill by cluster, together with key assumptions underlying the impairment testing, is included in Note 21 on page 225.

Intangible assets

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold and have a finite useful life are amortised over their estimated useful life. Determining the estimated useful life of these finite life intangible assets requires an analysis of circumstances, and judgement by the Group s management. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset s or the cash-generating unit s net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm s length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset s continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. The most significant amounts of intangible assets relate to the GRCB Absa and Lehman Brothers North American businesses.

Retirement benefit obligations

The Group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs. For defined contribution schemes, the pension cost recognised in the profit and loss account represents the contributions payable to the scheme. For defined benefit schemes, actuarial valuation of each of the scheme s obligations using the projected unit credit method and the fair valuation of each of the scheme s assets are performed annually in accordance with the requirements of IAS 19.

The actuarial valuation is dependent upon a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group s own experience. The returns on fixed interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on UK and overseas equities are based on the long-term outlook for global equities at the calculation date having regard to current market yields and dividend growth expectations. The inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognised actuarial gains or losses and past service cost, is recognised as a liability in the balance sheet. An asset arising, for example, as a result of past over-funding or the performance of the plan investments, is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions. To the extent that any unrecognised gains or losses at the start of the measurement year in relation to any individual defined benefit scheme exceed 10% of the greater of the fair value of the scheme assets and the defined benefit obligation for that scheme, a proportion of the excess is recognised in the income statement.

The Group s IAS 19 pension deficit across all schemes as at 31st December 2009 was £3,946m (Note 30) (2008: £1,287m). There are net recognised liabilities of £698m (2008: £1,292m) and unrecognised actuarial losses of £3,248m (Note 30) (2008: £5m gains). The net recognised liabilities comprised retirement benefit liabilities of £769m (2008: £1,357m) and assets of £71m (2008: £65m).

The Group s IAS 19 pension deficit in respect of the main UK scheme as at 31st December 2009 was £3,534m (2008: £858m). The most significant reasons for this change were the decrease in AA corporate bond yields which resulted in a lower discount rate of 5.61% (31st December 2008: 6.75%) and an increase in the long-term inflation assumption to 3.76% (31st December 2008: 3.16%). The impact of the change in assumptions was partially offset by a one-off curtailment credit resulting from the closure of the UK final salary pension schemes to existing

members, better than expected asset performance, and contributions paid in excess of the pension expense.

Further information on retirement benefit obligations, including assumptions, is set out in Note 30 to the accounts on page 236.

Derecognition of financial assets

The Group derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired. Derecognition is also appropriate where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or

(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.
Where significant risks and rewards have been transferred, but the transferee does not have the unconditional ability to sell or pledge the asset, the Group continues to account for the asset to the extent of its continuing involvement (continuing involvement accounting).

To assess the extent to which risks and rewards have been transferred, it is often necessary to perform a quantitative analysis. Such an analysis will compare the Group s exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature typically involves significant judgement. In particular, it is necessary to estimate the asset s expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity or prepayment rates.

Where neither derecognition nor continuing involvement accounting is appropriate, the Group continues to recognise the asset in its entirety and recognises any consideration received as a financial liability.

Taxation

The tax charge in the accounts for amounts due to fiscal authorities in the various territories in which the Group operates includes estimates based on judgement of the application of law and practice to quantify any liability arising after taking into account external advice where appropriate.

Financial review

Analysis of results by business

Business performance Global Retail and Commercial Banking

UK Retail Banking profit before tax decreased 55% to £612m as economic conditions remained challenging. Income was down 11% reflecting the impact of deposit margin compression net of hedges, partially offset by good growth in Home Finance. Total loans and advances to customers increased £4.7bn to £99.1bn. Gross new mortgage lending was £14.2bn during 2009 and net new mortgage lending was £5.7bn. The average loan to value ratio of the mortgage book remained conservative at 43%. Impairment charges increased 55% due to the deteriorating economic environment. Operating expenses continued to be tightly controlled and decreased 3% reflecting a one-off credit from the closure of the UK final salary pension scheme offset by a year on year increase in pension costs and the non-recurrence of gains from the sale of property.

Barclays Commercial Bank profit before tax decreased 41% to £749m. Income was broadly flat on 2008 with good growth in net fees and commissions offset by lower income from principal transactions. Net interest income was broadly flat as margin compression on the deposit book was offset by higher lending and deposit volumes. New term lending extended to UK customers during 2009 was £14bn. Operating expenses were tightly controlled and fell 3% driven by a one-off credit from the closure of the UK final salary pension scheme partially offset by an increase in pensions and share-based payment costs and the non-recurrence of gains from the sale of property. Impairment charges increased to £974m reflecting the impact of the weak business environment with rising default rates and falling asset values across all business segments.

Barclaycard profit before tax decreased 4% to £761m. Income growth of 26% reflected strong growth across the businesses driven by increased lending and improved margins. Average customer assets increased 19% to £28.1bn. Impairment charges increased 64% due to the deteriorating global economic environment, although the rate of growth in the second half of the year was lower than in the first half. Impairment grew across both the international and UK businesses. Cost growth of 5% was largely driven by appreciation of the average value of the US Dollar and the Euro against Sterling and growth in the card portfolios including acquisitions made in 2008.

Global Retail and Commercial Banking Western Europe profit before tax fell 48% to £130m. Results included Barclays Russia, which incurred a loss of £67m and reflected a gain of £157m on the sale of Barclays life insurance and pensions business in Iberia. Income grew in all countries, improving 18% as the expanded network continued to mature with customer deposits increasing £7.8bn to £23.4bn. Costs increased 16% reflecting the expansion of the Portuguese and Italian networks, the investment in Barclays Russia, restructuring charges of £24m and reduced gains from the sale of property. Impairment charges increased £370m to £667m, largely driven by losses in Spain in commercial property, construction and SME portfolios. However, delinquency trends improved throughout the second half of 2009 in both retail and commercial portfolios.

Global Retail and Commercial Banking Emerging Markets loss before tax of £254m compared to a profit of £141m in 2008. Income increased 5% with significant growth across Africa and the UAE, partially offset by lower

Analysis of results by business	UK Retail Banking	Barclays Commercial Bank	Barclaycard £m	GRCB Western Europe £m	GRCB Emerging Markets £m	GRCB Absa £m	Barclays Capital £m	Barclays Global Investors[a] £m	Barclays Wealth £m	Head Office Functions and Other Operations

	£m	£m								£m
Net interest income	2,624	1,741	2,723	1,182	743	1,300	1,598	43	504	(507)
Net fee and commission income	1,225	926	1,271	438	232	943	3,001	1,757	802	(418)
Principal transactions		(26)	22	123	68	123	7,021	98	20	(325)
Net premiums from insurance contracts	198		44	544		294	5			92
Other income	6	112	2	8	2	60		5	7	1,186
Total income	4,053	2,753	4,062	2,295	1,045	2,720	11,625	1,903	1,333	28
Net claims and benefits incurred on insurance contracts	(68)		(20)	(572)		(171)				
Total income, net of insurance claims	3,985	2,753	4,042	1,723	1,045	2,549	11,625	1,903	1,333	28
Impairment charges and other credit provisions	(936)	(974)	(1,798)	(667)	(471)	(567)	(2,591)		(51)	(16)
Net income	3,049	1,779	2,244	1,056	574	1,982	9,034	1,903	1,282	12
Operating expenses	(2,440)	(1,030)	(1,494)	(1,113)	(852)	(1,469)	(6,592)	(1,154)	(1,138)	(570)
Share of post-tax results of associates and joint ventures	3		8	4		(4)	22			1
Profit on disposal of subsidiaries, associates and joint ventures			3	157	24	(3)		(1)	1	7
Profit on disposal of discontinued operations								6,331		
Gain on acquisitions				26						
Profit before tax	612	749	761	130	(254)	506	2,464	7,079	145	(550)
As at 31st December 2009										
Total assets	105,228	75,547	30,220	64,185	11,874	45,824	1,019,120	5,406	15,095	6,430
Total liabilities	102,934	68,108	5,543	48,049	9,836	25,769	951,192	416	41,648	66,848

Note

a Continuing and discontinued operations including profit on disposal.

income in India. Impairment charges increased £306m to £471m with significant increases in India and the UAE, reflecting the impact of the economic recession across the business with continued pressure on liquidity, rising default rates and lower asset values. Operating expense growth of 24% reflected continued investment in Indonesia and Pakistan and investment in infrastructure across other markets.

Global Retail and Commercial Banking Absa profit before tax decreased 8% to £506m. Income growth of 16% was driven by solid balance sheet growth, the appreciation in the average value of the Rand against Sterling and higher fees and commissions. Operating expenses increased at a lower rate of 13% which led to an improvement in the cost:income ratio to 58% (2008: 59%). Impairment charges rose £220m to £567m as a result of higher delinquency levels in the retail portfolios reflecting high consumer indebtedness.

Business performance Investment Banking and Investment Management

Barclays Capital profit before tax increased 89% to £2,464m as a result of very strong performances in the UK, Europe and the US, partially offset by a charge of £1,820m relating to own credit (2008: £1,663m gain). Top-line income increased 81% to £17.9bn reflecting excellent results across the client franchise and a resilient fourth quarter with top-line income of £3.6bn. Fixed Income, Currency and Commodities (FICC) was up £5.6bn to £13.0bn following the expansion of the business and increased client flows. Top-line

income in Equities and Prime Services increased 147% and Investment Banking income more than doubled. Total credit market exposures were reduced by £14.1bn to £27.6bn. In addition £5.1bn of credit market assets (and £2.4bn of other assets) were sold to Protium Finance LP. Operating expenses were 75% higher than 2008 given the substantial increase in the overall scale of the business. The cost:income ratio improved to 57% (2008: 72%). Compensation expenses as a proportion of income reduced 38%, down from 44% in 2008. Total assets reduced 37% driven by initiatives to reduce derivative balances.

On 1st December 2009 Barclays completed the sale of Barclays Global Investors to BlackRock, Inc. Included in the consideration were 37.567 million new BlackRock shares giving Barclays an economic interest of 19.9% of the enlarged BlackRock group. The profit on disposal before tax was £6,331m. Profit before tax, excluding the profit on disposal, increased 26% to £748m (2008: £595m) following a recovery on liquidity support charges and an 18% appreciation in the average value of the US Dollar against Sterling.

Barclays Wealth profit before tax reduced 78% to £145m principally as a result of the impact of the sale of the closed life business in 2008 and the cost of the integration of Barclays Wealth Americas during 2009. Income was in line with 2008. Excluding the impact of these transactions there was solid growth in income due to growth in the client franchise and the product offering. Operating expenses grew by 22%, reflecting the integration of the US business, partially offset by the disposal of the closed life business. Total client assets increased by 4% (£6bn) to £151bn.

Financial review

Analysis of results by business

continued

Global Retail and Commercial Banking

UK Retail Banking

UK Retail Banking comprises Personal Customers, Home Finance, Local Business, Consumer Lending and Barclays Financial Planning. We have one of the largest branch networks in the UK with around 1,700 branches and an extensive network of cash machines.

What we do

We are transforming Barclays to be the best bank in the UK by designing innovative, simple and transparent propositions, streamlining operating platforms and further leveraging Barclays Group capabilities.

Our cluster of businesses aims to build broader and deeper relationships with customers. Personal Customers and Home Finance provide a wide range of products and services to retail customers, including current accounts, savings and investment products, mortgages branded Woolwich and general insurance. Barclays Financial Planning provides banking, investment products and advice to affluent customers.

Local Business provides banking services to small businesses. UK Retail Banking is also a gateway to more specialised services from other parts of Barclays such as Barclays Stockbrokers.

Our business serves 15 million UK customers.

Performance

2009/08

In the continued challenging economic environment, UK Retail Banking profit before tax decreased 55% (£757m) to £612m (2008: £1,369m), impacted by low interest rates resulting in margin compression on the deposit book and increased impairment charges which together more than offset well controlled costs and an improved assets margin.

The number of Savings Accounts increased 10% to 13.2 million (31st December 2008: 12.0 million) and Mortgage Accounts increased 18,000 to 834,000 (31st December 2008: 816,000). Local Business customer numbers increased 26,000 to 686,000 (31st December 2008: 660,000) with gross new lending of £1,047m. Total loans and advances to customers increased £4.7bn to £99.1bn (31st December 2008: £94.4bn).

Income decreased 11% (£497m) to £3,985m (2008: £4,482m) reflecting the impact of margin compression, which more than offset good income growth in Home Finance.

Net interest income decreased 12% (£372m) to £2,624m (2008: £2,996m) driven by margin compression of £755m on liabilities after taking into account gains on product hedges implemented to protect income on current accounts and managed rate deposits. This was partially offset by increases in asset driven net interest income. Total average customer deposit balances increased 4% to £89.0bn (2008: £85.9bn), reflecting good growth in Personal Customer Current Account balances. The average liabilities margin declined to 1.36% (2008: 2.01%) reflecting reductions in UK base rates.

Average mortgage balances grew 10%, reflecting strongly positive net lending. Mortgage balances were £87.9bn at the end of the period (31st December 2008: £82.3bn), a market share of 7% (2008: 7%). Gross advances reduced to £14.2bn (2008: £22.9bn) reflecting a continued conservative approach to lending, with redemptions of £8.5bn (2008: £10.4bn). Net new mortgage lending was £5.7bn (2008: £12.5bn). The average loan to value ratio of the mortgage book (including buy-to-let) on a current valuation basis was 43% (2008: 40%). The average loan to value ratio of new mortgage lending was 48% (2008: 47%) and the assets margin increased to 1.32% (2008: 1.25%) reflecting increased returns from mortgages and consumer loans.

Net fee and commission income decreased 6% (£74m) to £1,225m (2008: £1,299m) reflecting changing customer usage together with lower mortgage application and redemption fees. Overall sales productivity resulted in fee income growth in investments.

Total impairment charges represented 0.93% (2008: 0.63%) of total gross loans and advances to customers and banks. Impairment charges increased 55% (£334m) to £936m (2008: £602m), reflecting lower expectations for recoveries in line with the current economic environment. Impairment charges within Consumer Lending increased 56% to £573m (2008: £368m) with impairment charges increasing 75% to £183m (2008: £105m) in Personal Customer Current Accounts. Mortgage impairment charges remained low at £26m (2008: £24m).

Operating expenses remained well controlled and decreased 3% (£79m) to £2,440m (2008: £2,519m). This reflected the receipt of a one-off credit of £175m resulting from the closure of the UK final salary pension scheme to existing members, offset by a year on year increase in pension costs of £115m and the non-recurrence of gains of £75m from the sale of property.

Key points

11.2m Personal customers with UK current accounts

13.2m Personal customers with UK savings accounts

LTV of mortgage book of 43% and LTV of new mortgage lending of 48%

686,000 Local Business customers

2008/07

UK Retail Banking profit before tax increased 7% (£94m) to £1,369m (2007: £1,275m) through solid income growth and continued good control of impairment and costs. The launch of new products and propositions supported a significant increase in customer accounts, with Current Accounts increasing 4% (0.4m) to 11.7m (2007: 11.3m), Savings Accounts increasing 8% (0.9m) to 12.0m (2007: 11.1m) and Mortgage Accounts increasing 8% (62,000) to 816,000 (2007: 754,000).

Income grew 4% (£185m) to £4,482m (2007: £4,297m) reflecting strong growth in Home Finance and solid growth in Consumer Lending and Local Business, partially offset by reduced income from Personal Customer Savings Accounts due to the impact of the reductions in the UK base rates in the second half of 2008.

Net interest income increased 5% (£138m) to £2,996m (2007: £2,858m) driven by strong growth in loans and advances. Total average customer deposit balances increased 5% to £85.9bn (2007: £81.8bn), reflecting solid growth in Personal Customer and Local Business balances. The average liabilities margin declined to 2.01% (2007: 2.15%) reflecting the reductions in UK base rates in the second half of 2008.

Mortgage balances grew 18%, driven by increased share of new lending and higher levels of balance retention. Mortgage balances were £82.3bn at the end of the period (31st December 2007: £69.8bn), a market share of

7% (2007: 6%). Gross advances were stable at £22.9bn, with redemptions of £10.4bn (2007: £15.0bn). Net new lending was £12.5bn (2007: £8.0bn), a market share[a] of 36% (2007: 8%). The average loan to value ratio of the mortgage book (including buy-to-let) on a current valuation basis was 40% (2007: 34%). The average loan to value ratio of new mortgage lending was 47% (2007: 49%). The assets margin increased to 1.25% (2007: 1.20%) reflecting increased returns from mortgages.

Net fee and commission income increased 10% (£116m) to £1,299m (2007: £1,183m) reflecting £116m settlements on overdraft fees in 2007. Excluding this, net fees and commissions were stable.

Impairment charges increased 8% (£43m) to £602m (2007: £559m), reflecting growth in customer assets of 15% and the impact of the current economic environment. Mortgage impairment charges were £24m (2007: release of £3m). Impairment charges within Consumer Lending increased 3%.

Operating expenses increased 2% (£49m) to £2,519m (2007: £2,470m) reflecting reduced gains from the sale of property of £75m (2007: £193m). Continued strong and active management of expense lines, including back-office consolidation and process efficiencies, funded increased investment in product development and distribution channels.

The cost:income ratio improved one percentage point to 56% (2007: 57%).

UK Retail Banking	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**2,624**	2,996	2,858
Net fee and commission income	**1,225**	1,299	1,183
Net premiums from insurance contracts	**198**	205	252
Other income	**6**	17	47
Total income	**4,053**	4,517	4,340
Net claims and benefits on insurance contracts	**(68)**	(35)	(43)
Total income net of insurance claims	**3,985**	4,482	4,297
Impairment charges	**(936)**	(602)	(559)
Net income	**3,049**	3,880	3,738
Operating expenses excluding amortisation of intangible assets	**(2,400)**	(2,499)	(2,461)
Amortisation of intangible assets	**(40)**	(20)	(9)
Operating expenses	**(2,440)**	(2,519)	(2,470)
Share of post-tax results of associates and joint ventures	**3**	8	7
Profit before tax	**612**	1,369	1,275
Balance sheet information			
Loans and advances to customers	**£99.1bn**	£94.4bn	£82.0bn
Customer accounts	**£92.5bn**	£89.6bn	£87.1bn
Total assets	**£105.2bn**	£101.4bn	£88.5bn
Performance ratios			
Return on average economic capital	**12%**	27%	28%
Cost:income ratio	**61%**	56%	57%
Cost:net income ratio	**80%**	65%	66%
Other financial measures			
Economic profit	**(£64m)**	£633m	£617m
Risk weighted assets [b]	**£32.2bn**	£30.5bn	£31.5bn

Notes

a Excludes Housing Associations.
b Risk weighted assets for 2009 and 2008 are calculated under Basel II. 2007 is calculated under Basel I.

Financial review

Analysis of results by business

continued

Global Retail and Commercial Banking

Barclays Commercial Bank

Barclays Commercial Bank is one of the UK s leading providers of banking solutions to business customers and clients with an annual turnover of more than £1m.

What we do

Barclays Commercial Bank provides banking services to customers via a network of relationship, regional, industry-sector and product speacialists across the UK.

Working closely with our clients to understand their needs, we deliver financing, risk management, trade and cash management solutions constructed from a comprehensive suite of products, expertise and services. This includes specialist asset financing and leasing facilities.

Performance

2009/08

Barclays Commercial Bank profit before tax decreased 41% (£517m) to £749m (2008: £1,266m), primarily driven by significantly higher impairment charges. Income was flat, with strong performance from net fees and commissions offset by lower principal transactions.

Income totalled £2,753m (2008: £2,745m). Net interest income fell 1% (£16m) to £1,741m (2008: £1,757m) with the benefit of increased average lending balances and higher deposit volumes offset by margin compression in the deposit book of £220m. Average lending grew 3% (£1.6bn) to £63.3bn (2008: £61.7bn) reflecting our continuing commitment to lend to viable businesses. The asset margin increased 5 basis points to 1.60% (2008: 1.55%). Average customer deposits grew 3% (£1.4bn) to £49.0bn (2008: £47.6bn) benefiting from ongoing product initiatives. Deposit margin fell 25 basis points to 1.22% (2008: 1.47%) reflecting the fall in UK base rate.

Non-interest income comprised 37% of total income (2008: 36%). Net fees and commissions income increased 8% (£65m) to £926m (2008: £861m), driven by strong debt fees, trade guarantees and other fee income.

Principal transactions income decreased £48m to a loss of £26m (2008: gain of £22m) as a result of investment writedowns and fewer opportunities for equity realisation within the current market environment.

Other income grew 7% (£7m) to £112m (2008: £105m) reflecting increased income from the repurchase of securitised debt issued of £85m (2008: £24m), partially offset by lower rental income from operating leases of £21m (2008: £29m). 2008 income included a £39m gain from the restructuring of Barclays interest in a third party finance operation.

Impairment charges rose to £974m (2008: £414m), reflecting the impact of the economic recession across the business with continued pressure on corporate liquidity, rising default rates and lower asset values.

Key points

113,500 Customers

9,100 Colleagues

Impairment as a percentage of period end gross loans and advances to customers and banks increased to 1.58% (2008: 0.60%).

Operating expenses fell 3% to £1,030m (2008: £1,063m), reflecting tightly managed discretionary costs and a £100m one-off credit for the closure of the UK final salary pensions scheme partially offset by an incremental increase in pension costs of £69m and the non-recurrence of property credits.

The number of customers fell 6% primarily as a result of reductions in exposures to high risk sectors within Barclays Asset and Sales Finance.

2008/07

Barclays Commercial Bank profit before tax decreased 7% (£91m) to £1,266m (2007: £1,357m) reflecting a resilient performance in challenging market conditions in 2008. The impact of growth in net fee and commission income and continued strong growth in customer lending was offset by increased impairment charges and higher operating expenses.

Income increased 7% (£181m) to £2,745m (2007: £2,564m).

Net interest income improved 1% (£10m) to £1,757m (2007: £1,747m). There was strong growth in average customer assets, particularly term loans, which increased 14% to £61.7bn (2007: £53.9bn) reflecting the continued commitment to lend to viable businesses. The assets margin decreased 25 basis points to 1.55% (2007: 1.80%) due, in part, to a continued focus on lower risk term lending. Average customer accounts grew 3% to £47.6bn (2007: £46.4bn), and the deposit margin

declined slightly to 1.47% (2007: 1.49%) partly reflecting the reductions in UK base rates in the second half of 2008.

Non-interest income increased to 36% of total income (2007: 32%) partly reflecting continued focus on cross sales and efficient balance sheet utilisation. Net fee and commission income increased 15% (£111m) to £861m (2007: £750m) due to increased income from foreign exchange, derivative sales and debt fee income.

Income from principal transactions fell to £22m (2007: £56m) due to lower equity realisations.

Other income of £105m (2007: £11m) included a £39m gain arising from the restructuring of Barclays interest in a third party finance operation. This gain was offset by a broadly similar tax charge. Other income also included £29m (2007: £7m) rental income from operating leases.

Impairment charges increased 42% (£122m) to £414m (2007: £292m) primarily reflecting higher impairment losses in Larger Business, particularly in the final quarter of 2008 as the UK corporate credit environment deteriorated. Impairment as a percentage of period-end loans and advances to customers and banks increased to 0.60% (2007: 0.45%).

Operating expenses increased 14% (£134m) to £1,063m (2007: £929m) reflecting lower gains on the sale of property of £10m (2007: £40m), investment in a new payments capability (2008: £69m, 2007: £42m), growth in the operating lease business (2008: £31m, 2007: £7m) and investment in risk and operations infrastructure, sales force capability and product specialists.

Barclays Commercial Bank	2009	2008	2007
	£m	£m	£m
Income statement information			
Net interest income	**1,741**	1,757	1,747
Net fee and commission income	**926**	861	750
Net trading income	**25**	3	9
Net investment income	**(51)**	19	47
Principal transactions	**(26)**	22	56
Other income	**112**	105	11
Total income	**2,753**	2,745	2,564
Impairment charges and other credit provisions	**(974)**	(414)	(292)
Net income	**1,779**	2,331	2,272
Operating expenses excluding amortisation of intangible assets	**(1,009)**	(1,048)	(924)
Amortisation of intangible assets	**(21)**	(15)	(5)
Operating expenses	**(1,030)**	(1,063)	(929)
Share of post-tax results of associates and joint ventures		(2)	
Profit on disposal of subsidiaries, associates and joint ventures			14
Profit before tax	**749**	1,266	1,357
Balance sheet information			
Loans and advances to customers	**£59.6bn**	£67.5bn	£63.7bn
Loans and advances to customers including those designated at fair value	**£72.7bn**	£80.5bn	£70.7bn
Customer accounts	**£62.7bn**	£60.6bn	£60.8bn
Total assets	**£75.5bn**	£84.0bn	£74.6bn
Performance ratios			
Return on average economic capital	**16%**	26%	30%
Cost:income ratio	**37%**	39%	36%
Cost:net income ratio	**58%**	46%	41%
Other financial measures			
Economic profit	**£90m**	£544m	£635m
Risk weighted assets	**£60.3bn**	£63.1bn	£57.0bn

Financial review

Analysis of results by business

continued

Global Retail and Commercial Banking

Barclaycard

Barclaycard is a multi-brand international payment services provider for consumer and business customers including credit cards and consumer lending. Our credit card was the first to be launched in the UK in 1966 and is now one of the leading credit card businesses in Europe, with a fast growing business in the United States and South Africa.

What we do

In the UK our consumer payment services include Barclaycard branded credit cards, partnership cards with leading brands and secured lending.

Barclaycard s international presence continues to grow very strongly, with international consumer customers now exceeding the number in the UK. We currently operate in Germany, the United States and South Africa. In Scandinavia, we operate through Entercard, a joint venture with Swedbank.

Our UK and international payment businesses provide payment acceptance services for 87,000 retailers and merchants, both for face to face transactions and over the internet and provides market-leading acceptance of contactless cards. The business also issues credit and charge cards to corporate customers and the UK Government, and provides sales financing at retailers and auto dealers. Barclaycard is Europe s number one issuer of Visa Commercial Cards with over 145,000 public and private sector corporate customers.

Performance

2009/08

Barclaycard profit before tax decreased 4% (£28m) to £761m (2008: £789m). Strong income growth across the portfolio driven by increased lending, improved margins and foreign exchange gains, was offset by higher impairment charges, driven by the deterioration in the global economy.

International businesses profit before tax decreased 59% to £107m (2008: £261m) driven by the US business. Strong income growth driven by higher average extended credit balances was more than offset by impairment growth, especially in the US and South African businesses, and increased operating expenses. In the UK our businesses benefited from an improvement in margins and growth in average extended balances leading

to income increasing 18% to £2,494m (2008: £2,111m). Income growth was partially offset by the growth in impairment as worsening economic conditions impacted delinquencies.

Income increased 26% (£823m) to £4,042m (2008: £3,219m) reflecting strong growth across the portfolio, especially in the international businesses through higher extended credit balances, lower funding rates and the appreciation of the average values of the US Dollar and the Euro against Sterling.

Net interest income increased 52% (£937m) to £2,723m (2008: £1,786m) driven by strong growth in international average extended credit card balances, up 52% to £7.9bn (2008: £5.2bn), and lower funding rates as margins improved to 8.97% (2008: 6.92%).

Net fee and commission income decreased 2% (£28m) to £1,271m (2008: £1,299m) through lower volumes in FirstPlus due to the decision taken to stop writing new business in 2008 and lower volumes in the UK card portfolios partially offset by growth in the international businesses.

Principal transactions of £22m (2008: £82m) included a £20m gain from the sale of MasterCard shares (2008: £16m). Investment income in 2008 included a £64m gain from the Visa IPO.

Other income in 2008 included an £18m gain on the sale of a portfolio in the US.

Impairment charges increased £701m (64%) to £1,798m (2008: £1,097m). The rate of growth in the second half of the year was lower than that in the first half. Impairment charges in the international businesses increased £444m, driven by higher delinquencies due to deteriorating economic conditions, growth in average receivables and the appreciation of the average values of the US Dollar and the Euro against Sterling. UK portfolio charges were higher as a result of rising delinquencies due to the economic deterioration, especially in the loan portfolios, and the inclusion of Goldfish in UK Cards.

Operating expenses increased 5% (£72m) to £1,494m (2008: £1,422m), due to the appreciation in the average value of the US Dollar and the Euro against Sterling and growth in the portfolios including the acquisitions made in the UK, US and South Africa in 2008.

The purchase of Goldfish resulted in a gain on acquisition of £92m in 2008.

Note

a The number of customers at 31st December 2009 is, after a reduction of 1.5 million, due to the closure of dormant accounts.

Key points

10.4m Barclaycard UK customers

£10.8bn UK consumer cards average outstanding balances

£8.5bn UK credit cards average extended credit balances

10.8m Barclaycard international customers

2008/07

Barclaycard profit before tax increased 31% (£186m) to £789m (2007: £603m), driven by strong international income growth and lower UK impairment charges. 2008 profit included £40m from the acquisition of, and contribution from, Goldfish, Discover s UK credit card business, acquired on 31st March 2008. The scale of the UK and international businesses increased substantially with total customer numbers up 31% to 23.3m.

Income increased 27% (£689m) to £3,219m (2007: £2,530m), reflecting strong growth in Barclaycard International and £156m from the inclusion of Goldfish, partially offset by a decline in FirstPlus following its closure to new business.

Net interest income increased 30% (£412m) to £1,786m (2007: £1,374m), driven by 58% growth in international average extended credit card balances to £5.2bn. The margin increased to 6.92% (2007: 6.51%), due to a change in the product mix with an increased weighting to card lending, following the decision to stop writing new business in FirstPlus.

Net fee and commission income increased 14% (£156m) to £1,299m (2007: £1,143m), driven by growth in Barclaycard International.

Income from principal transactions increased £71m to £82m (2007: £11m), reflecting a £64m gain from the Visa IPO and a £16m gain from the sale of shares in MasterCard.

Other income increased £44m to £19m (2007: £25m loss), reflecting a gain from a portfolio sale in the United States. 2007 results reflected a £27m loss on disposal of part of the Monument card portfolio.

Impairment charges increased 33% (£270m) to £1,097m (2007: £827m), reflecting £252m growth in charges in the international businesses and £68m from the inclusion of Goldfish. These factors were partially offset by £50m lower impairment in the other UK businesses with reduced flows into delinquency and lower levels of arrears.

Operating expenses increased 30% (£329m) to £1,422m (2007: £1,093m), reflecting continued international growth and increased marketing investment. Operating expenses reflected Goldfish expenses of £140m, including restructuring costs of £64m.

The acquisition of Goldfish resulted in a gain on acquisition of £92m.

Barclaycard International maintained its strong growth momentum, delivering a 71% (£108m) increase in profit before tax to £260m (2007: £152m). Barclaycard US profit before tax was US$249m which exceeded delivery of the financial plan of US$150m set out at the time of acquisition. Strong balance sheet growth in Barclaycard US included US$1.9bn of credit card receivables acquired from FIA Card Services in August 2008, furthering the existing partnership agreement with US Airways. The acquisition of a majority stake in Woolworths Financial Services in October 2008, added 1.6 million customers to the existing Absa credit card business in South Africa. The Entercard joint venture with Swedbank continued to build presence in Norway, Sweden and Denmark.

Barclaycard	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**2,723**	1,786	1,374
Net fee and commission income	**1,271**	1,299	1,143
Net trading income	**(1)**	2	
Net investment income	**23**	80	11
Principal transactions	**22**	82	11
Net premiums from insurance contracts	**44**	44	40
Other income	**2**	19	(25)
Total income	**4,062**	3,230	2,543
Net claims and benefits incurred on insurance contracts	**(20)**	(11)	(13)
Total income net of insurance claims	**4,042**	3,219	2,530
Impairment charges and other credit provisions	**(1,798)**	(1,097)	(827)
Net income	**2,244**	2,122	1,703
Operating expenses excluding amortisation of intangible assets	**(1,412)**	(1,361)	(1,057)
Amortisation of intangible assets	**(82)**	(61)	(36)
Operating expenses	**(1,494)**	(1,422)	(1,093)
Profit on disposal of subsidiaries, associates and joint ventures	**8**	(3)	(7)
Share of post-tax results of associates and joint ventures	**3**		
Gain on acquisition		92	
Profit before tax	**761**	789	603
Balance sheet information			
Loans and advances to customers	**£26.5bn**	£27.4bn	£19.7bn
Total assets	**£30.2bn**	£30.9bn	£22.1bn
Performance ratios			
Return on average economic capital	**15%**	23%	20%
Cost:income ratio	**37%**	44%	43%
Cost:net income ratio	**67%**	67%	64%
Other financial measures			
Economic profit	**£45m**	£335m	£213m
Risk weighted assets	**£30.6bn**	£27.3bn	£20.2bn

Financial review

Analysis of results by business

continued

Global Retail and Commercial Banking

Western Europe

GRCB Western Europe comprises our retail and commercial banking operations, as well as our Barclaycard businesses, in Spain, Portugal, France, Italy and Russia.

What we do

GRCB Western Europe serves approximately 2.8m retail and commercial banking customers in France, Italy, Portugal, Spain and Russia through a variety of distribution channels including 1,128 branches, 190 sales centres and 1,481 ATMs.

GRCB Western Europe provides a variety of products and services including retail mortgages, current and deposit accounts, commercial lending, unsecured lending, credit cards, investments and insurance products, serving the needs of Barclays retail, mass affluent and corporate customers.

Performance

2009/08

Global Retail and Commercial Banking Western Europe profit before tax fell 48% (£120m) to £130m (2008: £250m) against the backdrop of a very challenging macroeconomic environment across all key markets, particularly Spain. The results included a gain of £157m on the sale of Barclays Vida y Pensiones Compañía de Seguros, Barclays Iberian life insurance and pensions business, a restructuring charge of £24m largely concentrated in Spain and an operating loss before tax of £67m (2008: loss before tax of £7m) related to Barclays Russia driven by increased impairment due to the economic environment and increased expenses incurred in positioning the business for future growth. Excluding Russia, all businesses traded profitably although Spain s net profit fell significantly due to high impairment charges, particularly in the commercial property portfolio. Profit before tax was favourably impacted by the 13% appreciation in the average value of the Euro against Sterling.

Income increased across all countries, improving 18% (£268m) to £1,723m (2008: £1,455m) driven by the appreciation of the Euro and the significant expansion in the distribution network in 2007 and 2008. The number of distribution points increased by 137 to 1,318 (31st December 2008: 1,181) reflecting further selected organic growth and development of the franchise.

Net interest income increased 35% (£307m) to £1,182m (2008: £875m). The increase was principally driven by strong growth in customer deposits of 50% to £23.4bn (2008: £15.6bn), an improvement in the customer assets margin to 1.33% (2008: 1.19%) and an increase in treasury interest income. This was partially offset by competitive pressures on liability margin compression.

Net fee and commission income increased 13% (£49m) to £438m (2008: £389m), generated from asset management and insurance product lines.

Principal transactions fell 20% (£31m) to £123m (2008: £154m), mainly due to the non-recurrence of the gains from both the Visa IPO (2008: £65m) and the sale of shares in MasterCard (2008: £17m), partially offset by profit on the sale of Government backed bonds.

Net premiums from insurance contracts increased £192m to £544m (2008: £352m) reflecting growth in the life assurance business. Net claims and benefits incurred increased correspondingly by £207m.

Impairment charges increased £370m to £667m (2008: £297m), principally due to higher impairment in Spain on the commercial property, construction and SME portfolios and, to a lesser extent, on the retail portfolio. The impairment charge for Spain increased 107% (£235m) to £455m (2008: £220m) of which £270m related to the corporate and SME portfolios.

Operating expenses increased 16% (£153m) to £1,113m (2008: £960m) due to the continued expansion of the Italian and Portuguese networks, investment in Barclays Russia, restructuring charges of £24m and reduced gains from the sale of property of £25m (2008: £55m). Underlying costs were tightly controlled.

Key points

2.8m Customers

1,318 Distribution points

In September 2009, Barclays established a long-term life insurance joint venture in Spain, Portugal and Italy with CNP Assurances SA (CNP). As part of this transaction Barclays sold a 50 per cent stake in Barclays Vida y Pensiones Compañía de Seguros to CNP. The transaction gave rise to a gain of £157m. Barclays share of the results of the joint venture with CNP are reported within share of post-tax results of associates and joint ventures.

Barclays acquired the Citigroup cards business in Portugal in December 2009. This resulted in the acquisition of approximately 400,000 customers and loans and advances to customers of £550m. The transaction generated a gain on acquisition of £26m.

2008/07

GRCB Western Europe profit before tax grew 28% (£54m) to £250m (2007: £196m), despite challenging market conditions in Spain in 2008 and accelerated investment in the expansion of the franchise. Distribution points increased 383 to 1,181 (2007: 798), including 149 in Italy. Strong income growth including gains of £82m from the Visa IPO and the sale of shares in MasterCard was partially offset by increased impairment and higher operating costs. Profit before tax was favourably impacted by the 16% appreciation in the average value of the Euro against Sterling.

Income increased 55% (£518m) to £1,455m (2007: £937m), reflecting growth in both net interest income and net fee and commission income.

Net interest income increased 66% (£348m) to £875m (2007: £527m), driven by a 66% increase in customer liabilities to £15.6bn (2007: £9.4bn) and a 54% increase in customer assets to £53.9bn (2007: £35.0bn).

Net fee and commission income increased 21% (£67m) to £389m (2007: £322m). Increased fees in retail and in the life insurance businesses were offset by lower market-related investment revenue.

Principal transactions grew £48m to £154m (2007: £106m) including gains from the Visa IPO (£65m) and the sale of shares in MasterCard (£17m) which enabled GRCB Western Europe to invest in the expansion of the business.

Impairment charges increased £221m to £297m (2007: £76m). This increase was principally due to higher charges in Spanish commercial property (£82m) and deterioration of the Spanish credit card portfolio (£66m) as a consequence of the rapid slowdown in the Spanish economy.

Operating expenses increased 43% (£287m) to £960m (2007: £673m), reflecting the rapid expansion of the retail distribution network and the strengthening of the Premier segment. Operating expenses also included £55m (2007: £22m) gains from the sale of property.

Gain on acquisition of £52m (2007: £nil) arose from the purchase of the Italian residential mortgage business of Macquarie Bank Limited in November 2008.

GRCB Western Europe	2009 £m	2008[c] £m	2007[c] £m
Income statement information			
Net interest income	**1,182**	875	527
Net fee and commission income	**438**	389	322
Net trading income		(7)	13
Net investment income	**123**	161	93
Principal transactions	**123**	154	106
Net premiums from insurance contracts	**544**	352	145
Other income	**8**	50	7
Total income	**2,295**	1,820	1,107
Net claims and benefits incurred under insurance contracts	**(572)**	(365)	(170)
Total income net of insurance claims	**1,723**	1,455	937
Impairment charges	**(667)**	(297)	(76)
Net income	**1,056**	1,158	861
Operating expenses excluding amortisation of intangible assets	**(1,075)**	(941)	(665)
Amortisation of intangible assets	**(38)**	(19)	(8)
Operating expenses	**(1,113)**	(960)	(673)
Share of post-tax results of associates and joint ventures	**4**		
Profit on disposal of subsidiaries, associates and joint ventures	**157**		8
Gain on acquisition	**26**	52	
Profit before tax	**130**	250	196
Balance sheet information			
Loans and advances to customers	**£52.7bn**	£53.9bn	£35.0bn
Customer accounts	**£23.4bn**	£15.6bn	£9.4bn
Total assets	**£64.2bn**	£65.5bn	£43.7bn
Performance ratios			
Return on average economic capital[a]	**4%**	18%	11%
Cost:income ratio[a]	**65%**	66%	72%
Cost:net income ratio[a]	**105%**	83%	78%
Other financial measures			
Economic profit[a,b]	**(£234m)**	£155m	£16m
Risk weighted assets	**£32.4bn**	£37.0bn	£25.0bn

Notes

a Defined on page 338 to 342.
b 2008 includes £139m release of a deferred tax liability.
c Figures have been restated to include Barclays Russia, which was transferred from GRCB Emerging Markets to GRCB Western Europe during 2009.

Financial review

Analysis of results by business

continued

Global Retail and Commercial Banking

Emerging Markets

GRCB Emerging Markets comprises our retail and commercial banking operations, as well as our Barclaycard businesses, in 14 countries across Africa, the Middle East and South East Asia.

What we do

GRCB Emerging Markets serves retail and commercial banking customers in Botswana, Egypt, Ghana, India, Kenya, Mauritius, Pakistan, Seychelles, Tanzania, Uganda, the UAE, Zambia, Indonesia and Zimbabwe.

Through a network of more than 683 distribution points and 1,023 ATMs, we provide 3.7m customers and clients with a full range of products and services. This includes current accounts, savings, investments, mortgages and secured and unsecured lending.

Performance

2009/08

Global Retail and Commercial Banking Emerging Markets made a loss before tax of £254m in 2009 versus a profit before tax of £141m in 2008. Good income growth across Emerging Markets was offset by significantly increased impairment in India and UAE and continued investment across

new and existing markets. Profit before tax in the established markets in Africa and the Indian Ocean decreased to £109m (2008: £182m) primarily due to the allocation of gains from the Visa IPO and sale of shares in MasterCard during 2008.

Income increased 5% to £1,045m (2008: £994m) driven by strong growth in UAE, Africa and the Indian Ocean, partially offset by lower income in India.

Net interest income increased 24% (£146m) to £743m (2008: £597m), driven by retail and commercial balance sheet growth with average customer assets up 19% to £8.3bn (2008: £7.0bn) and customer deposits up 11% to £8.2bn (2008: £7.4bn). The assets margin increased 31 basis points to 5.20% (2008: 4.89%) driven by a change in the product mix. The liabilities margin increased 14 basis points to 2.26% (2008: 2.12%) driven by a change in product mix and higher returns from funding assets.

Net fee and commission income increased 7% (£15m) to £232m (2008: £217m) primarily driven by growth in retail fee income.

Principal transactions decreased £111m to £68m (2008: £179m). 2008 included a gain of £82m from the sale of shares in MasterCard and Visa. Excluding this gain, principal transactions decreased £29m driven by lower fees from foreign exchange income transactions.

Impairment charges increased to £471m (2008: £165m) including an increase of £255m across India and UAE due to the deterioration in the credit environment in 2009 reflecting the impact of the economic recession

Key points

683 Distribution points

3.7m Customers

across the business with continued pressure on liquidity, rising default rates and lower asset values.

Operating expenses increased 24% (£164m) to £852m (2008: £688m) reflecting continued investment in Indonesia and Pakistan and investment in infrastructure across other markets.

Profit on disposal of subsidiaries, associates and joint ventures of £24m represented the sale of a 7% stake in the GRCB Emerging Markets Botswana business. The residual holding of Barclays in Barclays Bank of Botswana Limited following the sale is 68%.

2008/07

GRCB Emerging Markets profit before tax increased 41% (£41m) to £141m (2007: £100m). Very strong income growth, including £82m from the Visa IPO and the sale of shares in MasterCard, absorbed the increased investment across existing and new markets and higher impairment charges. The number of distribution points increased 250 to 800 (2007: 550). New market entries in 2008 comprised the launch of a new business in Pakistan and the acquisition of Bank Akita in Indonesia which was completed in 2009.

Income increased 86% (£461m) to £994m (2007: £533m), reflecting growth in lending, deposit taking and fee-driven transactional revenues.

Net interest income increased 87% (£278m) to £597m (2007: £319m), loans and advances to customers increased 90% to £9.7bn (2007: £5.1bn). The assets margin decreased 173 basis points to 4.89% (2007: 6.62%), reflecting higher funding costs, partially offset by improvement in the product mix. Customer accounts increased 50% to £9.3bn (2007: £6.2bn). The deposit margin improved 137 basis points to 2.12% (2007: 0.75%), driven by a change in the product mix and a higher return from funding the assets.

Net fee and commission income increased 55% (£77m) to £217m (2007: £140m), primarily driven by very strong growth in commercial banking and treasury fee income.

Principal transactions increased £107m to £179m (2007: £72m), reflecting higher foreign exchange income, a gain of £82m relating to the Visa IPO and the sale of shares in MasterCard.

Impairment charges increased £126m to £165m (2007: £39m), reflecting higher assets and delinquencies, particularly in India and increased wholesale impairment in Africa.

Operating expenses increased 74% (£293m) to £688m (2007: £395m), reflecting continued investment in new markets and expansion of the business in existing markets, with investment in infrastructure and the roll-out of global platforms.

GRCB Emerging Markets	2009	2008[a]	2007[a]
	£m	£m	£m
Income statement information			
Net interest income	**743**	597	319
Net fee and commission income	**232**	217	140
Net trading income	**61**	88	56
Net investment income	**7**	91	16
Principal transactions	**68**	179	72
Other income	**2**	1	2
Total income	**1,045**	994	533
Impairment charges	**(471)**	(165)	(39)
Net income	**574**	829	494
Operating expenses excluding amortisation of intangible assets	**(846)**	(685)	(391)
Amortisation of intangible assets	**(6)**	(3)	(4)
Operating expenses	**(852)**	(688)	(395)
Share of post-tax results of associates and joint ventures			1
Profit on disposal of subsidiaries, associates and joint ventures	**24**		
Profit before tax	**(254)**	141	100
Balance sheet information			
Loans and advances to customers	**£7.3bn**	£9.7bn	£5.1bn
Customer accounts	**£8.5bn**	£9.3bn	£6.2bn
Total assets	**£11.9bn**	£13.9bn	£9.2bn
Performance ratios			
Return on average economic capital	**(18%)**	10%	15%
Cost:income ratio	**82%**	69%	74%
Cost:net income ratio	**148%**	83%	80%
Other financial measures			
Economic (loss)/profit	**(£379m)**	(£2m)	£26m
Risk weighted assets	**£12.4bn**	£14.6bn	£10.5bn

Note

a Figures have been restated to exclude Barclays Russia, which was transferred from GRCB Emerging Markets to GRCB Western Europe during 2009.

Financial review

Analysis of results by business

continued

Global Retail and Commercial Banking

Absa

GRCB Absa comprises three operating divisions: Retail Banking, Commercial Banking and a Bancassurance division. The Absa Group s other businesses are Absa Capital, Absa Card and Absa Wealth, which are included in Barclays Capital, Barclaycard and Barclays Wealth respectively.

What we do

GRCB Absa forms part of Absa Group Limited, one of South Africa s largest financial services groups, listed on the Johannesburg Stock Exchange Limited. GRCB Absa offers a complete range of banking products and services, including current accounts, savings products, bancassurance, mortgages, instalment finance and wealth management. It also offers customised business solutions for commercial and large corporate customers.

Absa s business is conducted primarily in South Africa. In addition to this, the Group has equity holdings in banks in Mozambique and Tanzania.

Absa serves more than 11 million customers through a range of physical channels that include 1,062 distribution points and 8,560 ATMs, as well as electronic channels such as telephone and online banking.

Performance

2009/08

Impact of Absa Group Limited on Barclays results

Absa Group Limited profit before tax of R9,842m (2008: R15,305m), a decrease of 36%, is translated in Barclays results at an average exchange rate of R13.14/£ (2008: R15.17/£), a 15% appreciation in the average value of the Rand against Sterling. Consolidation adjustments reflected the amortisation of intangible assets of £51m (2008: £50m) and internal funding and other adjustments of £115m (2008: £174m). The resulting profit before tax of £583m (2008: £785m) is represented within Global Retail and Commercial Banking Absa £506m (2008: £552m), Barclays Capital £16m loss (2008: £175m profit), Barclaycard £95m (2008: £58m) and Barclays Wealth £2m loss (2008: £nil).

Absa Group Limited s total assets were R717,740m (31st December 2008: R774,157m), a decline of 7%. This is translated into Barclays results at a period end exchange rate of R11.97/£ (2008: R13.74/£).

Global Retail and Commercial Banking Absa

Profit before tax decreased 8% (£46m) to £506m (2008: £552m) owing to challenging market conditions. Modest Rand income growth and tight cost control were offset by increased impairment.

Income increased 16% (£351m) to £2,549m (2008: £2,198m) predominantly reflecting the impact of exchange rate movements.

Net interest income improved 18% (£196m) to £1,300m (2008: £1,104m) reflecting the appreciation in the average value of the Rand against Sterling and modest balance sheet growth. Average customer assets increased 17% to £32.5bn (2008: £27.7bn) driven by appreciation of the Rand against Sterling and modest growth in loans and advances. Retail and commercial mortgages remained relatively flat in 2009 while instalment finance showed a slight decline with the run-off outweighing new sales. The assets margin decreased to 2.68% (2008: 2.79%) as a result of the higher cost of wholesale funding and significant reductions in interest recognised on delinquent accounts. Average customer deposits increased 29% to £17.4bn (2008: £13.5bn), primarily driven by the appreciation of the Rand and the increase in the number of customers. Retail and commercial deposits increased 3.9% and 4.6% respectively. The liabilities margin was down 63 basis points to 2.43% (2008: 3.06%) reflecting stronger growth in lower margin retail deposits, pricing pressure from competitors and the impact of margin compression due to the decrease in interest rates.

Net fee and commission increased 24% (£181m) to £943m (2008: £762m), reflecting pricing increases, volume growth and the impact of exchange rate movements.

Principal transactions increased £12m to £123m (2008: £111m) reflecting the impact of exchange rate movements and gains of £17m from the sale of shares in MasterCard, slightly offset by lower gains on economic hedges.

Net premiums from insurance contracts increased 26% (£60m) to £294m (2008: £234m) reflecting volume growth in short-term insurance contracts and the impact of exchange rate movements.

Other income decreased £53m to £60m (2008: £113m) reflecting the non-recurrence of the gain of £46m recorded on the Visa IPO in 2008.

Impairment charges increased £220m to £567m (2008: £347m) due to high delinquency levels in the retail portfolios as a result of continued consumer indebtedness, despite the decline in interest and inflation rates during the first half of the year. There was a slight improvement in impairment ratios in the second half of 2009.

Operating expenses increased 13% (£164m) to £1,469m (2008: £1,305m) reflecting the impact of exchange rate movements. Costs were tightly controlled in Rand.

Key points

100,000 Corporate customers

11.4m Retail customers

8,560 ATMs

1,062 Distribution points

2008/07

Impact of Absa Group Limited on Barclays results

Absa Group Limited profit before tax of R15,305m (2007: R14,077m), which increased 9%, is translated into Barclays results at an average exchange rate of R15.17/£ (2007: R14.11/£), a 7% depreciation in the average value of the Rand against Sterling. Consolidation adjustments reflected the amortisation of intangible assets of £50m (2007: £55m) and internal funding and other adjustments of £174m (2007: £121m). The resulting profit before tax of £785m (2007: £822m) is represented within GRCB Absa £552m (2007: £597m), Barclays Capital £175m (2007: £155m) and Barclaycard £58m (2007: £70m).

Absa Group Limited s total assets were R774,157m (31st December 2007: R641,014m), a growth of 21%. This is translated into Barclays results at a period end exchange rate of R13.74/£ (2007: R13.64/£).

Global Retail and Commercial Banking Absa

GRCB Absa profit before tax decreased 8% (£45m) to £552m (2007: £597m), owing to challenging market conditions and the 7% depreciation in the average value of the Rand against Sterling. Profit before tax included a gain of £46m relating to the Visa IPO. Very strong Rand income growth was partially offset by increased impairment and investment in the expansion of the franchise by 176 distribution points to 1,177 (2007: 1,001).

Total income increased 10% (£211m) to £2,324m (2007: £2,113m).

Net interest income improved 5% (£49m) to £1,104m (2007: £1,055m) reflecting strong balance sheet growth. Average customer assets increased 9% to £27.7bn (2007: £25.3bn), primarily driven by retail and commercial mortgages and commercial cheque accounts. The assets margin increased to 2.79% (2007: 2.70%) as a result of a focus on pricing for risk and a change in the composition of the book, partially offset by the higher cost of wholesale funding. Average customer liabilities increased 17% to £13.5bn (2007: £11.5bn), primarily driven by retail savings, with margins down 15 basis points to 3.06% (2007: 3.21%) reflecting the emphasis on liquidity and strong growth in lower margin retail deposits.

Net fee and commission income increased 11% (£78m) to £762m (2007: £684m), underpinned by retail transaction volume growth.

Principal transactions increased £41m to £111m (2007: £70m) reflecting gains on economic hedges relating to the commercial property finance and liquid asset portfolios.

Other income increased £36m to £113m (2007: £77m), reflecting a gain of £46m from the Visa IPO.

Impairment charges increased £201m to £347m (2007: £146m) as a result of rising delinquency levels in the retail portfolios, which have been impacted by rising interest and inflation rates and increasing consumer indebtedness.

Operating expenses increased 3% (£38m) to £1,305m (2007: £1,267m). The cost:income ratio improved from 63% to 59%.

GRCB Absa	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**1,300**	1,104	1,055
Net fee and commission income	**943**	762	684
Net trading income/(expense)	**(5)**	6	
Net investment income	**128**	105	70
Principal transactions	**123**	111	70
Net premiums from insurance contracts	**294**	234	227
Other income	**60**	113	77
Total income	**2,720**	2,324	2,113
Net claims and benefits incurred under insurance contracts	**(171)**	(126)	(114)
Total income net of insurance claims	**2,549**	2,198	1,999
Impairment charges	**(567)**	(347)	(146)
Net income	**1,982**	1,851	1,853
Operating expenses excluding amortisation of intangible assets	**(1,418)**	(1,255)	(1,212)
Amortisation of intangible assets	**(51)**	(50)	(55)
Operating expenses	**(1,469)**	(1,305)	(1,267)
Share of post-tax results of associates and joint ventures	**(4)**	5	6
Profit on disposal of subsidiaries, associates and joint ventures	**(3)**	1	5
Profit before tax	**506**	552	597
Balance sheet information			
Loans and advances to customers	**£36.4bn**	£32.7bn	£29.9bn
Customer accounts	**£19.7bn**	£17.0bn	£13.0bn
Total assets	**£45.8bn**	£40.4bn	£36.4bn
Performance ratios			
Return on average economic capital	**11%**	20%	20%
Cost:income ratio	**58%**	59%	63%
Cost:net income ratio	**74%**	71%	68%
Other financial measures			
Economic profit	**(£37m)**	£70m	£98m
Risk weighted assets	**£21.4bn**	£18.8bn	£17.8bn

Financial review

Analysis of results by business

continued

Investment Banking and Investment Management

Barclays Capital

Barclays Capital is a leading global investment bank providing large corporate, government and institutional clients with a full spectrum of solutions to their strategic advisory, financing and risk management needs.

What we do

Barclays Capital is a global investment bank, which offers clients the full range of services covering strategic advisory and M&A; equity and fixed income capital raising and corporate lending; and risk management across foreign exchange, interest rates, equities and commodities.

Activities are organised into three principal areas: Global Markets, which includes commodities, credit products, equities, foreign exchange, interest rate products; Investment Banking, which includes corporate advisory, Mergers and Acquisitions, equity and fixed-income capital raising and corporate lending; and Private Equity and Principal Investments. Barclays Capital includes Absa Capital, the investment banking business of Absa.

Barclays Capital works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Performance

2009/08

Barclays Capital profit before tax increased 89% to £2,464m (2008: £1,302m). The substantial increase in income and profit reflected very strong performances in the UK and Europe, and a transformation in the scale and service offering in the US through the integration of the Lehman Brothers North American businesses acquired in September 2008. Profit before tax was struck after credit market writedowns of £6,086m (2008: £8,053m), including £4,417m credit market losses (2008: £6,290m) and £1,669m of impairment (2008: £1,763m). The loss on own credit was £1,820m (2008: £1,663m gain).

Income of £11,625m was up 122% (2008: £5,231m), reflecting excellent growth across the client franchise. Top-line income increased 81% to £17,862m (2008: £9,858m). Fixed Income, Currency and Commodities increased 76% and drove the strong increase in trading income following the expansion of the business and the associated increase in client flows. Equities and Prime Services increased 147% driven by the acquisition of

the Lehman Brothers North American businesses with particularly strong performances in cash equities and equity derivatives.

Investment Banking, which comprises advisory businesses and equity and debt underwriting, more than doubled to £2,195m (2008: £1,053m) driven by origination and advisory activity. The cash equity business, along with Investment Banking, drove a significant rise in fee and commission income.

Losses in Principal Investments of £143m (2008: income of £299m) contributed to the overall net investment loss of £164m (2008: income of £559m).

Impairment charges of £2,591m (2008: £2,423m) included credit market impairment of £1,669m (2008: £1,763m) as discussed on page 109. Non credit market related impairment of £922m (2008: £660m) principally related to charges in the portfolio management, global loans and principal investment businesses. Impairment charges declined significantly in the second half of 2009.

Operating expenses increased 75% to £6,592m (2008: £3,774m), reflecting the inclusion of the acquired Lehman business. Compensation costs represented 38% of income, a reduction of 6 percentage points on the prior year.

2008/07

In an exceptionally challenging market environment in 2008, Barclays Capital profit before tax decreased 44% (£1,033m) to £1,302m (2007: £2,335m). Profit before tax included a gain on the acquisition of Lehman Brothers North American businesses of £2,262m. Absa Capital profit before tax grew 13% to £175m (2007: £155m).

Net income included gross losses of £8,053m (2007: £2,999m) due to continuing dislocation in the credit markets. These losses were partially offset by income and hedges of £1,433m (2007: £706m), and gains of £1,663m (2007: £658m) from the general widening of credit spreads on structured notes issued by Barclays Capital. The gross losses, comprised £6,290m (2007: £2,217m) against income and £1,763m (2007: £782m) in impairment charges.

The integration of the Lehman Brothers North American businesses was completed in the fourth quarter of 2008 and the acquired businesses made a positive contribution in the period following completion, with good results in equities, fixed income and advisory. There was a gain on acquisition of £2,262m. Not included in this gain is expenditure relating to integration of the acquired business.

Analysis of Total Income	Year ended 31st December 2009 £m	2008 £m	2007 £m
Fixed Income, Currency and Commodities	**12,964**	7,353	5,722
Equities and Prime Services	**2,846**	1,153	1,631
Investment Banking	**2,195**	1,053	921
Principal Investments	**(143)**	299	404
Top-line income	**17,862**	9,858	8,678
Credit market losses in income	**(4,417)**	(6,290)	(2,217)
Own credit	**(1,820)**	1,663	658
Total Income	**11,625**	5,231	7,119

Key points

1st: US Securities Survey

2nd: Global Debt, Equity & Equity-related issuance

3rd: Foreign Exchange Survey

5th: US M&A

Income was down 27% at £5,231m (2007: £7,119m) driven by the impact of the market dislocation. Underlying income, which excludes the gross losses, related income and hedges, and gains on the widening of credit spreads was 6% above the prior year and included strong contributions from interest rates, currency products, emerging markets, prime services and commodities. There was very strong underlying growth in the US driven by fixed income, prime services and the acquired businesses. In other regions income fell driven by the challenging environment.

Net trading income decreased 60% (£2,233m) to £1,506m (2007: £3,739m) reflecting losses from the credit market dislocation and weaker performance in credit products and equities. This was partially offset by significant growth in interest rates, foreign exchange, emerging markets and prime services. Average DVaR at 95% increased by 64% to £53.4m driven by higher credit spread and interest rate risk.

Net investment income decreased 41% (£394m) to £559m reflecting the market conditions. Net interest income increased 46% (£545m) to £1,724m (2007: £1,179m), driven by strong results in global loans and money markets. Net fee and commission income from advisory and origination activities increased 16% (£194m) to £1,429m. The corporate lending portfolio, including leveraged finance, increased 46% to £76.6bn

(31st December 2007: £52.3bn) driven by the decline in the value of Sterling relative to other currencies as well as draw downs on existing loan facilities and the extension of new loans at current terms to financial and manufacturing institutions.

Impairment charges and other credit provisions of £2,423m (2007: £846m) included £1,763m (2007: £782m) due to the credit market dislocation. Other impairment charges of £660m (2007: £64m) principally related to private equity, prime services and the loan book.

Operating expenses fell 5% (£199m) to £3,774m (2007: £3,973m) due to lower performance related pay, partially offset by operating costs of the acquired businesses. The cost:income ratio increased to 72% (2007: 56%) and the compensation cost:income ratio increased to 44% (2007: 42%). Amortisation of intangible assets increased £38m to £92m (2007: £54m).

Total headcount increased 6,900 to 23,100 (31st December 2007: 16,200). Prior to the acquisition of Lehman Brothers North American businesses, headcount during 2008 was materially unchanged except for hiring associated with the annual global graduate programme. The acquisition initially added 10,000 to the headcount but there were reductions in the fourth quarter of 2008 as the US businesses were integrated.

Barclays Capital	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**1,598**	1,724	1,179
Net fee and commission income	**3,001**	1,429	1,235
Net trading income	**7,185**	1,506	3,739
Net investment (loss)/income	**(164)**	559	953
Principal transactions	**7,021**	2,065	4,692
Other income	**5**	13	13
Total income	**11,625**	5,231	7,119
Impairment charges and other credit provisions	**(2,591)**	(2,423)	(846)
Net income	**9,034**	2,808	6,273
Operating expenses excluding amortisation of intangible assets	**(6,406)**	(3,682)	(3,919)
Amortisation of intangible assets	**(186)**	(92)	(54)
Operating expenses	**(6,592)**	(3,774)	(3,973)
Share of post-tax results of associates and joint ventures	**22**	6	35
Gain on acquisition		2,262	
Profit before tax	**2,464**	1,302	2,335
Balance sheet information			
Loans and advances to banks and customers at amortised cost	**£162.6bn**	£206.8bn	£135.6bn
Total assets	**£1,019.1bn**	£1,629.1bn	£839.9bn
Assets contributing to adjusted gross leverage	**£618.2bn**	£681.0bn	£601.8bn
Performance ratios			
Return on average economic capital	**15%**	20%	33%
Cost:income ratio	**57%**	72%	56%
Cost:net income ratio	**73%**	134%	63%
Compensation:income ratio	**38%**	44%	42%
Other financial measures			
Economic profit	**£195m**	£825m	£1,172m
Risk weighted assets	**£181.1bn**	£227.4bn	£178.2bn
Average DVaR (95%)[a]	**£77.0m**	£53.4m	£32.5m
Average total income per employee (000)	**£515**	£281	£465

Note

a Average DVaR for 2008 and 2007 are calculated with a 98% confidence level.

Financial review

Analysis of results by business

continued

Investment Banking and Investment Management

Barclays Global Investors

Barclays Global Investors (BGI), one of the world s largest asset managers and a leading global provider of investment management products and services, was sold to BlackRock, Inc (BlackRock) on 1st December 2009. As a result of the transaction we retain a 19.9% economic interest in the enlarged BlackRock Group.

Performance

2009/08

Barclays Global Investors profit before tax increased £6,484m to £7,079m (2008: £595m), including the profit arising from the sale of Barclays Global Investors to BlackRock. Consideration of £9,501m included 37.567 million new BlackRock shares valued at £5,294m as at 1st December 2009.

The profit on disposal before tax was £6,331m after deducting amounts relating to non-controlling interests, transaction costs and a break fee relating to the termination of CVC Capital Partners proposed purchase of the iShares business. Further information on the disposal is set out below.

Profit before tax excluding the profit on disposal increased 26% to £748m (2008: £595m) reflecting a recovery on liquidity support of £25m

during 2009 (2008: charge of £263m) and an 18% appreciation in the average value of the US Dollar against Sterling. The 2009 results included 11 months of discontinued operations compared to 12 months for 2008. Total income grew 3% (£59m) to £1,903m (2008: £1,844m).

Net fee and commission income declined 8% (£160m) to £1,757m (2008: £1,917m) largely reflecting 11 months activity in the year.

Principal transactions increased £141m to a gain of £98m (2008: £43m loss) driven by sales of assets excluded from the disposal to BlackRock.

Operating expenses decreased 8% (£95m) to £1,154m (2008: £1,249m), benefiting from a recovery on liquidity support of £24m during 2009 (2008: charge of £263m), partially offset by exchange rate movements.

The continuing operations of BGI represent residual obligations under the cash support arrangements and associated liquidity support charges and, from 1st December 2009, included the Group s 19.9% ongoing interest in BlackRock. This investment is accounted for as an available for sale equity investment, with no dividends being received during 2009. Profit before tax on continuing operations for 2009 increased by £368m to £22m (2008: £346m loss) primarily due to lower liquidity support charges.

Total assets as at 31st December 2009 reflect shares to the value of £5,386m held in BlackRock, with assets from continuing operations as at 31st December 2008 representing residual assets excluded from the disposal to BlackRock.

Profit on disposal information	As at 1st December 2009 £m
Consideration including hedging gains	
Cash	**4,207**
BlackRock shares	**5,294**
Total consideration	**9,501**
Net assets disposed	**(2,051)**
CVC fee	**(106)**
Transaction costs	**(433)**
Amounts relating to non-controlling interests	**(580)**
Profit on disposal before tax	**6,331**

Key points

Gain on sale £6,331m

2008/07

Barclays Global Investors profit before tax decreased 19% (£139m) to £595m (2007: £734m). Profit was impacted by the cost of provision of selective support of liquidity products of £263m (2007: £80m) and an 8% appreciation in the average value of the US Dollar against Sterling.

Income declined 4% (£82m) to £1,844m (2007: £1,926m).

Net fee and commission income declined 1% (£19m) to £1,917m (2007: £1,936m). This was primarily attributable to reduced incentive fees of £49m (2007: £198m), partially offset by increased securities lending revenue.

Operating expenses increased 5% (£57m) to £1,249m (2007: £1,192m). Operating expenses included charges of £263m (2007: £80m) related to selective support of liquidity products, partially offset by a reduction in performance related costs. The cost:income ratio increased to 68% (2007: 62%).

The loss before tax on continuing operations increased to £346m (2007: £119m) principally reflecting the liquidity support charge recognised during the year.

	2009			2008			2007		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Income statement information									
Net interest income/(expense)	**10**	**33**	**43**	(38)		(38)	(20)	12	(8)
Net fee and commission income	**(2)**	**1,759**	**1,757**	1	1,916	1,917	(1)	1,937	1,936
Net trading income/(loss)	**20**	**1**	**21**	(4)	(10)	(14)		5	5
Net investment income/(loss)	**11**	**66**	**77**	(29)		(29)	(9)		(9)
Principal transactions	**31**	**67**	**98**	(33)	(10)	(43)	(9)	5	(4)
Other income	**1**	**4**	**5**	(2)	10	8		2	2
Total income	**40**	**1,863**	**1,903**	(72)	1,916	1,844	(30)	1,956	1,926
Operating expenses excluding amortisation of intangible assets	**(17)**	**(1,123)**	**(1,140)**	(274)	(960)	(1,234)	(89)	(1,095)	(1,184)
Amortisation of intangible assets		**(14)**	**(14)**		(15)	(15)		(8)	(8)
Operating expenses	**(17)**	**(1,137)**	**(1,154)**	(274)	(975)	(1,249)	(89)	(1,103)	(1,192)
Profit on disposal of associates and joint ventures	**(1)**		**(1)**						
	22	**726**	**748**	(346)	941	595	(119)	853	734

Profit/(loss) before tax and disposal of discontinued operations									
Profit on disposal of discontinued operations		**6,331**	**6,331**						
Profit/(loss) before tax	**22**	**7,057**	**7,079**	(346)	941	595	(119)	853	734
Balance sheet information									
Total assets	**£5.4bn**		**£5.4bn**	£0.7bn	£70.6bn	£71.3bn	£0.5bn	£88.7bn	£89.2bn

Financial review

Analysis of results by business

continued

Investment Banking and Investment Management

Barclays Wealth

Barclays Wealth focuses on private and intermediary clients worldwide. We are the UK s leading wealth manager by client assets. We have 7,400 staff and manage total client assets of £151bn. We have 101 offices in 25 countries across EMEA, Asia and the Americas.

What we do

Barclays Wealth provides international and private banking, fiduciary services, investment management, and brokerage.

Barclays Wealth works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities, for example, offering world-class investment solutions with institutional quality products and services from Barclays Capital and Barclays Commercial Bank.

Performance

2009/08

Barclays Wealth profit before tax reduced 78% (£526m) to £145m (2008: £671m). The reduction in profit was principally due to the sale of the closed life assurance business in 2008 (2008: profit before tax of £104m and profit on disposal of £326m). Results were also affected by the integration of Lehman Brothers North American businesses (Barclays Wealth Americas), which made a loss of £39m.

Total income net of insurance claims increased 1% (£9m) to £1,333m (2008: £1,324m). Excluding the impact of the sale of the closed life business and the integration of Barclays Wealth Americas, income grew 3% as growth in the client franchise and the product offering offset the impact of adverse economic conditions.

Net interest income increased 4% (£18m) to £504m (2008: £486m) reflecting growth in customer lending. Average lending grew 27% to £12.3bn (2008: £9.7bn). Assets margin reduced to 1.01% from 1.04%. Average 2009 deposits were in line with the prior year (2008: £37.2bn) with a stable liabilities margin of 0.96% (2008: 0.95%).

Net fee and commission income increased by 11% (£82m) to £802m (2008: £720m) driven by Barclays Wealth Americas.

The movements in principal transactions, net premiums from insurance contracts and net claims and benefits incurred under insurance contracts were due to the sale of the closed life assurance business in October 2008.

Impairment charges increased 16% (£7m) to £51m (2008: £44m). This increase reflected the impact of the current economic environment on client liquidity and collateral values and the substantial increase in the loan book over the last four years.

Operating expenses increased 22% to £1,138m (2008: £935m) principally reflecting the impact of the acquisition of Barclays Wealth Americas partially offset by the impact of the disposal of the closed life business in 2008.

Total client assets, comprising customer accounts and client investments were £151.3bn (31st December 2008: £145.1bn) with underlying net new asset inflows of £3bn.

Key points

£151.3bn Total client assets

Operating in 25 countries

2008/07

Barclays Wealth profit before tax grew 119% (£364m) to £671m (2007: £307m). Profit before gains on disposal increased 12% (£38m) driven by solid income growth and tight cost control, offset by an increase in impairment charges. The closed life assurance business contributed profit before tax of £104m (2007: £110m) prior to its sale in October 2008, which generated a profit on disposal of £326m.

Income increased 3% (£37m) to £1,324m (2007: £1,287m).

Net interest income increased 13% (£55m) to £486m (2007: £431m) reflecting strong growth in both customer deposits and lending. Average deposits grew 19% to £37.2bn (2007: £31.2bn). Average lending grew 31% to £9.7bn (2007: £7.4bn). The assets margin decreased seven basis points to 1.04% (2007: 1.11%) reflecting changes in the product mix. The liabilities margin reduced by eight basis points to 0.95% (2007: 1.03%) driven by changes in the product mix and compression of margins as interest rates reduced during the second half of 2008.

Net fee and commission income decreased 3% (£19m) to £720m (2007: £739m) driven by falling equity markets partially offset by increased client assets.

Net investment income, net premiums from insurance contracts and net claims and benefits paid on insurance contracts related wholly to the closed life assurance business. Their overall net impact on income increased marginally to £103m (2007: £95m). The decrease in net investment income, driven by a fall in the value of unit linked contracts and reduced premium income, were offset by reduced net claims and benefits as a result of a fall in the value of linked and non-linked liabilities.

Impairment charges increased £37m to £44m (2007: £7m) from a very low base. This increase reflected both the substantial increase in the loan book over the three years from 2006 to 2008 and the impact of the current economic environment on client liquidity and collateral values.

Operating expenses decreased 4% to £935m (2007: £973m) with significant cost savings including a reduction in performance related costs partially offset by increased expenditure in upgrading technology and operating platforms and continued hiring of client-facing staff.

Total client assets, comprising customer deposits and client investments, increased 10% (£12.6bn) to £145.1bn (2007: £132.5bn) with underlying net new asset inflows of £3.2bn and the acquisition of the Lehman Brothers North American businesses offsetting the impact of market and foreign exchange movements and the sale of the closed life assurance book.

Barclays Wealth	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**504**	486	431
Net fee and commission income	**802**	720	739
Net trading income	**7**	(11)	3
Net investment income	**13**	(333)	52
Principal transactions	**20**	(344)	55
Net premiums from insurance contracts		136	195
Other income	**7**	26	19
Total income	**1,333**	1,024	1,439
Net claims and benefits incurred on insurance contracts		300	(152)
Total income net of insurance claims	**1,333**	1,324	1,287
Impairment charges	**(51)**	(44)	(7)
Net income	**1,282**	1,280	1,280
Operating expenses excluding amortisation of intangible assets	**(1,114)**	(919)	(967)
Amortisation of intangible assets	**(24)**	(16)	(6)
Operating expenses	**(1,138)**	(935)	(973)
Profit on disposal of associates and joint ventures	**1**	326	
Profit before tax	**145**	671	307
Balance sheet information			
Loans and advances to customers	**£13.1bn**	£11.4bn	£9.0bn
Customer accounts	**£38.5bn**	£42.4bn	£34.4bn
Total assets	**£15.1bn**	£13.3bn	£18.2bn
Performance ratios			
Return on average economic capital	**22%**	118%	51%
Cost:income ratio	**85%**	71%	76%
Other financial measures			
Economic profit	**£49m**	£553m	£233m
Risk weighted assets	**£11.4bn**	£10.3bn	£8.2bn
Average net income generated per member of staff (000)	**£169**	£176	£188

Financial review

Analysis of results by business

continued

Head Office Functions and Other Operations

Head Office Functions and Other Operations comprises:

Head office and central support functions

Businesses in transition

Inter-segment adjustments

What we do

Head Office Functions and Other Operations comprises the following areas: Executive Management, Finance, Treasury, Corporate Affairs, Human Resources, Strategy and Planning, Internal Audit, Legal, Corporate Secretariat, Property, Tax, Compliance and Risk. Costs incurred wholly on behalf of the businesses are recharged to them. Businesses in transition principally relate to certain lending portfolios that are centrally managed with the objective of maximising recovery from the assets.

Performance

2009/08

Head Office Functions and Other Operations loss before tax reduced £308m to £550m (2008: loss of £858m).

Total income increased £405m to £28m (2008: loss of £377m).

Group segmental reporting is performed in accordance with Group accounting policies. This means that inter-segment transactions are recorded in each segment as if undertaken on an arm s length basis. Adjustments necessary to eliminate inter-segment transactions are included in Head Office Functions and Other Operations.

Net interest income decreased £689m to a loss of £507m (2008: profit of £182m) primarily due to an increase in costs in central funding activity due to the money market dislocation, increased liquidity requirements and lower income on shareholders funds due to the lower interest rate environment. This was partially offset by a £170m gain from a reclassification on consolidation for hedging derivatives with the corresponding expense being recorded in principal transactions.

Net fees and commission expense decreased £68m to £418m (2008: £486m) reflecting adjustments to eliminate inter-segmental transactions, offset by increases in fees for structured capital market activities to £191m (2008: £141m) and in fees paid to Barclays Capital for debt and equity raising and risk management advice to £174m (2008: £151m).

Losses associated with principal transactions increased £107m to £325m (2008: loss of £218m) predominantly due to a £170m increase in the consolidation reclassification adjustment on hedging derivatives.

Other income increased £1,160m to £1,186m (2008: £26m). During 2009, certain upper Tier 2 perpetual debt was exchanged for new issuances

of lower Tier 2 dated loan stock resulting in a net gain of £1,164m. £1,170m of this gain was reflected in other income.

Operating expenses increased £119m to £570m (2008: £451m) reflecting a UK bank payroll tax charge of £190m (2008: £nil) in respect of 2009 cash compensation and £35m in respect of certain prior years awards which may fall within the proposed legislation, partially offset by a reduction of £55m in the costs relating to an internal review of Barclays compliance with US economic sanctions to £33m (2008: £88m).

2008/07

Head Office Functions and Other Operations loss before tax increased £430m to £858m (2007: £428m).

Total income decreased £185m to a loss of £377m (2007: loss of £192m).

Group segmental reporting is performed in accordance with Group accounting policies. This means that inter-segment transactions are recorded in each segment as if undertaken on an arm s length basis. Adjustments necessary to eliminate inter-segment transactions are included in Head Office Functions and Other Operations. The impact of such inter-segment adjustments increased £32m to £265m (2007: £233m). These adjustments included internal fees for structured capital market activities of £141m (2007: £169m) and fees paid to Barclays Capital for debt and equity raising and risk management advice of £151m (2007: £65m), both of which reduce net fees and commission income.

Net interest income increased £54m to £182m (2007: £128m) primarily due to a consolidation adjustment between net interest income and trading income required to match the booking of certain derivative hedging transactions between different segments in the Group. This resulted in a £111m increase in net interest income to £143m (2007: £32m) with an equal and opposite decrease in principal transactions. This was partially offset by an increase in costs in central funding activity due to the money market dislocation, in particular LIBOR resets.

Principal transactions loss increased £135m to £218m (2007: £83m) reflecting the £111m increase in consolidation reclassification adjustment on derivative hedging transactions.

Impairment charges increased £27m to £30m (2007: £3m) mainly reflecting losses on Floating Rate Notes held for hedging purposes.

Operating expenses increased £217m to £451m (2007: £234m). The main drivers of this increase were: a £101m charge for the Group s share of levies that will be raised by the UK Financial Services Compensation Scheme; £64m increase in costs relating to an internal review of Barclays compliance with US economic sanctions; the non-recurrence of a £58m break fee relating to the ABN Amro transaction; lower rental income and lower proceeds on property sales.

Head office functions and other operations	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**(507)**	182	128
Net fee and commission income	**(418)**	(486)	(424)
Net trading (loss)/income	**(291)**	(245)	(66)
Net investment income/(expense)	**(34)**	27	(17)
Principal transactions	**(325)**	(218)	(83)
Net premiums from insurance contracts	**92**	119	152
Other income	**1,186**	26	35
Total income	**28**	(377)	(192)
Impairment (charges)/releases	**(16)**	(30)	(3)
Net income	**12**	(407)	(195)
Operating expenses excluding amortisation of intangible assets	**(570)**	(451)	(233)
Amortisation of intangible assets			(1)
Operating expenses	**(570)**	(451)	(234)
Share of post-tax results of associates and joint ventures	**1**		
Profit on disposal of associates and joint ventures	**7**		1
Loss before tax	**(550)**	(858)	(428)
Balance sheet information			
Total assets	**£6.4bn**	£3.1bn	£5.7bn
Other financial measures			
Risk weighted assets	**£0.9bn**	£0.4bn	£1.1bn

Risk management

Risk factors

The following information sets forth the risk factors which the Group believes could cause its future results to differ materially from expected results. However, other factors could also adversely affect the Group s results and so the factors discussed in this report should not be considered to be a complete set of all potential risks and uncertainties.

The Group s approach to identifying, assessing, managing and reporting risks is formalised in its Principal Risk framework, and definitions of the 13 Principal Risks are given below. A description of the Principal Risk framework is provided on page 90.

This summary of risk factors also includes a discussion of the impact of business conditions and the general economy, which are not Principal Risks but can impact risk factors such as credit and market risk and so influence the Group s results.

Business conditions and general economy

Barclays operates a universal banking business model and its services range from current accounts for personal customers to inflation-risk hedging for governments and institutions. The Group also has significant activities in a large number of countries. There are, therefore, many ways in which changes in business conditions and the general economy can adversely impact Barclays profitability, be they at the level of the Group, the individual business units or the specific countries in which we operate.

The Group s stress testing framework helps it understand the impact of changes in business conditions and the general economy, as well as the sensitivity of its business goals to such changes and the scope of management actions to mitigate their impact.

As the current downturn has shown, higher unemployment in the UK, US, Spain and South Africa has led to increased arrears in our credit card portfolios, while falls in GDP have reduced the credit quality of the Group s corporate portfolios. In both cases, there is an increased risk that a higher proportion of the Group s customers and counterparties may be unable to meet their obligations. In addition, declines in residential and commercial property prices have reduced the value of collateral and caused mark to market losses in some of the Group s trading portfolios.

The business conditions facing the Group in 2010 are subject to significant uncertainties, most notably:

- the extent and sustainability of economic recovery and asset prices in the UK, US, Spain and South Africa as governments consider how and when to withdraw stimulus packages;

- the dynamics of unemployment in those markets and the impact on delinquency and charge-off rates;

- the speed and extent of possible rises in interest rates in the UK, US and eurozone;
- the possibility of further falls in residential property prices in the UK, South Africa and Spain;
- the potential for single name risk and for idiosyncratic losses in different sectors and geographies where credit positions are sensitive to economic downturn;
- possible additional deterioration in our remaining credit market exposures, including commercial real estate and leveraged finance;
- the potential impact of deteriorating sovereign credit quality;
- changes in the value of Sterling relative to other currencies, which could increase risk weighted assets and therefore raise the capital requirements of the Group; and
- the liquidity and volatility of capital markets and investors appetite for risk, which could lead to a decline in the income that the Group receives from fees and commissions.

Principal Risk Factors

Retail and Wholesale Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group s customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances. However, credit risk may also arise where the downgrading of an entity s credit rating causes a fall in the fair value of the Group s investment in that entity s financial instruments.

In a recessionary environment, such as that recently seen in the United Kingdom, the United States and other economies, credit risk increases.

Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the assets, or where the counterparty may be the country itself.

Another form of credit risk is settlement risk, which is the possibility that the Group may pay funds away to a counterparty but fail to receive the corresponding settlement in return. The Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include broker dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these relationships expose the Group to credit risk in the event of default of a counterparty and to systemic risk affecting its counterparties. Where the Group holds collateral against counterparty exposures, it may not be able to realise it or liquidate it at prices sufficient to cover the full exposures. Many of the hedging and other risk management strategies utilised by the Group also involve transactions with financial services counterparties. The failure of these counterparties to settle, or the perceived weakness of these counterparties, may impair the effectiveness of the Group s hedging and other risk management strategies.

The Group s credit risk governance structure, management and measurement methodologies, together with an analysis of exposures to credit risk is detailed in the Credit risk management section on page 94 and Note 47 to the financial statements on page 269.

An analysis of Barclays Capital s credit market exposures is detailed on pages 109 to 118.

Market risk

Market risk is the risk that the Group s earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The majority of market risk exposure resides in Barclays Capital. Barclays is also exposed to market risk through non-traded interest rate risk and the pension fund.

The Group s future earnings could be affected by depressed asset valuations resulting from deterioration in market conditions. Financial markets are sometimes subject to stress conditions where steep falls in asset values can occur, as demonstrated by events in 2007 and 2008 affecting asset backed CDOs and the US sub-prime residential mortgage market and which may occur in other asset classes during an economic downturn. Severe market events are difficult to predict and, if they continue to occur, could result in the Group incurring additional losses.

From the second half of 2007, the Group recorded material net losses on certain credit market exposures, including ABS CDO Super Senior exposures. As market conditions change, the fair value of these exposures could fall further and result in additional losses or impairment charges, which could have a material adverse effect on the Group s earnings. Such losses or impairment charges could derive from: a decline in the value of exposures; a decline in the ability of counterparties, including monoline insurers, to meet their obligations as they fall due; or the ineffectiveness of hedging and other risk management strategies in circumstances of severe stress.

The Group s market risk governance structure, management and measurement methodologies, together with an analysis of exposures to both traded and non-traded market risk is detailed in the Market risk management section on page 122 and Note 48 to the financial statements on page 283. Further details relating to the

Group s pension risk is included in Note 30 on page 236.

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

- meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- support its credit rating. A weaker credit rating would increase the Group s cost of funds; and
- support its growth and strategic options.

Regulators assess the Group s capital position and target levels of capital resources on an ongoing basis. Targets may increase in the future, and rules dictating the measurement of capital may be adversely changed, which would constrain the Group s planned activities and contribute to adverse impacts on the Group s earnings. During periods of market dislocation, increasing the Group s capital resources in order to meet targets may prove more difficult or costly.

In December 2009 the Basel Committee on Banking Supervision issued a consultative document that outlined proposed changes to the definition of regulatory capital. These proposals are going through a period of consultation and are expected to be introduced by the beginning of 2013, with substantial transitional arrangements. While the proposals may significantly impact the capital resources and requirements of the Group, the Group maintains sufficient Balance Sheet flexibility to adapt accordingly.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. This risk is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events.

Risk management

Risk factors

continued

During periods of market dislocation the Group s ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding may have a material effect on the earnings of the Group.

In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group s ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The FSA issued its policy document on strengthening liquidity standards on 5th October 2009 detailing the requirements for liquidity governance to be in place by 1st December 2009, and the quantitative requirements for liquidity buffers, which will be in place from 1st June 2010, although with an extended transition period of several years to meet the expected standards.

In addition, the Basel Committee on Banking Supervision released a consultative document International framework for liquidity risk measurement, standards and monitoring in December 2009. This included two new key liquidity metrics. A liquidity coverage ratio aimed at ensuring banks have sufficient unencumbered high quality assets to meet cash outflows in an acute short-term stress and a net stable funding ratio to promote longer-term structural funding of bank s balance sheet and capital market activities.

The Group s liquidity risk management and measurement methodologies are detailed in the Liquidity Risk Management section on page 130 and the Liquidity Risk note to the financial statements on page 287.

Operations risk

Operations risk is the risk of losses from inadequate or failed internal processes and systems, caused by human error or external events. Operations risk has a broad scope and for that reason, the Group s Risk Control Frameworks are defined at a more granular level within the overall Operations Principal Risk. These risks are transaction operations, new product development, premises, external suppliers, payments process and the management of information, data quality and records.

Financial crime risk

Financial crime risk is the risk that the Group suffers losses as a result of internal and external fraud or intentional damage, loss or harm to people, premises or moveable assets.

Technology risk

Technology is a key business enabler and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed. Such risks include the non-availability of IT systems, inadequate design and testing of new and changed IT solutions and inadequate IT system security. Data privacy issues are covered under Regulatory Risk and external supplier issues relating to technology are covered under Operations Risk.

People risk

People risk arises from failures of the Group to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements.

Regulatory risk

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

In addition, the Group s businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the United Kingdom, the European Union (EU), the United States, South Africa and elsewhere. All these are subject to change, particularly in an environment where recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective banking sectors, including by imposing enhanced capital and liquidity requirements. Any future regulatory changes may potentially restrict the Group s operations, mandate certain lending activity and impose other compliance costs.

Areas where changes could have an impact include:

the monetary, interest rate and other policies of central banks and regulatory authorities;

general changes in government or regulatory policy that may significantly influence investor decisions, in particular markets in which the Group operates;

general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;

changes in competition and pricing environments;

further developments in the financial reporting environment;

differentiation amongst financial institutions by governments with respect to the extension of guarantees to customer deposits and the terms attaching to those guarantees; and

implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes.

Further details of specific matters that impact the Group are included in the Supervision and Regulation section on page 145 and Note 36 to the financial statements on page 248.

Financial reporting risk

Financial reporting risk arises from a failure or inability to comply fully with the laws, regulations or codes in relation to the disclosure of financial information. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. Further details of the Group s internal controls over financial reporting are included in the Accountability and Audit Section on page 187.

Legal risk

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- the Group s business may not be conducted in accordance with applicable laws around the world;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the intellectual property of the Group (such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss.

Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. Although the Group has processes and controls to manage legal risks, failure to manage these risks could impact the Group adversely, both financially and by reputation.

Further details of the Group s legal proceedings are included in Note 35 to the financial statements on page 247.

Taxation risk

The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at an EU level. A number of double taxation agreements entered between two countries also impact on the taxation of the Group. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk, specifically:

- tax risks are assessed as part of the Group s formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;
- the tax charge is also reviewed by the Board Audit Committee;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the Group takes appropriate advice from reputable professional firms;
- the Group employs high-quality tax professionals and provides ongoing technical training;
- the tax professionals understand and work closely with the different areas of the business;
- the Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and
- where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

Risk management

Risk factors

continued

Other Risk Factors

In addition to the 13 Principal Risks, the Group s high-level risk classification includes four other Level 1 risks. These risks are in general less amenable to formal quantification than the Principal Risks in terms of risk measurement or setting risk appetite. However, they retain the potential to impact the Group s performance.

Strategic Risk

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans are not delivered as anticipated, the Group s earnings could grow more slowly or decline. In addition, the Group s strategy could be impacted by revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

Change risk

Change risk arises when the Group needs to make extensive changes to its operations. The cost of implementation projects may overrun, or they may fail to achieve their objectives. Examples of situations in which change risk arises include the integration of acquired businesses, significant business unit restructuring, changes in target operating models, the roll-out of new and potentially disruptive technologies, the introduction of a single currency such as the euro, and Group-wide projects to implement significant new regulation such as Basel II.

Corporate sustainability risk

Corporate sustainability risk arises from the failure to identify and manage the impact of business decisions and activities on the community and the environment, covering the following themes: customers and clients, inclusive banking, the environment, diversity and responsible global citizenship. For more information, see page 22.

Brand management risk

Barclays defines brand risk as the failure to manage the visual identity of Barclays brands in an effective manner. This is distinct from reputational impact (damage to the general brand/reputation of Barclays), which is a potential by-product of financial, strategic or operational risks.

Risk management

Barclays risk management strategy

Barclays has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes.

At a strategic level, our risk management objectives are:

- To identify the Group s material risks.
- To formulate the Group s Risk Appetite and ensure that business profile and plans are consistent with it.
- To optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To help executives improve the control and co-ordination of risk taking across the business.

The Group s strategy is to break down risk management into five discrete processes: direct, assess, control, report, and manage/challenge. Each of these processes is broken down further, to establish end to end activities within the risk management process and the infrastructure needed to support it (see panel below).

Assigning responsibilities

Responsibility for risk management resides at all levels within the Group, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. Barclays distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, Barclays Internal Audit, the independent Group Risk function, the Board Risk Committee and ultimately, the Board.

The *Board* is responsible for approving Risk Appetite, which is the level of risk the Group chooses to take in pursuit of its business objectives. At most of the Board s scheduled meetings, the Chief Risk Officer presents a report summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework. It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive Management responsibilities relating to this are set via the Group s Principal Risks Policy.

The *Board Risk Committee (BRC)* monitors the Group s risk profile against the agreed appetite. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the BRC is comfortable with them. After each meeting, the Chair of the BRC prepares a report for the next meeting of the Board. Barclays first established a separate Board Risk Committee in 1999 and all members are non-executive directors. The Finance Director and the Chief Risk Officer attend each meeting as a matter of course and the Chief Risk Officer has a dotted reporting line to the Chair. The BRC receives regular and comprehensive reports on the Group s risk profile, the key issues affecting each business portfolio, risk measurement methodologies and forward risk trends. The Committee also commissions in-depth analyses of significant risk topics, which are presented by the Chief Risk Officer or senior risk managers in the businesses. The Chair of the Committee prepares a statement each year on its activities (see page 166).

Process	Activity
Direct	Understand the principal risks to achieving Group strategy. Establish Risk Appetite. Establish and communicate the risk management framework including responsibilities, authorities and key controls.
Assess	Establish the process for identifying and analysing business-level risks. Agree and implement measurement and reporting standards and methodologies.
Control	Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements. Monitor the operation of the controls and adherence to risk direction and limits. Provide early warning of control or appetite breaches. Ensure that risk management practices and conditions are appropriate for the business environment.
Report	Interpret and report on risk exposures, concentrations and risk-taking outcomes. Interpret and report on sensitivities and Key Risk Indicators. Communicate with external parties.
Manage and Challenge	Review and challenge all aspects of the Group s risk profile. Assess new risk-return opportunities. Advise on optimising the Group s risk profile. Review and challenge risk management practices.

Risk management

Barclays risk management strategy

continued

The *Board Audit Committee* receives quarterly reports on control issues of significance and a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, the Group s policies and methodologies and the performance trends of peer banks. The Chair of the Board Audit Committee also sits on the Board Risk Committee. See page 159 for additional details on the membership and activities of the Board Audit Committee.

The *Board HR and Remuneration Committee* receives advice from the Board Risk Committee on the management of remuneration risk, including advice on the setting of performance objectives in the context of incentive packages.

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are given on pages 10 and 11. The terms of reference for each of the principal Board Committees are available from the Corporate Governance section at: *www.aboutbarclays.com*.

The Chief Risk Officer is a member of the *Executive Committee* and has overall day to day accountability for risk management under delegated authority from the Finance Director. The Finance Director must consult the Chairman of the Board Risk Committee in respect of the Chief Risk Officer s performance appraisal and compensation as well as all appointments to or departures from the role.

Note

The governance structure will not change following the restructure of the Group announced in November 2009.

The Chief Risk Officer manages the independent Group Risk function and chairs the *Group Risk Oversight Committee*, which monitors the Group s risk profile relative to established risk appetite. Reporting to the Chief Risk Officer, and working in the Group Risk function, are risk-type heads for: retail credit risk, wholesale credit risk, market risk, operational risk, financial crime risk and capital analytics. Along with their teams, the risk-type heads are responsible for establishing a Group-wide framework for risk control framework and oversight. These risk-type teams liaise with each business as part of the monitoring and management processes.

In addition, each business unit has an embedded risk management function, headed by a business risk director. Business risk directors and their teams are responsible for assisting business heads in the identification and

management of their business risk profiles and for implementing appropriate controls. These teams also assist Group Risk in the formulation of Group policies and their implementation across the businesses. The business risk directors report jointly to their respective business heads and to the Chief Risk Officer.

The risk type heads within the central Group Risk function and the business risk directors within the business units report to the Chief Risk Officer and are members of the Group Risk Oversight Committee.

Risk management

Barclays risk management strategy

continued

Internal Audit is responsible for the independent review of risk management and the control environment. Its objective is to provide reliable, valued and timely assurance to the Board and Executive Management over the effectiveness of controls, mitigating current and evolving high risks and in so doing enhancing the controls culture within the Group. The Board Audit Committee reviews and approves Internal Audit s plans and resources, and evaluates the effectiveness of Internal Audit.

An assessment by external advisers is also carried out periodically. In addition to the Committees shown in the chart, there is a Brand and Reputation Committee reviewing emerging issues with potentially significant reputational impact.

Risk management responsibilities are laid out in the *Principal Risks Policy*, which covers the categories of risk in which the Group has its most significant actual or potential risk exposures.

The Principal Risks Framework:

- creates clear ownership and accountability;
- ensures the Group s risk exposures are understood and managed in accordance with agreed risk appetite (for financial risks) and risk tolerances (for non-financial risks); and
- ensures regular reporting of both risk exposures and the operating effectiveness of controls.

Each Principal Risk is owned by a senior individual within Barclays, known as the Principal Risk Owner (PRO) who is required to document, communicate and maintain a risk control framework which makes clear the mandated control requirements in managing that Principal Risk, for every business across the firm.

These control requirements are given further specification, according to the business unit or risk type, to provide a complete and appropriate system of internal control.

Business unit and Group centre heads are responsible for obtaining ongoing assurance that the controls they have put in place to manage the risks to their business objectives are operating effectively. Six-monthly reviews support the regulatory requirement for the Group to make a statement about its system of internal controls (the Turnbull statement), in the Annual Report and Accounts.

PROs report their assessments of the risk exposure and control effectiveness to Group-level oversight committees. Their assessments form the basis of the reports that go to the Board Risk Committee.

Setting and using Risk Appetite

Risk Appetite is the level of risk the Group chooses to take in pursuit of its business objectives.

As part of the yearly planning process, we add up our estimated bad debts charges and ask ourselves if that potential level of credit loss is consistent with our strategy, with our business position, and with our capital.

The starting point is the total expected credit loss, assuming the base case economic forecast. To gain a more rounded understanding of the risk, the Group estimates credit losses based on the kind of stressed conditions that can be expected to occur approximately once every seven years (moderate stress) and once every 25 years (severe stress). These potentially larger but increasingly less likely levels of loss are illustrated in the Risk Appetite concepts chart below.

Principal Risks	Other Level 1 Risks
Retail Credit Wholesale Credit Market Capital Liquidity Operations Financial Crime Technology People Regulatory Financial Reporting Legal Taxation	Strategic Change Corporate Sustainability Brand Management

Risk Appetite is prepared for the Board, as part of the formal planning process. The Board requires credible plans that show the Executive is aware of risk sensitivities and potential downside cases, and is investing capital into sustainable businesses over an economic cycle. The Chief Risk Officer leads the discussion at the Executive and Board levels. If the projections entail too high a level of risk, management will challenge each area to find new ways to rebalance the business mix to incur less overall risk. Performance against Risk Appetite is measured and reported to the Executive and Board regularly throughout the year.

As well as credit risk, the Risk Appetite framework also considers market and operational risks.

Barclays uses Risk Appetite to:

- improve management confidence and debate regarding our risk profile;
- give executives greater control and co-ordination of risk-taking across businesses;
- re-balance the risk profile of the medium-term plan to achieve a superior risk-return profile; and
- identify unused risk capacity.

There is a second element to Risk Appetite setting in Barclays: the extensive system of *Mandate and Scale* limits, which are set by the independent Group Risk function, formally monitored each month and subject to Board-level oversight.

The framework operates through limits and triggers, which work in tandem with clearly defined lending criteria for specific sectors, industries and products, in order to maintain asset quality.

For example, in the UK mortgage business a series of explicit mandate and scale limits have kept the average loan to value of the portfolio at conservative levels, set an upper boundary on the proportion of buy-to-let customers, and set at zero our appetite to offer self-certified mortgages.

In our commercial property finance portfolios, a comprehensive series of limits are in place to control exposure within each business and geographic market. To ensure that limits are aligned to the underlying risk characteristics, the Mandate and Scale limits differentiate between types of exposure. There are, for example, individual limits for property investment and property development and for senior and subordinated lending. Since the onset of the global economic downturn, these limits have been reduced significantly and the frequency of review has been increased.

Barclays uses the Mandate and Scale framework to:

- limit concentration risk;
- keep business activities within Group and individual business mandate;
- ensure activities remain of an appropriate scale relative to the underlying risk and reward; and
- ensure risk-taking is supported by appropriate expertise and capabilities.

As well as Group-level Mandate and Scale limits, further limits are set by risk managers within each business unit, covering particular portfolios. Taken as a whole, the Risk Appetite framework provides a basis for the allocation of risk capacity across the Barclays Group.

Risk management

Barclays risk management strategy

continued

Modelling risk

Risk taking on any meaningful scale requires quantification. Barclays uses risk models in an extensive range of decisions, from credit grading, pricing and approval to portfolio management, risk appetite setting, economic capital allocation and regulatory capital calculations.

The key inputs into the models used to quantify credit risk are:

Probability of default (PD).

Exposure at default (EAD).

Loss given default (LGD).

These models are used in a range of applications that measure credit risk across the Group. For example, Barclays can assign an expected loss over the next 12 months to each customer by multiplying these three factors. We calculate *probability of default* (PD) by assessing the credit quality of borrowers and other counterparties. For the sake of illustration, suppose a customer has a 0.5% probability of defaulting over a 12-month period. The *exposure at default* (EAD) is our estimate of what the outstanding balance will be, if the customer does default. Supposing the current balance is £1,000, our models might predict a rise to £1,200 by then. Should customers default, some part of the exposure is usually recovered. The part that is not recovered, together with the economic costs associated with the recovery process, comprise the *loss given default* (LGD), which is expressed as a percentage of EAD. Supposing the LGD in this case is estimated to be 30%, the expected loss for this customer is: 0.5% x £1,200 x 30% or £1.80.

The Group has an extensive range of models in use, covering estimations of PD, EAD, LGD as well as many other types of risk besides credit risk. The models are developed and owned by each business unit and used to measure risk in their portfolios. To minimise the risk of loss through model failure, the Group Model Risk Policy (GMRP) was developed. It is managed by the independent Group Risk function and was reviewed and expanded during 2009.

The GMRP helps reduce the potential for model failure by setting Group-wide minimum standards for the model development and implementation process. The GMRP also sets the Group governance processes for all models, which allows model performance and risk to be monitored, and seeks to identify and escalate any potential problems at an early stage.

To ensure that the governance process is effective, and that management time is focused on the more material models, each model is provided with a materiality rating. The GMRP defines the materiality ranges for all model types, based on an assessment of the impact to the Group in the event of a model error. The final level of model sign-off is based on materiality, with all of a business unit s models initially being approved in business unit committees. The more material models are also approved at the Group-level Material Models Technical Committee, and the most material models require further approval by the Executive Models Committee, a sub-committee of Group Executive Committee.

This process ensures that the most significant models are subject to the most rigorous review, and that senior management have a good understanding of the most material models in the Group. Although the final level of model sign-off will vary, depending on model materiality, the standards required by the GMRP do not change with the materiality level.

The GMRP also sets detailed standards that a model must meet during development and subsequent use. For new models, documentation must be sufficiently detailed to allow an expert to understand all aspects of model development such that they could reproduce the model. It must include a description of the data used for model development, the methodology used (and the rationale for choosing such a methodology), a description of any assumptions made, as well as details of the strengths and weaknesses of the model.

All new models are subject to validation and independent review before they can be signed off for implementation. The model validation exercise must demonstrate that the model is fit for purpose and provides accurate estimates. The independent review ensures that the model development has followed a robust process and that the standards of the GMRP have been met, as well as ensuring that the model satisfies business and regulatory requirements. In addition, the most material models are subject to independent review by Group Risk. Once implemented, all models are subject to post-implementation review. This confirms that the model has been implemented correctly and behaves as predicted.

The GMRP also sets the requirements for ongoing performance monitoring and the annual review process. Once implemented, all models within the Group are subject to ongoing performance monitoring to ensure that any deficiencies are identified early, and that remedial action can be taken before the decision-making process is affected. As part of this process, model owners set performance triggers and define appropriate actions for their models in the event that a trigger level is breached.

In addition to regular monitoring, models are subject to an annual validation process to ensure that they will continue to perform as expected, and that assumptions used in model development are still appropriate. In line with initial sign-off requirements, annual validations are also formally reviewed at the appropriate technical committee.

Within Barclays Capital, where models are used to value positions within the trading book, the positions are subject to regular independent price testing which covers all trading positions. Prices are compared with direct external market data where possible. When this is not possible, more analytic techniques are used, such as industry consensus pricing services. These services enable peer banks to compare structured products and model-input parameters on an anonymous basis. The conclusions and any exceptions to this exercise are communicated to senior levels of business management.

Externally developed models are subject to the same governance standards as internal models, and must be approved for use following the validation and independent review process. External models are also subject to the same standards for ongoing monitoring and annual validation requirements.

Stress testing

A fundamental duty of risk management is to ensure that organisations do not neglect to prepare for the worst event as they plan for success. Stress testing helps Barclays to understand how its portfolios would react if business conditions became significantly more challenging. We generate specific forward-looking scenarios and analyse how well our profitability would hold up, whether our levels of capital would be adequate and what managers could do ahead of time to mitigate the risk.

Stress tests capture a wide range of macroeconomic variables that are relevant to the current environment, such as:

- GDP;
- unemployment;
- asset prices; and

interest rates.

The Board Risk Committee agrees the range of scenarios to be tested and the independent Group Risk function co-ordinates the process, using bottom-up analysis performed by the businesses. The results of the stress tests are presented to the Executive Committee, the Board Risk Committee, the Strategy Board and the UK Financial Services Authority (FSA).

In 2009, the range of stress scenarios included the stress test set out by the FSA as part of its assessment of the Group s resilience to stressed credit risk, market risk and economic conditions over a five-year period. This stress scenario took into account a wide range of factors, including:

- the Group s revenue generation potential given stressed GDP and interest rates assumptions;
- the probability of default and possible losses given default within its loan book; and
- possible declines in the market value of assets held in the trading books.

Following this work and discussion with the FSA, the Group was able to confirm that its capital position and resources, after exposure to the stress, were expected to continue to meet the FSA s capital requirements.

Barclays uses stress testing techniques at Group, portfolio and product level and across a range of risk types. For example, portfolio management in the US cards business employs stressed assumptions of unemployment to determine profitability hurdles for new accounts. And in the UK mortgage business, affordability thresholds incorporate stressed estimates of interest rates.

In the Investment Banking division, global scenario testing is used to gauge potential losses that could arise in conditions of extreme market stress. Stress testing is also conducted on our positions in particular asset classes, including interest rates, commodities, equities, credit and foreign exchange.

Further details of the Group s stress testing relating to liquidity risk is set out on page 130.

Risk management

Credit risk management

Credit risk is the risk of suffering financial loss should any of the Group s customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

The granting of credit is one of the Group s major sources of income and, as the most significant risk, the Group dedicates considerable resources to controlling it.

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with our clients.

Barclays is also exposed to other credit risks arising from its trading activities, including debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

In managing credit risk, the Group applies the five-step risk management process. Credit risk management objectives are:

- To establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles.
- To identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio.
- To control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations.
- To monitor credit risk and adherence to agreed controls.
- To ensure that risk-reward objectives are met.

In the review of Barclays credit risk management that follows, we first explain how the Group meets its credit risk management objectives through its organisation, structure and governance, measurement, reporting and system of internal ratings.

We then provide a summary of the Group s total assets, including the asset types which give rise to credit risk and counterparty credit risk, namely: loans and advances, debt securities and derivatives.

On pages 96 to 107, we set out a detailed analysis of the Group s loans and advances across a number of asset classes and businesses referencing significant portfolios and including summary measures of asset quality.

We provide disclosures and analyses of the credit risk profiles of these asset categories, beginning with Barclays Capital s credit market exposures by asset class, covering current exposures, losses during 2009, sales and paydowns, foreign exchange movements and, where appropriate, details of collateral held, geographic spread, vintage and credit quality. These are given on pages 109 to 118.

Finally, additional analysis of debt securities and derivatives is provided on pages 119 to 121.

Organisation and structure

Barclays has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring robust review and challenge of performance, risk infrastructure and strategic plans.

The credit risk management teams in each business are accountable to the business risk directors in those businesses who, in turn, report to the heads of their businesses and also to the Chief Risk Officer.

The role of the Group Risk function is to provide Group-wide direction, oversight and challenge of credit risk-taking. Group Risk sets the Credit Risk Control Framework, which provides a structure within which credit risk is managed together with supporting Group Credit Risk Policies.

Group Credit Risk Policies currently in force include:

- Maximum Exposure Guidelines to limit the exposures to an individual customer or counterparty;
- Country risk policies to specify Risk Appetite by country and avoid excessive concentration of credit risk in individual countries;
- Aggregation policy to set out the circumstances in which counterparties should be grouped together for credit risk purposes;
- Expected loss policies to set out the Group approaches for the calculation of expected loss, i.e. Group measure of anticipated loss for exposures;
- Repayment plans policy for setting the standards for repayment plans and restructures within retail portfolios; and
- Impairment and provisioning policies to ensure that measurement of impairment accurately reflects incurred losses and that clear governance procedures are in place for the calculation and approval of impairment allowances.

The largest credit exposures are approved at the Group Credit Committee which is managed by Group Risk. Group Risk also manages and approves the Mandate and Scale limits and triggers which mitigate concentration risk and define appetite in risk sensitive areas of the portfolio such as commercial property finance (see page 91).

Group Risk also provides technical support, review and validation of credit risk measurement models across the Group.

The principal Committees that review credit risk management, approve overall Group credit policy and resolve all significant credit policy issues are the Board Risk Committee, the Group Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee. Senior Group and business risk management are represented on the Group Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee.

On a semi-annual basis, the Credit Risk Impairment Committee (CRIC) obtains assurance on behalf of the Group that all businesses are recognising impairment in their portfolios accurately, promptly and in accordance with policy, accounting standards and established governance.

CRIC is chaired by the Credit Risk Director and reviews the movements to impairment in the businesses, including those already agreed at Credit Committee, as well as potential credit risk loans, loan loss rates, asset quality metrics and impairment coverage ratios.

CRIC makes twice-yearly recommendations to the Board Audit Committee on the adequacy of Group impairment allowances. Impairment allowances are reviewed relative to the risk in the portfolio, business and economic trends, current policies and methodologies, and our position relative to peer banks.

Measurement and internal ratings

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Group is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the calculation of internal ratings, which are used in numerous aspects of credit risk management and in the calculation of regulatory and economic capital. The key building blocks of this process are:

- Probability of default (PD).
- Exposure at default (EAD).
- Loss given default (LGD).

To calculate *probability of default* (PD), Barclays assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating. Multiple rating methodologies may be used to inform the overall rating decision on individual large credits, such as internal and external models, rating agency ratings, and, for wholesale assets, market information such as credit spreads. For smaller credits, a single source may suffice such as the result from an internal rating model. Barclays recognises the need for two different expressions of PD depending on the purpose for which it is used. For the purposes of calculating regulatory and economic capital, long-run average through-the-cycle (TTC) PDs are required. However, for the purposes of pricing, PDs should represent the best estimate of probability of default given the current position in the credit cycle. Hence, point-in-time (PIT) PDs are also required.

Each PD model outputs an estimate of default probability that is PIT, TTC or a hybrid (e.g. a 50:50 blend). Bespoke conversion techniques, appropriate to the portfolio in question, are then applied to convert the model output to pure PIT and TTC PD estimates. In deriving the appropriate conversion, industry and location of the counterparty and an understanding of the current and long-term credit conditions are considered. Both PIT and the TTC PD estimates are recorded for each client.

Within Barclays, the calculation of internal ratings differs between wholesale and retail customers. For wholesale portfolios, the rating system is constructed to ensure that a client receives the same rating regardless of the part of the business with which it is dealing. To achieve this, a model hierarchy is adopted which requires users to adopt a specific approach to rating each counterparty depending upon the nature of the business and its location. A range of methods are utilised for estimating wholesale counterparty PDs. These include bespoke grading models developed within

the Group (internal models), vendor models such as MKMV Credit Edge and RiskCalc, and a conversion of external alphabet ratings from either S&P, Moody s or Fitch. Retail models, especially those used for capital purposes, are almost exclusively built internally using Barclays data. In many cases bureau data is used to complement internal data and in rare cases models developed by the credit bureau themselves are used in conjunction with internal models. In addition, in some low data/low default environments, external developments may also be utilised.

A key element of the Barclays wholesale framework is the PD Masterscale (see below). This scale has been developed to distinguish meaningful differences in the probability of default risk throughout the risk range. In contrast to wholesale businesses, retail areas rarely bucket exposures into generic grades for account management purposes (although they may be used for reporting purposes). Instead, accounts are managed at a more granular and bespoke level.

Exposure at default (EAD) represents the expected level of usage of the credit facility should default occur. At the point of default, the customer exposure can vary from the current position due to the combined effects of additional drawings, repayment of principal and interest and fees. EAD parameters are all derived from internal estimates and are determined from internal historical behaviour. The lower bound of EAD for regulatory capital purposes is the current balance at calculation of EAD. For derivative instruments, exposure in the event of default is the estimated cost of replacing contracts with a positive value should counterparties fail to perform their obligations.

Should a customer default, some part of the exposure is usually recovered. The part that is not recovered, the actual loss, together with the economic costs associated with the recovery process, comprise the *loss given default* (LGD), which is expressed as a percentage of EAD. The Group estimates an average LGD for each type of exposure using historical information. The level of LGD depends principally on: the type of collateral (if any); the seniority or subordination of the exposure; the industry in which the customer operates (if a business); the length of time taken for the recovery process and the timing of all associated cash flows; and the jurisdiction applicable and work-out expenses. The outcome is also dependent on economic conditions that may determine, for example, the prices that can be realised for assets, whether a business can readily be refinanced or the availability of a repayment source for personal customers. For the purposes of regulatory capital an adjustment is made to the modelled LGD to account for the increased losses experienced under downturn conditions, giving a downturn LGD .

Barclays PD Masterscale			
	Default Probability		
Default grade/ TTC Band	>=Min	Mid	<Max
1	0.00%	0.010%	0.02%
2	0.02%	0.025%	0.03%
3	0.03%	0.040%	0.05%
4	0.05%	0.075%	0.10%
5	0.10%	0.125%	0.15%
6	0.15%	0.175%	0.20%
7	0.20%	0.225%	0.25%
8	0.25%	0.275%	0.30%
9	0.30%	0.350%	0.40%
10	0.40%	0.450%	0.50%
11	0.50%	0.550%	0.60%
12	0.60%	0.900%	1.20%
13	1.20%	1.375%	1.55%
14	1.55%	1.850%	2.15%
15	2.15%	2.600%	3.05%
16	3.05%	3.750%	4.45%
17	4.45%	5.400%	6.35%
18	6.35%	7.500%	8.65%
19	8.65%	10.000%	11.35%
20	11.35%	15.000%	18.65%
21	18.65%	30.000%	100.00%

Risk management

Credit risk management

continued

Reporting

The Group dedicates considerable resources to gaining a clear and accurate understanding of credit risk across the business and ensuring that its balance sheet correctly reflects the value of the assets in accordance with applicable accounting principles. This process can be summarised in five broad stages:

- measuring exposures and concentrations;
- monitoring weaknesses in portfolios;
- identifying potential problem loans and credit risk loans (collectively known as potential credit risk loans or PCRLs);
- raising allowances for impaired loans; and
- writing off assets when the whole or part of a debt is considered irrecoverable.

Measuring exposures and concentrations

Loans and advances to customers provide the principal source of credit risk to the Group although Barclays can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities.

Barclays risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data.

One area of particular review is concentration risk. A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

As a result, Barclays constantly reviews its concentration in a number of areas including, for example, geography, maturity, industry and investment grade (see below).

Diversification is achieved through setting maximum exposure guidelines to individual counterparties. Excesses are reported to the Group Risk Oversight Committee and the Board Risk Committee. Mandate and Scale limits are used to limit the stock of current exposures in a loan portfolio and the flow of new exposures into a loan portfolio. Limits are typically based on the nature of the lending and the amount of the portfolio meeting certain standards of underwriting criteria.

Note

a Total comprises all limits to cross-border counterparties (non-UK) where limits are greater than £10m.

Monitoring weaknesses in portfolios

Whilst the basic principles for monitoring weaknesses in wholesale and retail exposures are broadly similar, they will reflect the differing nature of the assets.

As a matter of policy all facilities granted to corporate or wholesale customers are subject to a review on, at least, an annual basis, even when they are performing satisfactorily.

Corporate accounts that are deemed to contain heightened levels of risk are recorded on graded early warning lists or watchlists comprising three categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default. These are updated monthly and circulated to the relevant risk control points. Once an account has been placed on watchlist (WL) or early warning list (EWL), the exposure is carefully monitored and, where appropriate, exposure reductions are effected.

Should an account become impaired, it will normally have passed through each of the three categories, which reflect the need for increasing caution and control. Where an obligor s financial health gives grounds for concern, it is immediately placed into the appropriate category. While all obligors, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis, more frequent interim reviews may be undertaken should circumstances dictate.

Specialist recovery functions deal with clients in default, collection or insolvency. Their mandate is to maximise shareholder value via the orderly and timely recovery of impaired debts. Accounts can stay in Recoveries for up to two years unless a longer-term strategy has been agreed.

Within the *retail* portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow potential weaknesses to be monitored on a portfolio basis. The approach is consistent with the Group s policy of raising a collective impairment allowance as soon as objective evidence of impairment is identified.

Retail accounts can be classified according to specified categories of arrears status (or cycle), which reflects the level of contractual payments which are overdue on a loan.

The probability of default increases with the number of contractual payments missed, thus raising the associated impairment requirement. Once a loan has passed through all six cycles it will enter recovery status, having been charged off. In most cases, charge-off will result in the account moving to a legal recovery function or debt sale. This will typically occur after an account has been treated by a collections function. However, in certain cases, an account may be charged off directly from a performing (up to date) status, such as in the case of insolvency or death.

As a general principle, charge-off marks the point at which it becomes more economically efficient to treat an account through a recovery function or debt sale rather than a collections function. Economic efficiency includes the (discounted) expected amount recovered and operational and legal costs. Whilst charge-off is considered an irreversible state, in certain cases, it may be acceptable for mortgage and vehicle finance accounts to move back from charge-off to performing or delinquent states. This is only considered acceptable where local legislation requirements are in place, or where it is deemed that the customer has a renewed willingness to pay and there is a

Risk management

Credit risk management

continued

strong chance that they will be able to meet their contractual obligations in the foreseeable future.

For the majority of products, the standard period for charging off accounts is 180 days past due of contractual obligation. However, in the case of customer bankruptcy or insolvency, the associated accounts will be charged off within 60 days.

Within UKRB Local Business, accounts that are deemed to have a heightened level of risk, or that exhibit some unsatisfactory features which could affect viability in the short to medium term, are transferred to a separate caution stream. Accounts on the caution stream are reviewed on at least a quarterly basis, at which time consideration is given to continuing with the agreed strategy, returning the customer to a lower risk refer stream, or instigating recovery/exit action.

Identifying potential credit risk loans

In line with disclosure requirements from the Securities Exchange Commission (SEC) in the US, the Group reports potentially and actually impaired loans as Potential Credit Risk Loans (PCRLs). PCRLs comprise two categories of loans: Potential Problem Loans (PPLs) and Credit Risk Loans (CRLs).

PPLs are loans that are currently complying with repayment terms but where serious doubt exists as to the ability of the borrower to continue to comply with such terms in the near future. If the credit quality of a loan on an early warning or watch list deteriorates to the highest category (wholesale) or deteriorates to delinquency cycle 2 (retail), consideration is given to including it within the PPL category.

Should further evidence of deterioration be observed, a loan may move to the *CRL* category. Events that would trigger the transfer of a loan from the PPL to the CRL category include a missed payment or a breach of covenant. CRLs comprise three classes of loans:

Impaired loans comprise loans where individual identified impairment allowance has been raised and also include loans which are fully collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

The category accruing past due 90 days or more comprises loans that are 90 days or more past due with respect to principal or interest. An impairment allowance will be raised against these loans if the expected cash flows discounted at the effective interest rate are less than the carrying value.

The category impaired and restructured loans comprises loans not included above where, for economic or legal reasons related to the debtor s financial difficulties, a concession has been granted to the debtor that would not otherwise be considered. Where the concession results in the expected cash flows discounted at the effective interest rate being less than the loan s carrying value, an impairment allowance will be raised.

Allowances for impairment and other credit provisions

Barclays establishes, through charges against profit, impairment allowances and other credit provisions for the incurred loss inherent in the lending book.

Under IFRS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition, and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset s original effective interest rate. If the carrying amount is less than the discounted cash flows, then no further allowance is necessary.

Impairment allowances are measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available.

In terms of individual assessment, the trigger point for impairment is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure. Two key inputs to the cash flow calculation are the valuation of all security and collateral, as well as the timing of all asset realisations, after allowing for all attendant costs. This method applies mainly in the corporate portfolios.

For collective assessment, the trigger point for impairment is the missing of a contractual payment. While the impairment allowance is calculated per individual account, the calculation methodology relies on the historical experience of pools of similar assets; hence the impairment allowance is collective. The impairment calculation is based on a roll-rate approach, where the percentage of assets that move from the initial delinquency to default are derived from statistical probabilities based on historical experience. Recovery amounts and contractual interest rates are calculated using a weighted average for the relevant portfolio. This method applies mainly to the Group s retail portfolios and is consistent with Barclays policy of raising an allowance as soon as impairment is identified.

Unidentified impairment allowances are also raised to cover losses which are judged to be incurred but not yet specifically identified in customer exposures at the balance sheet date, and which, therefore, have not been specifically reported.

The incurred but not yet reported calculation is based on the asset s probability of moving from the performing portfolio to being specifically identified as impaired within the given emergence period and then on to default within a specified period. This is calculated on the present value of estimated future cash flows discounted at the financial asset s original effective interest rate.

The emergence periods vary across businesses and are based on actual experience and are reviewed on an annual basis. This methodology ensures that the Group captures the loss incurred at the correct balance sheet date.

These impairment allowances are reviewed and adjusted at least

Note

Loan loss rate for the years prior to 2005 does not reflect the application of IAS 32, IAS 39 and IFRS 4.

quarterly by an appropriate charge or release of the stock of impairment allowances based on statistical analysis and management judgement.

Where appropriate, the accuracy of this analysis is periodically assessed against actual losses (see Modelling Risk on page 92).

As one of the controls to ensure that adequate impairment allowances are held, movements in impairment allowances to individual names with total impairment of more than £10m are presented to the Credit Committee for agreement.

Monitoring the loan loss rate (LLR) provides Barclays with one way of measuring the trends in the quality of the loan portfolio at the Group, business and product levels. At Barclays, the LLR represents the annualised impairment charges on loans and advances to customers and banks and other credit provisions as a percentage of the total, period-end loans and advances to customers and banks, gross of impairment allowances.

The impairment allowance is the aggregate of the identified and unidentified impairment balances. Impairment allowance coverage, or the coverage ratio, is reported at two levels:

- Credit risk loans coverage ratio (Impairment allowances as a percentage of CRL balances).
- Potential credit risk loans coverage ratio (Impairment allowances as a percentage of total CRL & PPL balances).

Appropriate coverage ratios will vary according to the type of product but can be broadly bracketed under three categories: secured retail home loans; unsecured and other retail products; and corporate facilities. Analysis and experience has indicated that, in general, the severity rates for these types of products are typically within the following ranges:

- Secured retail home loans: 5%-20%.
- Unsecured and other retail products: 65%-75%.
- Corporate facilities: 30%-50%.

CRL coverage ratios would therefore be expected to be at or around these levels over a defined period of time. In principal, a number of factors may affect the Group s coverage ratios, including:

- The mix of products within total CRL balances. Coverage ratios will tend to be lower when there is a high proportion of secured retail and corporate balances within total CRLs. This is due to the fact that the recovery outlook on these types of exposures is typically higher than retail unsecured products with the result that they will have lower impairment requirements.

The stage in the economic cycle. Coverage ratios will tend to be lower in the earlier stages of deterioration in credit conditions. At this stage, retail delinquent balances will be predominantly in the early delinquency cycles and corporate names will have only recently moved to CRL categories. As such balances attract a lower impairment requirement, the CRL coverage ratio will be lower.

The balance of PPLs to CRLs. The impairment requirements for PPLs are lower than for CRLs, so the greater the proportion of PPLs, the lower the PCRL coverage ratio.

Write-off policies. The speed with which defaulted assets are written off will affect coverage ratios. The more quickly assets are written off, the lower the ratios will be, since stock with 100% coverage will tend to roll out of PCRL categories more quickly.

Writing-off of assets

After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-off will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery. In any event, the position of impaired loans is reviewed at least quarterly to ensure that irrecoverable advances are being written off in a prompt and orderly manner and in compliance with any local regulations.

Such assets are only written off once all the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are written back and hence decrease the amount of the reported loan impairment charge in the income statement. In 2009 total write-offs of impaired financial assets increased by £461m to £3,380m (2008: £2,919m).

Risk management

Credit risk management

continued

Total assets and Barclays Capital credit market assets

Analysis of Total Assets	Accounting basis			Analysis of total assets						Sub analysis
Assets as at 31.12.09	Total assets £m	Fair value £m	Cost based measure £m	Derivatives £m	Loans and advances[a] £m	Debt securities and other bills[b] £m	Reverse repurchase agreement[c] £m	Equity securities[d] £m	other £m	Credit market assets[e] £m
Cash and balances at central banks	**81,483**		81,483						81,483	
Items in the course of collection from other banks	**1,593**		1,593						1,593	
Treasury and other eligible bills	**9,926**	9,926				9,926				
Debt securities	**116,594**	116,594				116,594				1,186
Equity securities	**19,602**	19,602						19,602		
Traded loans	**2,962**	2,962			2,962					
Commodities[f]	**2,260**	2,260							2,260	
Trading portfolio assets	**151,344**	151,344			2,962	126,520		19,602	2,260	1,186
Financial assets designated at fair value										
Loans and advances	**22,390**	22,390			22,390					6,941
Debt securities	**4,007**	4,007				4,007				
Equity securities	**6,256**	6,256						6,256		
Other financial assets[g]	**8,658**	8,658			557		7,757		344	
Held for own account	**41,311**	41,311			22,947	4,007	7,757	6,256	344	6,941
Held in respect of linked liabilities to customers under investment contracts[h]	**1,257**	1,257							1,257	
Derivative financial instruments	**416,815**	416,815		416,815						2,304
Loans and advances to banks	**41,135**		41,135		41,135					
Loans and advances to customers	**420,224**		420,224		420,224					15,186
Debt securities	**43,888**	43,888				43,888				535
Equity securities	**6,676**	6,676						6,676		

Treasury and other eligible bills	**5,919**	5,919				5,919				
Available for sale financial instruments	**56,483**	56,483				49,807		6,676		535
Reverse repurchase agreements and cash collateral on securities borrowed	**143,431**		143,431				143,431			
Other assets	**23,853**	1,207	22,646						23,853	1,200
Total assets as at 31.12.09	**1,378,929**	**668,417**	**710,512**	**416,815**	**487,268**	**180,334**	**151,188**	**32,534**	**110,790**	**27,352**
Total assets as at 31.12.08	2,052,980	1,356,614	696,366	984,802	542,118	224,692	137,637	39,173	124,558	41,208

Notes

a Further analysis of loans and advances is on pages 96 to 107.
b Further analysis of debt securities and other bills is on page 119.
c Reverse repurchase agreements comprise primarily short-term cash lending with assets pledged by counterparties securing the loan.
d Equity securities comprise primarily equity securities determined by available quoted prices in active markets.
e Further analysis of Barclays Capital credit market exposures is on pages 109 to 118. Undrawn commitments of £257m (2008: £531m) are off-balance sheet and therefore not included in the table above. This is a change in presentation from 31st December 2008, which reflected certain loan facilities originated post 1st July 2007.
f Commodities primarily consists of physical inventory positions.
g These instruments consist primarily of loans with embedded derivatives and reverse repurchase agreements designated at fair value.
h Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have not been further analysed as the Group is not exposed to the risks inherent in these assets.

Loans and advances to customers and banks

Total loans and advances to customers and banks net of impairment allowance fell 10% to £487,268m (31st December 2008: £542,118m). Loans and advances at amortised cost were £461,359m (31st December 2008: £509,522m) and loans and advances at fair value were £25,909m (31st December 2008: £32,596m).

Total loans and advances to customers and banks gross of impairment allowances fell by £43,941m (9%) to £472,155m (31st December 2008: £516,096m) due to an 18% reduction in the wholesale portfolios, principally in:

- Barclays Capital, due to a decrease in the cash collateral held against derivative trades, a reduction in non-UK lending and a decrease in the value of other currencies relative to Sterling. This was partially offset by increases in lending due to restructuring of credit market assets and a reclassification of previously held for trading assets to loans and advances; and

- Barclays Commercial Bank, due to reduced customer demand.

This was partially offset by a rise in loans and advances to customers across the majority of retail business units, notably in UK Retail Bank due to growth in the UK Home Finance portfolio.

Loans and advances held at fair value

Barclays Capital loans and advances held at fair value were £12,835m (31st December 2008: £19,630m). Included within this balance is £6,941m relating to credit market exposures, the majority of which are commercial real estate loans. The balance of £5,894m primarily comprises financial institutions and manufacturing loans.

Barclays Commercial Bank loans and advances held at fair value split between property, business and services and Government sectors, were £13,074m (31st December 2008: £12,966m). The fair value of these loans and any movements are matched by offsetting fair value movements on hedging instruments.

Loans and advances at amortised cost	Gross loans and	Impairment allowance	Loans and advances net	Credit risk loans	CRLs % of gross loans	Impairment charge	Loan loss rates

	advances £m	£m	of impairment £m	£m	and advances %	£m	basis points
As at 31st December 2009							
Wholesale customers	**218,110**	**4,604**	**213,506**	**10,990**	**5.0**	**3,430**	**157**
Wholesale banks	**41,196**	**61**	**41,135**	**57**	**0.1**	**11**	**3**
Total wholesale	**259,306**	**4,665**	**254,641**	**11,047**	**4.3**	**3,441**	**133**
Retail customers	**212,849**	**6,131**	**206,718**	**11,341**	**5.3**	**3,917**	**184**
Total retail	**212,849**	**6,131**	**206,718**	**11,341**	**5.3**	**3,917**	**184**
Total	**472,155**	**10,796**	**461,359**	**22,388**	**4.7**	**7,358**	**156**
As at 31st December 2008							
Wholesale customers	266,750	2,784	263,966	8,144	3.1	2,540	95
Wholesale banks	47,758	51	47,707	48	0.1	40	8
Total wholesale	314,508	2,835	311,673	8,192	2.6	2,580	82
Retail customers	201,588	3,739	197,849	7,508	3.7	2,333	116
Total retail	201,588	3,739	197,849	7,508	3.7	2,333	116
Total	516,096	6,574	509,522	15,700	3.0	4,913	95

Loans and advances held at fair value	As at 31.12.09 £m	As at[a] 31.12.08 £m
Government	**5,024**	5,143
Financial Institutions	**3,543**	7,354
Transport	**177**	218
Postal and Communications	**179**	37
Business and other services	**2,793**	2,882
Manufacturing	**1,561**	238
Wholesale and retail distribution and leisure	**664**	1,110
Construction	**237**	412
Property	**11,490**	14,944
Energy and Water	**241**	258
Total	**25,909**	32,596

Note

a 2008 loans and advances held at fair value have been reanalysed to reflect changes in classification of assets.

Risk management

Credit risk management

continued

Impairment Charges

Impairment charges on loans and advances increased 50% (£2,445m) to £7,358m (2008: £4,913m). The increase was primarily due to economic deterioration and portfolio maturation, currency movements and methodology enhancements, partially offset by a contraction in loan balances. As a result of this increase in impairment and the fall in loans and advances, the impairment charges as a percentage of period end Group total loans and advances (loan loss rate) increased to 156bps (31st December 2008: 95bps). When measured against constant 2008 year-end loans and advances balances and impairment at average 2008 foreign exchange rates, the loan loss rate for the period was 135bps.

The impairment charge in Global Retail and Commercial Banking increased by 85% (£2,473m) to £5,395m (2008: £2,922m) as charges rose in all portfolios, reflecting deteriorating credit conditions across all regions. The loan loss rate for 2009 was 185bps (2008: 99bps).

In Investment Banking and Investment Management, impairment was broadly unchanged at £1,949m (2008: £1,980m). The loan loss rate for 2009 was 109bps (2008: 90bps).

The impairment charge against available for sale assets and reverse repurchase agreements increased by 41% (£207m) to £713m (2008: £506m), driven by impairment against credit market exposures.

Impairment Charges and Other Credit Provisions	Year Ended 31.12.09 £m	Year Ended 31.12.08 £m
Impairment charges on loans and advances	**7,330**	4,584
Charges in respect of undrawn facilities and guarantees	**28**	329
Impairment charges on loans and advances	**7,358**	4,913
Impairment charges on reverse repurchase agreements	**43**	124
Impairment charges on available for sale assets	**670**	382
Impairment charges and other credit provisions	**8,071**	5,419

Impairment Charges by Business	Loans and advances £m	Available for sale assets £m	Reverse repurchase agreements £m	Total £m
Year Ended 31.12.2009				
Global Retail and Commercial Banking	**5,395**	**18**		**5,413**
UK Retail Banking	**936**			**936**
Barclays Commercial Bank	**960**	**14**		**974**
Barclaycard	**1,798**			**1,798**
GRCB Western Europe	**663**	**4**		**667**
GRCB Emerging Markets	**471**			**471**
GRCB Absa	**567**			**567**
Investment Banking and Investment Management	**1,949**	**650**	**43**	**2,642**
Barclays Capital[a]	**1,898**	**650**	**43**	**2,591**
Barclays Wealth	**51**			**51**
Head Office Functions and Other Operations	**14**	**2**		**16**
Total Impairment charges	**7,358**	**670**	**43**	**8,071**
Year Ended 31.12.2008				
Global Retail and Commercial Banking	2,922			2,922
UK Retail Banking	602			602
Barclays Commercial Bank	414			414
Barclaycard	1,097			1,097
GRCB Western Europe	297			297
GRCB Emerging Markets	165			165
GRCB Absa	347			347
Investment Banking and Investment Management	1,980	363	124	2,467
Barclays Capital[a]	1,936	363	124	2,423
Barclays Wealth	44			44
Head Office Functions and Other Operations	11	19		30
Total Impairment charges	4,913	382	124	5,419

Note

a Credit market related impairment charges within Barclays Capital comprised £1,205m (2008: £1,517m) against loans and advances, £464m (2008: £192m) against available for sale assets and £nil (2008: £54m) against reverse repurchase agreements.

Credit Risk Loans

The Group s Credit Risk Loans (CRLs) rose 43% to £22,388m (31st December 2008: £15,700m) in 2009. Balances were higher across Retail Home Loans, Retail Unsecured and Other and Corporate and Wholesale exposures reflecting the deterioration in credit conditions in the past year across Barclays areas of operations. The most notable increases were in the international businesses in Global Retail and Commercial Banking, with GRCB Western Europe increasing the most as credit conditions deteriorated in Spain, Italy and Portugal. However, the rate of increase to the Group numbers has fallen during each quarter of 2009 from 17% in Q1 09 to 5% in Q4 09.

CRLs in Retail Home Loans increased by £1,076m (43%) to £3,604m (31st December 2008: £2,528m) and in Retail Unsecured and Other portfolios by £2,757m (55%) to £7,737m (31st December 2008: £4,980m) as credit conditions deteriorated and arrears balances rose in a number of regions, notably in: Absa Home Finance and Cards, GRCB Western Europe, particularly in Spain and Italy; Barclaycard US cards; and in UK Retail Banking unsecured lending. CRLs also increased in GRCB Western Europe following the purchase of the Citigroup cards portfolio in Portugal in December 2009.

CRLs in the Corporate and Wholesale portfolios rose 35% to £11,047m (31st December 2008: £8,192m). CRL balances were higher in all businesses, as economic conditions led to deterioration across default grades and a rise in impairment in most wholesale portfolios. The largest increases were in GRCB Western Europe, Barclays Capital and Barclays Commercial Bank.

Potential Problem Loans

Balances within the Group s Potential Problem Loans (PPLs) category rose by 37% to £3,368m (31st December 2008: £2,456m). The principal movements were in the Corporate and Wholesale portfolios, where PPLs rose £715m to £2,674m (31st December 2008: £1,959m). PPL balances increased in the retail portfolios to £694m (31st December 2008: £497m) as balances increased in the Retail Unsecured and Other portfolios. This was partially offset by a fall in PPL balances in Retail Home Loans.

Potential Credit Risk Loans

As a result of the increases in CRLs and PPLs, Group Potential Credit Risk Loan (PCRL) balances rose 42% to £25,756m (31st December 2008: £18,156m).

PCRL balances rose in Retail Home Loans by 34% to £3,739m (31st December 2008: £2,795m) and in Retail Unsecured and Other portfolios by 59% to £8,296m (31st December 2008: £5,210m) as delinquency rates rose across a number of portfolios, particularly in the UK, US, Spain and South Africa.

Total PCRL balances in the Corporate and Wholesale portfolios increased by 35% to £13,721m (31st December 2008: £10,151m) after a number of customers migrated into the CRL and PPL categories, reflecting higher default probabilities in the deteriorating global wholesale environment.

Impairment Allowances and Coverage Ratios

Impairment allowances increased 64% to £10,796m (31st December 2008: £6,574m), reflecting increases across the majority of businesses as credit conditions deteriorated during the year.

Retail impairment allowances rose by 99% in Retail Home Loans to £639m (31st December 2008: £321m) and by 61% in Retail Unsecured and Other portfolios to £5,492m (31st December 2008: £3,418m). The CRL coverage ratio in Retail Home Loans increased to 17.7% (31st December 2008: 12.7%), and the PCRL coverage ratio increased to 17.1% (31st December 2008: 11.5%). The CRL coverage ratio in Retail Unsecured and Others portfolios increased to 71.0% (31st December 2008: 68.6%). The PCRL coverage ratio increased to 66.2% (31st December 2008: 65.6%).

In the Corporate and Wholesale portfolios, impairment allowances increased 65% to £4,665m (31st December 2008: £2,835m). The CRL coverage ratio rose to 42.2% (31st December 2008: 34.6%), and the PCRL coverage ratio rose to 34.0% (31st December 2008: 27.9%).

The CRL coverage ratios in Retail Home Loans, Retail Unsecured and Other and Corporate and Wholesale portfolios remain within the ranges which are the typical severity rates for these types of products. As a result of the movements across these three portfolios, the Group s CRL coverage ratio increased to 48.2% (31st December 2008: 41.9%), and its PCRL coverage ratio also increased to 41.9% (31st December 2008: 36.2%).

Potential Credit Risk Loans and Coverage Ratios	CRLs		PPLs		PCRLs	
	31.12.09	31.12.08	**31.12.09**	31.12.08	**31.12.09**	31.12.08
	£m	£m	**£m**	£m	**£m**	£m
Home Loans	**3,604**	2,528	**135**	267	**3,739**	2,795
Unsecured and other	**7,737**	4,980	**559**	230	**8,296**	5,210
Retail	**11,341**	7,508	**694**	497	**12,035**	8,005
Corporate/Wholesale	**11,047**	8,192	**2,674**	1,959	**13,721**	10,151
Group	**22,388**	15,700	**3,368**	2,456	**25,756**	18,156

	Impairment allowance		CRL coverage		PCRL coverage	
	31.12.09	31.12.08	**31.12.09**	31.12.08	**31.12.09**	31.12.08
	£m	£m	**%**	%	**%**	%
Home Loans	**639**	321	**17.7**	12.7	**17.1**	11.5
Unsecured and other	**5,492**	3,418	**71.0**	68.6	**66.2**	65.6
Retail	**6,131**	3,739	**54.1**	49.8	**50.9**	46.7
Corporate/Wholesale	**4,665**	2,835	**42.2**	34.6	**34.0**	27.9
Group	**10,796**	6,574	**48.2**	41.9	**41.9**	36.2

Risk management

Credit risk management

continued

Wholesale Credit Risk

Loans and Advances to customers and banks in the wholesale portfolios decreased by £55,202m (18%) to £259,306m, primarily as a result of a £42,972m (21%) fall in Barclays Capital to £165,624m, due to a decrease in the cash collateral held against derivative trades, a reduction in non-UK lending and a decrease in the value of Sterling relative to other currencies. This was partially offset by increases in lending due to restructuring of credit market assets and a reclassification of previously held for trading assets to loans and advances.

The corporate and government lending portfolio declined 30% to £53,305m (31st December 2008: £76,556m) primarily due to reductions in non-UK lending, a decrease in the value of other currencies relative to Sterling and the repayment of leveraged finance loans.

Included within corporate and government lending and other wholesale lending portfolios are £5,646m (31st December 2008: £7,674m) of loans backed by retail mortgage collateral classified within financial institutions.

Loans and advances fell in Barclays Commercial Bank by £8,064m (12%) to £60,840m, due to reduced customer demand. Balances fell in both GRCB Western Europe and GRCB Emerging Markets, which was due, in part, to the depreciation of various currencies across the regions against Sterling. The increase of £1,429m (17%) of balances in GRCB Absa was due to the appreciation of the Rand against Sterling during 2009. In Rand terms, balances were stable.

In the wholesale portfolios, the impairment charge against loans and advances rose by £861m (33%) to £3,441m (2008: £2,580m) mainly due to increases in:

Barclays Commercial Bank, reflecting rising default rates and lower asset values;

Wholesale loans and advances at amortised cost	Gross loans and	Impairment allowance £m	Loans and advances net of impairment	Credit risk loans £m	CRLs % of gross loans and advances	Impairment change £m	Loan rates bps

	advances £m		£m		%		
As at 31.12.09							
BCB	**60,840**	**679**	**60,161**	**1,837**	**3.0**	**960**	**158**
Barclaycard	**322**	**4**	**318**	**10**	**3.1**	**17**	**528**
GRCB WE	**12,690**	**466**	**12,224**	**1,435**	**11.3**	**328**	**258**
GRCB EM	**5,228**	**227**	**5,001**	**358**	**6.8**	**140**	**268**
GRCB Absa	**10,077**	**195**	**9,882**	**690**	**6.8**	**67**	**66**
Barclays Capital	**165,624**	**3,025**	**162,599**	**6,411**	**3.9**	**1,898**	**115**
BGI	**5**		**5**				
Barclays Wealth	**3,495**	**43**	**3,452**	**179**	**5.1**	**17**	**49**
Head office	**1,025**	**26**	**999**	**127**	**12.4**	**14**	**137**
Total	**259,306**	**4,665**	**254,641**	**11,047**	**4.3**	**3,441**	**133**
As at 31.12.08							
BCB	68,904	504	68,400	1,181	1.7	414	60
Barclaycard	301	2	299	20	6.6	11	365
GRCB WE	15,750	232	15,518	579	3.7	125	79
GRCB EM	7,233	122	7,111	190	2.6	36	50
GRCB Absa	8,648	140	8,508	304	3.5	19	22
Barclays Capital	208,596	1,796	206,800	5,743	2.8	1,936	93
BGI	834		834				
Barclays Wealth	3,282	28	3,254	174	5.3	28	85
Head office	960	11	949	1	0.1	11	115
Total	314,508	2,835	311,673	8,192	2.6	2,580	82

Analysis of wholesale loans and advances at amortised cost net of impairment allowances

	Corporate		Government		Settlement balances & cash collateral		Other wholesale		Total wholesale	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Wholesale	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
BCB	**59,979**	67,741	**182**	659					**60,161**	68,400
Barclaycard	**318**	299							**318**	299
GRCB WE	**12,184**	15,226	**14**	32			**26**	260	**12,224**	15,518
GRCB EM	**4,044**	5,074	**170**	1,709			**787**	328	**5,001**	7,111
GRCB Absa	**8,695**	8,480	**263**	28			**924**		**9,882**	8,508
Barclays Capital	**49,849**	72,796	**3,456**	3,760	**55,672**	79,418	**53,622**	50,826	**162,599**	206,800
BGI	**5**	834							**5**	834
Barclays Wealth[a]	**2,818**	2,691	**162**	105			**472**	458	**3,452**	3,254
Head office	**999**	949							**999**	949
Total	**138,891**	174,090	**4,247**	6,293	**55,672**	79,418	**55,831**	51,872	**254,641**	311,673

Note

a 2008 Barclays Wealth analysis of Wholesale loans and advances has been reanalysed to reflect changes in the reclassification of assets.

GRCB Western Europe, reflecting the economic deterioration in Spain which has impacted the commercial, construction and SME portfolios in particular, together with the appreciation of the average value of the Euro against Sterling; and

GRCB Emerging Markets as credit conditions continued to deteriorate resulting in a small number of higher value single name charges and the appreciation of the average value of a number of currencies against Sterling.

Impairment in Barclays Capital of £1,898m (2008: £1,936m) was broadly in line with 2008, as a fall in the impairment charge against credit market exposures was partially offset by a rise in the impairment charge against non-credit market exposures.

The loan loss rate across the Group s wholesale portfolios for 2009 was 133bps (2008: 82bps), reflecting the rise in impairment and the 18% reduction in wholesale loans and advances.

As we enter 2010, the principal uncertainties relating to the performance of the wholesale portfolios are:

the extent and sustainability of economic recovery and asset prices in the UK, US, Spain and South Africa as governments consider how and when to withdraw stimulus packages;

the potential for single name risk and for idiosyncratic losses in different sectors and geographies where credit positions are sensitive to economic downturn;

possible additional deterioration in our remaining credit market exposures, including commercial real estate and leveraged finance; and the potential impact of deteriorating sovereign credit quality.

Analysis of Barclays capital wholesale loans and advances at amortised cost

	Gross loans and	Impairment allowance	Loans and advances net	Credit risk loans	CRLs % of gross loans	Impairment charge	Loan loss rates

	advances £m	£m	of impairment £m	£m	and advances %	£m	basis points
Loans and advances to banks							
As at 31.12.09							
Cash collateral and settlement balances	**15,893**		**15,893**				
Interbank lending	**21,722**	**61**	**21,661**	**57**	**0.3**	**14**	**6**
Loans and advances to customers							
Corporate and Government lending	**54,342**	**1,037**	**53,305**	**2,198**	**4.0**	**1,115**	**205**
ABS CDO Super Senior	**3,541**	**1,610**	**1,931**	**3,541**	**100.0**	**714**	**2,016**
Other wholesale lending	**30,347**	**317**	**30,030**	**615**	**2.0**	**55**	**18**
Cash collateral and settlement balances	**39,779**		**39,779**				
Total	**165,624**	**3,025**	**162,599**	**6,411**	**3.9**	**1,898**	**115**
As at 31.12.08							
Cash collateral and settlement balances	19,264		19,264				
Interbank lending	24,086	51	24,035	48	0.2	40	17
Loans and advances to customers							
Corporate and Government lending	77,042	486	76,556	1,100	1.4	305	40
ABS CDO Super Senior	4,117	1,013	3,104	4,117	100.0	1,383	3,359
Other wholesale lending	23,933	246	23,687	478	2.0	208	87
Cash collateral and settlement balances	60,154		60,154				
Total	208,596	1,796	206,800	5,743	2.8	1,936	93

Risk management

Credit risk management

continued

Retail Credit Risk

Loans and advances to customers in the retail portfolios increased by £11,261m (6%) to £212,849m. Balances grew in most businesses with the largest increase in UK Retail Banking, which increased by £4,981m (5%) to £101,064m primarily in the UK Home Finance portfolio. There was modest growth in balances to local businesses but a moderate decline in balances relating to unsecured loans and overdrafts. GRCB Western Europe increased by £2,517m (6%), which primarily reflected growth in Italy and Portugal following the expansion of the franchise, principally across mortgages and cards. This growth was partially offset by the appreciation of the Euro against Sterling. The increase of £2,611m (11%) of balances in GRCB Absa was due to the appreciation of the Rand against Sterling during 2009. In Rand terms, balances fell by 3%. Balances in GRCB Emerging Markets were £483m (12%) lower, in part reflecting movements in Sterling against local currencies.

Total home loans to retail customers rose by £9,254m (7%) to £149,099m (31st December 2008: £139,845m). The UK Home Finance portfolios within UK Retail Banking grew 7% to £87,943m (31st December 2008: £82,303m).

Unsecured retail credit (credit card and unsecured loans) portfolios fell 7% to £37,733m (31st December 2008: £40,437m).

In the retail portfolios, the impairment charge against loans and advances rose by £1,584m (68%) to £3,917m (2008: £2,333m) as

economic conditions, particularly unemployment, deteriorated across all regions. Policy and methodology enhancements, currency movements and portfolio maturation also had an impact. The largest increase was in Barclaycard, which increased by £695m (64%) to £1,781m, mainly driven by higher delinquencies and deteriorating economic conditions in the United Kingdom and the United States as well as portfolio maturation. The increase of £334m (55%) to £936m in UK Retail Banking was primarily due to lower recoveries and policy and methodology enhancements. Impairment charges in GRCB Western Europe and GRCB Emerging Markets were impacted by increased delinquency rates as credit conditions deteriorated particularly in Spain and India. Impairment increased in GRCB Absa as a result of high delinquency levels due to consumer indebtedness and increased debt counselling balances following the enactment of the 2007 National Credit Act.

The loan loss rate across the Group s retail portfolios for 2009 was 184bps (2008: 116bps).

As we enter 2010, the principal uncertainties relating to the performance of the Group s retail portfolios are:

- the extent and sustainability of economic recovery in the UK, US, Spain and South Africa as governments consider how and when to withdraw stimulus packages;
- the dynamics of unemployment in those markets and the impact on delinquency and charge-off rates;

Retail loans and advances to customers at amortised cost	Gross loans & advances £m	Impairment allowance £m	Loans & advances net of impairment £m	Credit risk loans £m	CRLs % of gross loans & advances %	Impairment charge £m	Loan loss rates bp
As at 31.12.09							
UKRB	**101,064**	**1,587**	**99,477**	**3,108**	**3.1**	**936**	**93**
Barclaycard	**29,460**	**2,670**	**26,790**	**3,392**	**11.5**	**1,781**	**605**
GRCB WE	**41,514**	**689**	**40,825**	**1,411**	**3.4**	**335**	**81**
GRCB EM	**3,521**	**474**	**3,047**	**551**	**15.6**	**331**	**940**
GRCB Absa	**27,288**	**655**	**26,633**	**2,573**	**9.4**	**500**	**183**
Barclays Wealth	**10,002**	**56**	**9,946**	**306**	**3.1**	**34**	**34**
Total	**212,849**	**6,131**	**206,718**	**11,341**	**5.3**	**3,917**	**184**
As at 31.12.08							
UKRB	96,083	1,134	94,949	2,403	2.5	602	63
Barclaycard	29,390	1,677	27,713	2,566	8.7	1,086	370
GRCB WE	38,997	306	38,691	798	2.0	172	44
GRCB EM	4,004	187	3,817	175	4.4	129	322
GRCB Absa	24,677	411	24,266	1,518	6.2	328	133
Barclays Wealth	8,437	24	8,413	48	0.6	16	19
Total	201,588	3,739	197,849	7,508	3.7	2,333	116

	Home loans		Cards and unsecured loans		Other retail		Total retail	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
	£m	£m	£m	£m	£m	£m	£m	£m
UK Retail Banking	**87,943**	82,303	**7,329**	8,294	**4,205**	4,352	**99,477**	94,949
Barclaycard			**21,564**	23,224	**5,226**	4,489	**26,790**	27,713
GRCB Western Europe	**34,592**	33,807	**3,513**	4,423	**2,720**	461	**40,825**	38,691
GRCB Emerging Markets	**452**	556	**2,502**	2,872	**93**	389	**3,047**	3,817
GRCB Absa	**20,492**	18,411	**1,003**	43	**5,138**	5,812	**26,633**	24,266
Barclays Wealth[a]	**5,620**	4,768	**1,822**	1,581	**2,504**	2,064	**9,946**	8,413
Total	**149,099**	139,845	**37,733**	40,437	**19,886**	17,567	**206,718**	197,849

Note

a 2008 Barclays Wealth analysis of retail loans and advances to customers has been reanalysed to reflect changes in the classification of assets.

the speed and extent of possible rises in interest rates in the UK, US and eurozone; and

the possibility of any further falls in residential property prices in the UK, South Africa and Spain.

Home Loans

The Group s principal home loans portfolios continued largely to be in the UK Retail Banking Home Finance business (59% of the Group s total), GRCB Western Europe (23%) primarily Spain and Italy, and South Africa (14%). The credit quality of the principal home loan portfolios reflected low LTV lending. Using current valuations, the average LTV of the portfolios as at 31st December 2009 was 43% for UK Home Finance (31st December 2008: 40%), 51% for Spain (31st December 2008: 48%) and 42% for South Africa (31st December 2008: 41%). The average LTV for new mortgage business during 2009 at origination was 48% for UK Home Finance (31st December 2008: 47%), 55% for Spain (31st December 2008: 63%) and 53% for South Africa (31st December 2008: 58%). The percentage of balances with an LTV of over 85% based on current values was 14% for UK Home Finance (31st December 2008: 10%), 7% for Spain (31st December 2008: 5%) and 27% for South Africa (31st December 2008: 25%). In the UK, buy-to-let mortgages comprised 6% of the total stock as at 31st December 2009.

Impairment charges rose across the home loans portfolios, reflecting the impact of lower house prices as well as some increases in arrears rates.

Three-month arrears as at 31st December 2009 were 1.04% for UK mortgages (31st December 2008: 0.91%), 0.63% for Spain (31st December 2008: 0.51%), as credit conditions deteriorated and 4.07% for South Africa (31st December 2008: 2.11%), due to consumer indebtedness and increased debt counselling balances following the enactment of the 2007 National Credit Act.

Repossessions

The number of properties in repossession in UK Home Loans remained very low during 2009. At the end of 2009 there were 196 properties in repossession, 40 higher than the previous year (31st December 2008: 156).

Credit Cards and Unsecured Loans

The Group s largest card and unsecured loan portfolios are in the UK (56% of Group total). The US cards portfolio accounts for 20% of the total exposure, where Barclaycard s portfolio is largely prime credit quality (FICO score of 660 or more).

Arrears rates in the UK Cards portfolio rose during the year to 1.79% (31st December 2008: 1.57%), reflecting the impact of the economic downturn. Repayment Plan balances grew to support government initiatives to supply relief to customers experiencing financial difficulty. As a percentage of the portfolio, three-month arrears rates rose during 2009 to 2.74% for UK Loans (31st December 2008: 2.28%) and 3.31% for US Cards (31st December 2008: 2.32%).

Number of Repossessions in UK Home Finance	As at 31.12.09	As at 31.12.08
Residential and buy-to-let mortgage portfolios	**196**	156

Home Loans Distribution of Balances by Loan to Value (Current Valuations)[a]	UK		Spain[b]		South Africa[c]	
	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
	%	%	%	%	%	%
<= 75%	**74.5**	78.3	**83.2**	86.7	**57.8**	60.5
> 75% and <= 80%	**6.3**	6.1	**5.6**	4.8	**7.1**	7.5
> 80% and <= 85%	**5.4**	5.5	**4.4**	3.7	**7.7**	7.2
> 85% and <= 90%	**4.6**	4.5	**3.2**	1.6	**7.6**	7.6
> 90% and <= 95%	**3.4**	2.5	**1.7**	1.3	**7.8**	6.7
> 95%	**5.8**	3.1	**1.9**	1.9	**12.0**	10.5
Mark to market LTV %	**43**	40	**51**	48	**42**	41
Average LTV on new mortgages	**48**	47	**55**	63	**53**	58

Home Loans 3 Month Arrears[d]	As at 31.12.09	As at 31.12.08
	%	%
UK	**1.04**	0.91
Spain	**0.63**	0.51
South Africa	**4.07**	2.11

Unsecured Lending 3 Month Arrears[e]	As at 31.12.09	As at 31.12.08
	%	%
UK Cards[f]	**1.79**	1.57
UK Loans[g]	**2.74**	2.28
US Cards[h]	**3.31**	2.32

Notes

a Based on the following portfolios: UK: UKRB Residential Mortgages and Buy to Let portfolios;

Spain: GRCB Western Europe Spanish retail home finance portfolio; and South Africa:

GRCB Absa retail home finance portfolio.

b Spain mark to market methodology as per Bank of Spain requirements.

c South Africa mark to market methodology will be revised in 2010 to incorporate additional granularity.

d Defined as total 90 day + delinquent balances as a percentage of outstandings.

e Defined as total 90 day + delinquent balances as a percentage of outstandings. Includes accounts on repayment plans but excludes the balances in the legal book.

f UK Cards includes Branded Cards and Goldfish.

g UK Loans based on Barclayloans and Personal Loans from Barclaycard.

h Excludes Business Card; December 2009 includes US Airways.

Risk management

Credit risk management

continued

Expected loss

Basel II, introduced in 2008, includes, for those aspects of an entity s exposures that are on an Internal Ratings Based (IRB) approach, a statistical measure of credit losses known as Expected Loss (EL). EL is an estimate of the average loss amount from:

- defaulted and past due items at the reported date (i.e. incurred losses); and
- modelled default events over a 12-month forward period for performing exposures.

On the performing portfolios, EL is calculated as the product of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

- EL is assessed against both the performing and non-performing parts of the Group s portfolios.
- EL considers average credit conditions, generally uses a through-the-cycle PD and incorporates an adjustment to LGD which represents economic conditions in a downturn.

The aspect of an entity s exposures that are not on an IRB approach will continue to be measured on the standardised approach, against which Basel II does not assess EL. For this purpose, the regulatory impairment allowance on IRB and standardised portfolios gives an indication of credit losses on the standardised book.

EL is reflected in the calculation of capital supply, such that, for IRB portfolios, 50% of the excess of EL over total impairment allowances and valuation adjustments is deducted from each of Tier 1 and Tier 2 capital. If total impairment allowances and valuation adjustments exceed EL, then this excess can be added to Tier 2 capital. As at 31st December 2009, EL exceeded total impairment allowances and valuation adjustments by £50m (2008: £317m).

There are several differences in the calculation of the regulatory impairment allowance and EL, with these measures representing different views of losses and, as such, they are not directly comparable. These differences include the fact that regulatory impairment allowance reflects defaulted and past due items at the reporting date (i.e. incurred losses), whereas EL includes both the best estimate of losses in the non-performing

portfolio and the expected losses over the coming 12 months in the performing portfolio. EL for the performing portfolio is also based on Exposure at Default (EAD) and downturn LGD. For these reasons, EL will generally exceed regulatory impairment allowance. As noted above, this excess is deducted from capital.

In addition, whilst the regulatory impairment allowance is based on the impairment allowance for loans and advances, there are differences between these amounts in two main respects. Firstly, the regulatory impairment allowance includes valuation adjustments on available for sale exposures and exposures designated at fair value. Secondly, it excludes impairment held against securitisation exposures.

The principal drivers of the increase in EL during the year ended 31st December 2009 are as follows:

- UK Retail Banking EL increased £445m due to a deteriorating economic environment coupled with methodology enhancements.
- Barclays Commercial Bank EL decreased by £43m, driven by the change in treatment of defaulted assets partially offset by an increase in the non-performing book.
- Barclaycard EL increase of £351m was driven by the combination of an additional roll-out of IRB during the period and increased levels of retained non-performing assets during the recovery period.
- GRCB Western Europe EL increased to £243m following the migration of Spanish card portfolio and Italian and Portuguese mortgage portfolios onto the IRB approach.
- GRCB Absa EL increased by £466m, mostly due to exchange rate movements, higher delinquency levels and a deterioration in credit quality of the performing book.
- Barclays Capital EL increase of £910m was primarily driven by defaulted counterparties and an increase in IRB coverage, partially offset by a reduction in exposures due to foreign exchange movements.

Further exposures will be moved onto the IRB approach during 2010.

Additional information with respect to Expected Loss will be provided as part of our Pillar 3 disclosures, available at the end of March 2010.

Total EL on IRB portfolios	**As at 31.12.09 £m**	As at 31.12.08 £m
UK Retail Banking	**1,703**	1,258
Barclays Commercial Bank	**776**	819
Barclaycard	**1,261**	910
GRCB Western Europe	**243**	
GRCB Emerging Markets[a]		
GRCB Absa	**1,158**	692
Barclays Capital	**2,467**	1,557
Barclays Wealth	**23**	
Head Office Functions & Other Operations	**11**	1
Total EL on IRB portfolios	**7,642**	5,237
Total regulatory impairment allowance on IRB portfolios	**7,592**	4,672
Total regulatory impairment allowance on standardised portfolios	**4,693**	2,560

Note

a Not currently on the IRB approach.

Barclays Capital credit market exposures

Barclays Capital s credit market exposures as at 31st December 2009 primarily relate to commercial real estate and leveraged finance. These include positions subject to fair value movements in the income statement and positions that are classified as loans and advances and as available for sale.

The balances at and gross writedowns to 31st December 2009 are set out below:

During the year ended 31st December 2009, these positions have been reduced by £14,130m to £27,609m (31st December 2008: £41,739m), including net sales and paydowns of £6,590m, gross writedowns of £6,086m

and a decrease of £4,226m due to currency and other movements. In addition, on 16th September 2009, £5,087m credit market assets and £2,367m other assets were sold to Protium Finance LP, funded by a £7,669m loan extended by Barclays. The loan balance at 31st December 2009 of £7,859m includes accrued interest.

In the year ended 31st December 2009, gross writedowns comprised £4,417m (2008: £6,290m) of fair value losses through income and £1,669m (2008: £1,763m) of impairment charges. Gross writedowns included £2,082m (2008: £5,584m) against US residential mortgage positions, £3,007m (2008: £1,488m) against commercial mortgage positions, and £997m (2008: £981m) against other credit market positions.

Barclays Capital credit market exposures[a]		As at 31st December				Year ended 31.12.09		
	Notes	2009 $m	2008 $m	2009 £m	2008 £m	Fair value losses £m	Impairment charge £m	Gross losses £m
US Residential Mortgages								
ABS CDO Super Senior	A1	**3,127**	4,526	**1,931**	3,104		**714**	**714**
Other US sub-prime & Alt-A	A2	**2,254**	11,269	**1,392**	7,729	**531**	**555**	**1,086**
Monoline wrapped US RMBS	A3	**9**	2,389	**6**	1,639	**282**		**282**
Commercial Mortgages								
Commercial real estate loans and properties	B1	**12,525**	16,882	**7,734**	11,578	**2,466**		**2,466**
Commercial mortgage-backed securities	B1	**762**	1,072	**471**	735	**44**		**44**
Monoline wrapped CMBS	B2	**49**	2,703	**30**	1,854	**497**		**497**
Other Credit Market								
Leveraged Finance[b]	C1	**8,919**	13,193	**5,507**	9,048		**396**	**396**
SIVs, SIV-Lites and CDPCs	C2	**896**	1,622	**553**	1,113	**69**	**4**	**73**
Monoline wrapped CLO and other	C3	**3,443**	7,202	**2,126**	4,939	**528**		**528**
Total exposures		**31,984**	60,858	**19,750**	41,739			
Total gross writedowns						**4,417**	**1,669**	**6,086**
Loan to Protium	D	**12,727**		**7,859**				

Notes

a As the majority of positions are denominated in US Dollars, the positions above are shown in both US Dollars and Sterling.
b Includes undrawn commitments of £257m (2008: £531m).

Risk management

Credit risk management

continued

Analysis of Barclays Capital credit market assets by asset class

	Trading portfolio assets debt securities £m	Financial assets designated at fair value loans and advances £m	Derivative financial instruments £m	Loans and advances to customers £m	Available for sale debt securities £m	Other assets £m	**Total as at 31.12.09 £m**	Total as at 31.12.08 £m
ABS CDO Super Senior				1,931			**1,931**	3,104
Other US sub-prime	3	52	244	24	209		**532**	3,441
Alt-A	323		211		326		**860**	4,288
RMBS monoline wrapped US RMBS			6				**6**	1,639
Commercial real estate loans		6,534					**6,534**	11,578
Commercial real estate properties						1,200	**1,200**	
Commercial mortgage backed securities	860		(389)				**471**	735
Monoline wrapped CMBS			30				**30**	1,854
Leveraged finance[a]				5,250			**5,250**	8,517
SIVs and SIV-lites		355	53	122			**530**	963
CDPCs			23				**23**	150
Monoline wrapped CLO and other			2,126				**2,126**	4,939
Loan to Protium				7,859			**7,859**	
Total	**1,186**	**6,941**	**2,304**	**15,186**	**535**	**1,200**	**27,352**	41,208

Note

a Further analysis of Barclays Capital credit market exposures is on pages 109 and 110. Undrawn commitments of £257m (2008: £531m) are off-balance sheet and therefore not included in the table above. This is a change in presentation from 31st December 2008, which reflected certain loan facilities originated post 1st July 2007.

A. US Residential Mortgages

A1. ABS CDO Super Senior

	As at 31.12.09 Total £m	As at 31.12.08 Total £m	As at 31.12.09 Marks[a] %	As at 31.12.08 Marks[a] %
2005 and earlier	**1,048**	1,226	**77**	90
2006	**422**	471	**7**	37
2007 and 2008	**22**	25	**34**	69
Sub-prime	**1,492**	1,722	**57**	75
2005 and earlier	**761**	891	**43**	77
2006	**230**	269	**59**	75
2007 and 2008	**55**	62	**14**	37
Alt-A	**1,046**	1,222	**45**	74
Prime	**421**	520	**83**	100
RMBS CDO	**351**	402	**6**	
Sub-prime second lien	**110**	127		
Total US RMBS	**3,420**	3,993	**49**	68
CMBS	**37**	44	**89**	100
Non-RMBS CDO	**400**	453	**35**	56
CLOs	**32**	35	**100**	100
Other ABS	**37**	51	**100**	100
Total Other ABS	**506**	583	**48**	66
Total notional collateral	**3,926**	4,576		
Subordination	**(385)**	(459)		
Gross exposure pre-impairment	**3,541**	4,117		
Impairment allowances	**(1,610)**	(1,013)		
Total	**1,931**	3,104	**49**	68

ABS CDO Super Senior positions at 31st December 2009 comprised five high grade liquidity facilities which were fully drawn and classified within loans and receivables (31st December 2008: five facilities).

During the year, ABS CDO Super Senior positions reduced by £1,173m to £1,931m (31st December 2008: £3,104m). Positions are stated after writedowns and charges of £714m incurred in 2009 (2008: £1,461m). There was a decline of £290m resulting from depreciation in the value of the US Dollar against Sterling and amortisation of £169m in the year.

Note

a Marks above reflect the gross positions after impairment and subordination.

Risk management

Credit risk management

continued

A2. Other US Sub-Prime and Alt-A

Other US Sub-prime	As at 31.12.09 £m	As at 31.12.08 £m	Marks at 31.12.09 %	Marks at 31.12.08 %
Whole loans		1,565		72
Sub-prime securities (net of hedges)	**212**	929	**38**	25
Other positions with underlying sub-prime collateral:				
Derivatives	**244**	643	**96**	87
Loans	**76**	195	**22**	70
Real Estate		109		46
Total Other US Sub-Prime	**532**	3,441		
Alt-A				
Whole Loans		776		67
Alt-A Securities	**649**	3,112	**40**	16
Residuals		2		6
Derivative positions with underlying Alt-A collateral	**211**	398	**99**	100
Total	**860**	4,288		
Total Other US Sub-Prime and Alt-A	**1,392**	7,729		

The majority of Other US sub-prime and Alt-A positions are measured at fair value through profit and loss. The balance reduced by £6,337m to £1,392m (31st December 2008: £7,729m), driven by the Protium sale of £2,319m, other net sales, paydowns and other movements of £2,398m and gross losses of £1,086m. Depreciation of the US Dollar against Sterling resulted in a decline of £534m.

Counterparty derivative positions relating to vehicles which hold sub-prime collateral was £455m (31st December 2008: £1,041m). These positions largely comprise the most senior obligation of the vehicles.

A3. US Residential Mortgage Backed Securities Wrapped by Monoline Insurers

The table below shows RMBS assets where Barclays Capital held protection from monoline insurers at 31st December 2009. These are measured at fair value through profit or loss.

By rating of the monoline	Notional £m	Fair Value of Underlying Asset £m	Fair Value Exposure £m	Credit Valuation Adjustment £m	Net Exposure £m
As at 31.12.09					
Non-investment grade	**56**	**6**	**50**	**(44)**	**6**
Total	**56**	**6**	**50**	**(44)**	**6**
As at 31.12.08					
A/BBB	2,567	492	2,075	(473)	1,602
Non-investment grade	74	8	66	(29)	37
Total	2,641	500	2,141	(502)	1,639

A3. US Residential Mortgage Backed Securities Wrapped by Monoline Insurers continued

The balance reduced by £1,633m to £6m (31st December 2008: £1,639m), reflecting the Protium sale of £1,164m, a credit valuation adjustment of £282m, and currency and other movements of £187m.

Barclays would review claims in the event of default of the underlying assets. There have been no claims under the monoline insurance contracts as none of the underlying assets defaulted in the year.

The notional value of the assets split by the rating of the underlying asset is shown below.

By rating of underlying asset	As at 31.12.09			As at 31.12.08			
	A/BBB £m	Non-investment Grade £m	Total £m	AAA/AA £m	A/BBB £m	Non-investment Grade £m	Total £m
2005 and earlier				143			143
2006						1,240	1,240
2007 and 2008						510	510
High Grade				143		1,750	1,893
Mezzanine 2005 and earlier		**56**	**56**	31	330	338	699
CDO[2] 2005 and earlier						49	49
US RMBS		**56**	**56**	174	330	2,137	2,641

B. Commercial Mortgages

B1. Commercial Real Estate and Mortgage-Backed Securities

Commercial mortgages held at fair value include commercial real estate loans of £6,534m (31st December 2008: £11,578m), commercial real estate properties of £1,200m (31st December 2008: £nil), and commercial mortgage-backed securities of £471m (31st December 2008: £735m).

Commercial Real Estate Loans and Properties

In the year ended 31st December 2009, the commercial real estate loans and properties balance reduced by £3,844m to £7,734m (31st December 2008: £11,578m). There were gross losses of £2,466m, of which £1,541m related to the US, £843m to UK and Europe, and £82m to Asia. There were gross sales and paydowns of £661m comprising £345m in the UK and Europe, £307m in the US, and £9m in Asia, and currency and other movements of £717m.

The commercial real estate loan balances comprised 51% UK and Europe, 44% US and 5% Asia.

One large transaction comprises 25% of the total US commercial real estate loan balance. The remaining 75% of the US balance comprises 64 transactions. The remaining weighted average number of years to initial maturity of the US portfolio is 1.2 years (31st December 2008: 1.4 years).

The UK and Europe portfolio is well diversified with 56 transactions at 31st December 2009. In Europe protection is provided by loan covenants and periodic LTV retests, which cover 83% of the portfolio. 50% of the German balance relates to one transaction secured on residential assets.

Commercial Real Estate Loans by Region	As at 31.12.09 £m	As at 31.12.08 £m	Marks at 31.12.09 %	Marks at 31.12.08 %
US	**2,852**	6,329	**62**	88
Germany	**1,959**	2,467	**84**	95
Sweden	**201**	265	**81**	96
France	**189**	270	**70**	94
Switzerland	**141**	176	**85**	97
Spain	**72**	106	**56**	92
Other Europe	**370**	677	**57**	90
UK	**429**	831	**61**	89
Asia	**321**	457	**77**	97
Total	**6,534**	11,578		

Risk management

Credit risk management

continued

B1. Commercial Real Estate and Mortgage-Backed Securities continued

Commercial Real Estate Loans by Industry	As at 31.12.09						As at 31.12.08
	US	Germany	Other Europe	UK	Asia	Total	Total
	£m	£m	£m	£m	£m	£m	£m
Residential	**1,132**	**1,053**		**152**	**102**	**2,439**	3,582
Office	**372**	**251**	**557**	**79**	**79**	**1,338**	3,656
Hotels	**614**		**223**	**8**	**1**	**846**	1,633
Retail	**54**	**507**	**73**	**30**	**73**	**737**	957
Industrial	**383**	**105**	**103**	**20**	**11**	**622**	887
Leisure				**140**		**140**	233
Land	**128**					**128**	232
Mixed/Others	**169**	**43**	**17**		**55**	**284**	398
Total	**2,852**	**1,959**	**973**	**429**	**321**	**6,534**	11,578

Commercial Real Estate Properties by Industry	As at 31.12.09 £m	As at 31.12.08 £m
Residential	**56**	
Office	**927**	
Hotels	**126**	
Industrial	**25**	
Leisure	**33**	
Land	**31**	
Mixed/Others	**2**	
Total	**1,200**	

Included within the commercial real estate properties balance are properties held by Crescent Real Estate Holdings LLC (Crescent) with a carrying value of £1,001m. On 19th November 2009, Barclays Capital assumed ownership of Crescent following the completion of a debt restructuring transaction.

Commercial Mortgage Backed Securities	As at 31.12.09 £m	As at 31.12.08 £m	Marks at[a] 31.12.09 %	Marks at[a] 31.12.08 %

Commercial Mortgage Backed Securities (Net of Hedges)	**471**	735	**20**	21

Note

a Marks are based on gross collateral.

B2. CMBS Wrapped by Monoline Insurers

The table below shows commercial mortgage backed security assets where Barclays Capital held protection from monoline insurers at 31st December 2009. These are measured at fair value through profit and loss.

By rating of the monoline	Notional £m	Fair value of underlying asset £m	Fair value exposure £m	Credit valuation adjustment £m	Net exposure £m
As at 31.12.09					
AAA/AA	**54**	**21**	**33**	**(3)**	**30**
Non-investment grade	**383**	**160**	**223**	**(223)**	
Total	**437**	**181**	**256**	**(226)**	**30**
As at 31.12.08					
AAA/AA	69	27	42	(4)	38
A/BBB	3,258	1,301	1,957	(320)	1,637
Non-investment grade	425	181	244	(65)	179
Total	3,752	1,509	2,243	(389)	1,854

The balance reduced by £1,824m to £30m (31st December 2008: £1,854m), reflecting the Protium sale of £1,208m, a credit valuation adjustment of £497m, and currency and other movements of £119m.

Claims would become due in the event of default of the underlying assets. There have been no claims under the monoline insurance contracts as none of the underlying assets defaulted in the year.

The notional value of the assets split by the current rating of the underlying asset is shown below.

By rating of the underlying asset	As at 31.12.09 AAA/AA £m	As at 31.12.09 A/BBB £m	As at 31.12.09 Total £m	As at 31.12.08 AAA/AA £m	As at 31.12.08 Total £m
2005 and earlier				437	437
2006	**54**		**54**	613	613
2007 and 2008		**383**	**383**	2,702	2,702
CMBS	**54**	**383**	**437**	3,752	3,752

Risk management

Credit risk management

continued

C. Other Credit Market

C1. Leveraged Finance

Leveraged Finance Loans by Region	As at 31.12.09 £m	As at 31.12.08 £m
UK	**4,530**	4,519
Europe	**1,051**	1,291
Asia	**165**	140
US	**35**	3,213
Total lending and commitments	**5,781**	9,163
Impairment	**(274)**	(115)
Net lending and commitments at period end [a]	**5,507**	9,048

Leveraged finance loans are classified within loans and advances and are stated at amortised cost less impairment. The table above includes certain loan facilities originated prior to 1st July 2007, the start of the dislocation in the credit market[b].

At 31st December 2009, net lending and commitments reduced £3,541m to £5,507m (31st December 2008: £9,048m), following a repayment of £3,056m at par in January 2009, impairment of £396m, and other movements of £89m.

The overall credit performance of the assets remained satisfactory with the majority of the portfolio performing to plan or in line with original stress tolerances. There were a small number of deteriorating positions on which higher impairment was charged.

C2. SIVs, SIV-Lites and CDPCs

SIV and SIV-lite positions comprise liquidity facilities and derivatives. At 31st December 2009 SIVs and SIV-Lites positions reduced by £433m to £530m (31st December 2008: £963m) with a reduced number of counterparties. There were £72m of gross writedowns in the year.

Credit Derivative Product Companies (CDPCs) positions at 31st December 2009 reduced by £127m to £23m (31st December 2008: £150m).

C3. CLO and Other Assets Wrapped by Monoline Insurers

The table below shows Collateralised Loan Obligations (CLOs) and other assets where we held protection from monoline insurers at 31st December 2009.

By rating of the monoline	Notional £m	Fair value of underlying asset £m	Fair value exposure £m	Credit valuation adjustment £m	Net exposure £m
As at 31.12.09					
AAA/AA	**7,336**	**5,731**	**1,605**	**(91)**	**1,514**
A/BBB					
Non-investment grade:					
Fair value through profit and loss	**1,052**	**824**	**228**	**(175)**	**53**
Loans and receivables	**9,116**	**7,994**	**1,122**	**(563)**	**559**
Total	**17,504**	**14,549**	**2,955**	**(829)**	**2,126**
As at 31.12.08					
AAA/AA	8,281	5,854	2,427	(55)	2,372
A/BBB	6,446	4,808	1,638	(204)	1,434
Non-investment grade	6,148	4,441	1,707	(574)	1,133
Total	20,875	15,103	5,772	(833)	4,939

The balance reduced by £2,813m to £2,126m (31st December 2008: £4,939m), reflecting increases in the fair value of the underlying assets of £1,321m, credit valuation adjustments of £528m, the Protium sale of £396m, and currency and other movements of £568m.

Claims would become due in the event of default of the underlying assets. There have been no claims under the monoline insurance contracts as none of the underlying assets defaulted in the year.

On 25th November 2009, £8,027m of the CLO assets wrapped by non-investment grade rated monolines were reclassified to loans and receivables (as discussed in Note 51). At 31st December 2009, the fair value of the transferred assets was £7,994m and the net exposure to monoline insurers was £559m. The remaining non-investment grade exposure continues to be measured at fair value through profit and loss.

Notes

a Includes undrawn commitments of £257m (2008: £531m).
b This is a change of presentation from 31st December 2008, which reflected certain loan facilities originated post 1st July 2007.

The notional value of the assets split by the current rating of the underlying asset is shown below.

By rating of underlying asset	As at 31.12.09 AAA/AA Fair value £m	As at 31.12.09 AAA/AA Loans and receivables £m	As at 31.12.09 A/BBB Fair value £m	As at 31.12.09 A/BBB Loans and receivables £m	As at 31.12.09 Non-investment grade fair value £m	As at 31.12.09 Total £m	As at 31.12.08 AAA/AA Fair value £m	As at 31.12.08 A/BBB Fair value £m	As at 31.12.08 Total £m
2005 and earlier	**1,518**	**2,209**	**294**	**815**		**4,836**	6,037		6,037
2006	**1,972**	**2,952**		**458**		**5,382**	5,894		5,894
2007 and 2008	**2,452**	**2,199**	**548**	**483**		**5,682**	6,295		6,295
CLOs	**5,942**	**7,360**	**842**	**1,756**		**15,900**	18,226		18,226
2005 and earlier			**55**		**55**	**110**	862		862
2006	**118**		**90**		**125**	**333**	535		535
2007 and 2008	**441**				**720**	**1,161**	785	467	1,252
Other	**559**		**145**		**900**	**1,604**	2,182	467	2,649
Total	**6,501**	**7,360**	**987**	**1,756**	**900**	**17,504**	20,408	467	20,875

D. Protium

On 16th September 2009, Barclays Capital sold assets of £7,454m, including £5,087m in credit market assets, to Protium Finance LP (Protium), a newly established fund. The impact of the sale on each class of credit market asset is detailed in each relevant category in sections A to C.

As part of the transaction, Barclays extended a £7,669m 10-year loan to Protium, which will be repaid during the term from cash generated by the fund. The principal terms of the loan are as follows:

- The loan has a final maturity of ten years, with a rate of return fixed at USD LIBOR plus 2.75%.

- Protium is obliged to pay principal and interest equal to the amount of available cash generated by the fund after payment of fund expenses and certain payments to the fund s partners.

- The loan is secured by a charge over the assets of Protium.

The loan is classified as loans and receivables. The difference between the size of the loan and assets sold relates to cash and US Treasuries held by Protium. The increase in the loan balance between 16th September 2009 and 31st December 2009 reflects accrued interest which was received from Protium in January 2010.

The fair value of assets sold to Protium is set out below. The balances at 31st December 2009 include cash realised from subsequent sales and paydowns.

Protium assets	As at 31.12.09 $m	As at 16.09.09 $m	As at 30.06.09 $m	As at 31.12.09 £m	As at 16.09.09 £m	As at 30.06.09 £m
US Residential Mortgages						
Other US sub-prime whole loans and real estate	**1,038**	**1,124**	**1,256**	**641**	**682**	**764**
Other US sub-prime securities	**578**	**513**	**508**	**357**	**311**	**309**
Total other US sub-prime	**1,616**	**1,637**	**1,764**	**998**	**993**	**1,073**
Alt-A	**2,112**	**2,185**	**2,342**	**1,304**	**1,326**	**1,424**
Monoline wrapped US RMBS	**1,447**	**1,919**	**2,081**	**893**	**1,164**	**1,266**
Commercial Mortgages						
Monoline wrapped CMBS	**1,378**	**1,991**	**2,450**	**851**	**1,208**	**1,490**
Other Credit market						
Monoline wrapped CLO and other	**475**	**652**	**752**	**294**	**396**	**457**
Credit market related exposure	**7,028**	**8,384**	**9,389**	**4,340**	**5,087**	**5,710**
Fair value of underlying assets wrapped by monoline insurers	**4,095**	**3,592**	**2,728**	**2,529**	**2,179**	**1,659**
Other assets	**1,230**	**309**	**285**	**759**	**188**	**173**
Total	**12,353**	**12,285**	**12,402**	**7,628**	**7,454**	**7,542**
Loan to Protium	**12,727**	**12,641**		**7,859**	**7,669**	

Risk management

Credit risk management

continued

DBRS Inc. (DBRS), a nationally recognised statistical rating organisation, was engaged to provide a private, point-in-time rating reflecting the specific terms and conditions of the Protium loan as a whole. In addition point-in-time ratings with respect to gross cumulative cash flows due to Barclays under the loan to Protium, considered in sequential instalments, were also sought (Tranched Ratings).

On the transaction date, the loan fair value was assessed as equal to its notional amount. Subsequently, the obtained ratings were incorporated into an updated transaction date valuation. This valuation discounted the cash flows at appropriate discount rates determined by Barclays based on the Tranched Ratings. The calculation produced a value of £7,651m ($12,611m). The difference to the original valuation was £18m ($30m), which has been recorded as a loss on sale in the period. The Tranched Ratings and loan valuation are summarised in the table below:

Tranched Rating	Cash flows £m	Weighted average life (years)	Spread to LIBOR (bps)	Net present value £m
AAA	**2,092**	**3.8**	**52**	**2,015**
AA+	**1,464**	**4.3**	**80**	**1,385**
AA/AA-	**354**	**4.3**	**108/128**	**330**
A	**642**	**2.6**	**169**	**606**
BBB/BBB-	**1,098**	**4.7**	**260/355**	**955**
BB+/BB	**1,021**	**2.1**	**451/546**	**915**
B/B-/CCC	**1,886**	**3.4**	**700/785/870**	**1,445**
Total	**8,557**		**282**	**7,651**

The loan valuation was performed by Barclays and, of the information disclosed above, only the Tranched Ratings were provided by DBRS. The Tranched Ratings are as of 15th September 2009 and are based on a scenario in which the portfolio of assets sold to Protium is static, with no subsequent sales or additional purchases.

A single rating of CCC (low), being the Tranched Rating for the lowest rated cash flows, has been assigned to the loan as a whole by DBRS. This rating addresses the ultimate payment of cumulative principal and interest under the terms and conditions of the Protium loan and it being advanced as a single loan, as opposed to being structurally tranched. The single rating of CCC (low) is also as of 15th September 2009 and is based on a scenario in which the portfolio of assets sold to Protium is static, with no subsequent sales or additional purchases.

The loan to Protium was assessed for impairment by the Group as at 31st December 2009 in line with its impairment policy. This analysis found that there was no impairment as at 31st December 2009.

Debt securities and other bills

The following table presents an analysis of the credit quality of debt and similar securities, other than loans held within the Group. Securities rated as investment grade amounted to 91.8% of the portfolio (2008: 91.6%).

	Treasury and other eligible bills £m	Debt securities £m	Total £m	%
As at 31.12.09				
AAA to BBB- (investment grade)	**13,950**	**151,621**	**165,571**	**91.8**
BB+ to B	**1,895**	**10,297**	**12,192**	**6.8**
B- or lower		**2,571**	**2,571**	**1.4**
Total	**15,845**	**164,489**	**180,334**	**100.0**
Of which issued by:				
governments and other public bodies	**15,845**	**72,238**	**88,083**	**48.8**
US agency		**23,924**	**23,924**	**13.3**
mortgage and asset-backed securities		**17,826**	**17,826**	**9.9**
corporate and other issuers		**41,641**	**41,641**	**23.1**
bank and building society certificates of deposit		**8,860**	**8,860**	**4.9**
Total	**15,845**	**164,489**	**180,334**	**100.0**
Of which classified as:				
trading portfolio assets	**9,926**	**116,594**	**126,520**	**70.2**
financial instruments designated at fair value		**4,007**	**4,007**	**2.2**
available for sale securities	**5,919**	**43,888**	**49,807**	**27.6**
Total	**15,845**	**164,489**	**180,334**	**100.0**
As at 31.12.08				
AAA to BBB- (investment grade)	7,314	198,493	205,807	91.6
BB+ to B	1,233	15,309	16,542	7.4
B- or lower		2,343	2,343	1.0
Total	8,547	216,145	224,692	100.0
Of which issued by:				
governments and other public bodies	8,547	73,881	82,428	36.7
US agency		34,180	34,180	15.2
mortgage and asset-backed securities		34,844	34,844	15.5
corporate and other issuers		55,244	55,244	24.6
bank and building society certificates of deposit		17,996	17,996	8.0
Total	8,547	216,145	224,692	100.0
Of which classified as:				
trading portfolio assets	4,544	148,686	153,230	68.2
financial instruments designated at fair value		8,628	8,628	3.8

available for sale securities	4,003	58,831	62,834	28.0
Total	8,547	216,145	224,692	100.0

Risk management

Credit risk management

continued

Derivatives

The use of derivatives and their sale to customers as risk management products are an integral part of the Group s trading activities. These instruments are also used to manage the Group s own exposure to fluctuations in interest, exchange rates and commodity and equity prices as part of its asset and liability management activities.

Barclays Capital manages the trading derivatives book as part of the market risk book. This includes foreign exchange, interest rate, equity, commodity and credit derivatives. The policies regarding market risk management are outlined in the market risk management section on pages 122 to 126.

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group s net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

The Group participates both in exchange traded and over the counter derivatives markets.

Exchange traded derivatives

The Group buys and sells financial instruments that are traded or cleared on an exchange, including interest rate swaps, futures and options on futures. Holders of exchange traded instruments provide margin daily with cash or other security at the exchange, to which the holders look for ultimate settlement.

Over the counter traded derivatives

The Group also buys and sells financial instruments that are traded over the counter, rather than on a recognised exchange.

These instruments range from commoditised transactions in derivative markets, to trades where the specific terms are tailored to the requirements of the Group s customers. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give the Group protection in situations where a counterparty is in default.

Foreign exchange derivatives

The Group s principal exchange rate related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

Interest rate derivatives

The Group s principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features.

An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. A basis swap is a form of interest rate swap, in which both parties exchange interest payments based on floating rates, where the floating rates are based upon different underlying reference indices. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

Credit derivatives

The Group s principal credit derivative-related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection.

A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer in return receives a predetermined amount.

Equity derivatives

The Group s principal equity-related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date. The Group also enters into fund-linked derivatives, being swaps and options whose underlyings include mutual funds, hedge funds, indices and multi-asset portfolios.

Commodity derivatives

The Group s principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are base metals, precious metals, oil and oil-related products, power and natural gas.

The tables below set out the fair values of the derivative assets together with the value of those assets subject to enforceable counterparty netting arrangements for which the Group holds offsetting liabilities and eligible collateral.

Derivative assets	Gross assets £m	Counterparty netting £m	Net exposure £m
As at 31.12.09			
Foreign exchange	**51,775**	**45,391**	**6,384**
Interest rate	**261,211**	**213,446**	**47,765**
Credit derivatives	**56,295**	**48,774**	**7,521**
Equity and stock index	**17,784**	**13,330**	**4,454**
Commodity derivatives	**29,750**	**21,687**	**8,063**
	416,815	**342,628**	**74,187**
Total collateral held			**31,471**
Net exposure less collateral			**42,716**
As at 31.12.08			
Foreign exchange	107,730	91,572	16,158
Interest rate	615,321	558,985	56,336
Credit derivatives	184,072	155,599	28,473
Equity and stock index	28,684	20,110	8,574
Commodity derivatives	48,995	35,903	13,092
	984,802	862,169	122,633
Total collateral held			54,905
Net exposure less collateral			67,728

Gross derivative assets of £417bn (2008: £985bn) cannot be netted down under IFRS. Derivative assets would be £374bn (2008: £917bn) lower than reported under IFRS if counterparty or collateral netting were allowed.

Exposure relating to derivatives, repurchase agreements, reverse repurchase agreements, stock borrowing and loan transactions is calculated using internal, FSA approved models. These are used as the basis to assess both regulatory capital and capital appetite and are managed on a daily basis. The methodology encompasses all relevant factors to enable the current value to be calculated and the future value to be estimated, for example: current market rates, market volatility and legal documentation (including collateral rights).

Risk management

Market risk management

Market Risk is the risk that Barclays earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The majority of market risk exposure resides in Barclays Capital. Barclays is also exposed to market risk through non-traded interest rate risk and the pension fund.

Barclays market risk objectives are to:

- **Understand and control market risk by robust measurement and the setting of limits.**
- **Facilitate business growth within a controlled and transparent risk management framework.**
- **Ensure traded market risk resides primarily in Barclays Capital.**
- **Minimise non-traded market risk.**

Organisation and structure

The Board approves market risk appetite for trading and non-trading activities. The Market Risk Director is responsible for the Market Risk Control Framework and, under delegated authority from the Chief Risk Officer, sets a limit framework within the context of the approved market risk appetite. A daily market risk report summarises Barclays market risk exposures against agreed limits. This daily report is sent to the Chief Risk Officer, the Market Risk Director, the Group Finance Director and the appropriate Business Risk Directors.

The head of each business, assisted by the business risk management team, is accountable for all market risks associated with its activities. Each business is responsible for the identification, measurement, management, control and reporting of market risk as outlined in the Barclays Market Risk Control Framework. Oversight and support is provided to the business by the Market Risk Director, assisted by the Group Market Risk

team. The Market Risk Committee reviews, approves, and makes recommendations concerning the market risk profile across Barclays including risk appetite, limits and utilisation. The Committee meets monthly and is chaired by the Market Risk Director. Attendees include the Chief Risk Officer, respective business risk managers and senior managers from Group Market Risk.

In Barclays Capital, the Head of Market Risk is responsible for implementing the Market Risk Control Framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Market Risk Management team that operates independently of the trading areas. Oversight is provided by Group Market Risk.

Daily market risk reports are produced for Barclays Capital as a whole as well as for the main business areas. These are sent to Group Market Risk for review and inclusion in the daily market risk report. The risks covered include interest rate, credit spread, commodity, equity and foreign exchange. A more detailed trading market risk presentation is produced fortnightly and discussed at the Barclays Capital Traded Positions Risk Review meeting. The attendees at this meeting include senior trading and risk managers from Barclays Capital and Group Market Risk.

In each of the six main Global Retail and Commercial Banking businesses (UK Retail Banking, Barclays Commercial Bank, Barclaycard, Western Europe, Emerging Markets and Absa), Group Treasury and Wealth, there is a dedicated market risk department. The head of each department is responsible for implementing the Market Risk Control Framework, with oversight provided by Group Market Risk. A combination of daily and monthly risk reports are sent to Group Market Risk for review and inclusion in the daily market risk report. A risk summary is also presented at Market Risk Committee and the respective Asset and Liability Committees.

The chart below gives an overview of the business control structure.

Traded market risk

Barclays policy is to concentrate trading activities in Barclays Capital. This includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, client and market activities are managed together. In Barclays Capital, trading risk is measured for the trading book, as defined for regulatory purposes, and certain banking books.

Risk Measurement and Control

The measurement techniques used to measure and control traded market risk include Daily Value at Risk (DVaR), Expected Shortfall, average of the three worst hypothetical losses from the DVaR simulation (3W), Global Asset Class stress testing and Global Scenario stress testing.

DVaR is an estimate of the potential loss arising from unfavourable market movements, if the current positions were to be held unchanged for one business day. Barclays Capital uses the historical simulation methodology with a two-year unweighted historical period at the 95% confidence level.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves.

- Sum all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history.

- DVaR is the 95th percentile selected from the two-year history of daily hypothetical total profit or loss.

Market volatility decreased from the extreme levels observed in the second half of 2008, but remained above pre-crisis 2007 levels. As a consequence of the unweighted DVaR historical simulation methodology, the extreme 2008 volatility will continue to impact DVaR until late 2010.

The DVaR model has been approved by the FSA to calculate regulatory capital for the trading book. The approval covers general market risk in interest rate, foreign exchange, commodities and equity products, and issuer specific risk for the majority of single name and portfolio traded credit products. Internally, as noted before, DVaR is calculated for the trading book and certain banking books.

When reviewing DVaR estimates, a number of considerations should be taken into account. These are:

- Historical simulation uses the recent past to generate possible future market moves but the past may not be a good indicator of the future.

The one-day time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within one day.

Intra-day risk is not captured.

DVaR does not indicate the potential loss beyond the 95th percentile.

DVaR is an important market risk measurement and control tool and consequently the model is regularly assessed. The main approach employed is the technique known as back-testing which counts the number of days when a loss (as defined by the FSA) exceeds the corresponding DVaR estimate, measured at the 99% confidence level.

The FSA categorises a DVaR model as green, amber or red. A green model is consistent with a good working DVaR model and is achieved for models that have four or less back-testing exceptions in a 12-month period. For Barclays Capital s trading book, green model status was maintained for 2009 and 2008.

Expected Shortfall is the average of all hypothetical losses from the historical simulation beyond DVaR. To improve the control framework, formal monitoring of 3W (average of the three worst observations from the DVaR historical simulation) was started in the first half of 2009.

Risk management

Market risk management

continued

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. Global Asset Class stress testing has been designed to cover major asset classes including interest rate, credit spread, commodity, equity and foreign exchange rates. They are based on past stress moves in respective asset class prices and rates. Global Scenario stress testing is based on hypothetical events which could lead to extreme yet plausible stress type moves, under which profitability is seriously challenged.

Market Risk is controlled through the use of limits where appropriate on the above risk measures. Limits are set at the total Barclays Capital level, risk factor level e.g. interest rate risk, and business line level e.g. Emerging Markets. Book limits such as foreign exchange and interest rate sensitivity limits are also in place.

Risk exposures are monitored by Barclays Capital s risk managers with oversight provided by Group Market Risk. The total DVaR limit is approved by the Board. Risk Factor DVaR limits and Global Asset Class stress testing limits are approved by Market Risk Committee.

Analysis of traded market risk exposures

Barclays Capital s market risk exposure, as measured by average total DVaR, increased by 45% to £77m (2008: £53m). The rise was mainly due to volatility considerations, increased interest rate and credit spread exposure,

and the Lehman Brothers North American

businesses acquisition. Volatility impacted average DVaR because 2008 s extreme volatility impacted DVaR throughout 2009 but only impacted 2008 DVaR in the last four months of 2008. More commentary is given under the total DVaR graph below.

Expected Shortfall and 3W averaged £121m and £209m respectively representing increases of £51m (73%) and £93m (80%) compared to 2008.

As we enter 2010, the principal uncertainties which may impact Barclays market risk relate to volatility in interest rates, commodities, credit spreads, equity prices and foreign exchange rates. While these markets exhibit improved liquidity and reduced volatility following Central Bank support, price instability and higher volatility may still arise as government policy seeks to target future economic growth while controlling inflation risk.

Analysis of trading revenue

The histogram below shows the distribution of daily trading revenue for Barclays Capital in 2009 and 2008.

Trading revenue reflects top-line income[g], excluding income from Private Equity and Principal Investments.

The average daily revenue in 2009 was £71m, 87% more than recorded for 2008 (£38m). There were 247 positive days, 5 negative days and one flat day (2008: 206 positive, 47 negative, one flat).

The daily average, maximum and minimum values of DVaR, Expected Shortfall and 3W were calculated as below:	Year ended 31st December 2009			Year ended 31st December 2008		
	Average	High	Low	Average	High	Low
DVaR (95%)	£m	£m	£m	£m	£m	£m
Interest rate risk	**44**	**83**	**23**	29	48	15
Credit Spread risk	**58**	**102**	**35**	31	72	15
Commodity risk	**14**	**20**	**11**	18	25	13
Equity risk	**13**	**27**	**5**	9	21	5
Foreign exchange risk	**8**	**15**	**3**	6	13	2
Diversification effect	**(60)**			(40)		
Total DVaR	**77**	**119**	**50**	53	95	36
Expected Shortfall	**121**	**188**	**88**	70	146	41
3W	**209**	**301**	**148**	116	282	61

Notes

a Barclays acquires Lehman Brothers North American businesses during a period of extreme market volatility. The Lehman positions are subsequently reduced.

b DVaR increases significantly due to the extreme market volatility impacting the DVaR calculation. Several financial institutions fail and there is a material deterioration in the global economic outlook.

c Total DVaR peaked at £119m in March 2009.

d Before trending down mainly due to a decrease in credit spread exposure and interest rate exposure, reaching £58m in August 2009.

e DVaR subsequently increased as markets began to recover and new positions were added to facilitate client trades.

f DVaR decreased towards year end driven by a reduction in exposure and an increase in diversification. Total DVaR as at 31st December 2009 was £55m (31st December 2008: £87m).

g Defined on page 342.

Non-traded interest rate risk

Non-traded interest rate risk arises from the provision of retail and wholesale (non-traded) banking products and services, and resides mainly in Global Retail and Commercial Banking, and Group Treasury.

Barclays objective is to minimise non-traded risk. This is achieved by transferring interest rate risk from the business to a local treasury or Group Treasury, which in turn hedges the net exposure with the external market. Limits exist to ensure no material risk is retained within any business or product area. Trading activity is not permitted outside Barclays Capital.

Risk measurement and control

The risk in each business is measured and controlled using both an income metric (Annual Earnings at Risk) and a present value metric (Daily Value at Risk or stress testing). In addition, scenario stress analysis is carried out by the business and reviewed by senior management and business-level asset and liability committees, when required.

Annual Earnings at Risk (AEaR) measures the sensitivity of net interest income (NII) over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 100 basis points increase or decrease in interest rates, subject to a minimum interest rate of 0%. Balances are adjusted for an assumed behavioural profiles. This includes the treatment of non-maturity deposits.

Daily Value at Risk and stress testing is calculated using a Barclays Capital consistent approach. Both these metrics are calculated by each respective business area with oversight provided by Group Market Risk.

Risk exposures are monitored by respective business risk managers with oversight provided by Group Market Risk. The main business limits are approved by Market Risk Committee. Book limits such as foreign exchange and interest rate sensitivity limits are also in place where appropriate.

To further improve the market risk control framework, Group Market Risk initiated an ongoing programme of conformance visits to non-traded Treasury operations. These visits review both the current market risk profile and potential market risk developments, as well as verifying conformance with Barclays policies and standards as detailed in the Market Risk Control Framework.

Analysis of Net Interest Income sensitivity

The table below shows the pre-tax net interest income sensitivity for the non-trading financial assets and financial liabilities held at 31st December 2009 and 31st December 2008. The sensitivity has been measured using AEaR methodology as described above. The benchmark interest rate for each currency is set as at 31st December 2009. The figures include the effect of hedging instruments but exclude exposures held or issued by Barclays Capital as these are measured and managed using DVaR.

Non-traded interest rate risk, as measured by AEaR, was £369m as at 31st December 2009, an increase of £112m compared to 31st December 2008. The increase mainly reflects the reduced spread generated on retail and commercial banking liabilities in the lower interest rate environment. If the interest rate hedges had not been in place then the AEaR for 2009 would have been £704m (2008: £670m).

DVaR is also used to control market risk in Global Retail and Commercial Banking Western Europe and in Group Treasury. The indicative average 2009 DVaRs for 2009 are £1.4m (2008: £1.3m) for Western Europe and £1.0m (2008: £0.6m) for Group Treasury.

Other market risks

Barclays maintains a number of defined benefit pension schemes for past and current employees. The ability of the Pension Fund to meet the projected pension payments is maintained through investments and regular bank contributions. *Pension risk* arises because the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. In these circumstances, Barclays could be required or might choose to make extra contributions to the pension fund.

During 2009 a risk reducing programme was conducted. This entailed increasing the holding of index-linked gilts to better match the liabilities and reducing the net exposure to equities. Financial details of the pension fund are in Note 30.

Investment risk is the risk of financial volatility arising from changes in the market value of investments, principally occurring in Barclays insurance companies. A change in the fair value of these investments may give rise to a liability which may have to be funded by the Group. It is Barclays policy to hedge such exposures in line with a defined risk appetite.

Barclays policy is for foreign exchange traded risk to be concentrated and managed in Barclays Capital. Some transactional *foreign exchange risk exposure* arises outside Barclays Capital to support and facilitate client activity. This is minimised in accordance with modest risk limits and was not material as at 31st December 2009. Other non-Barclays capital foreign exchange exposure is covered in Note 48.

Asset management structural risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. It is Barclays policy that businesses monitor and report this risk against a defined risk appetite and regularly assess potential hedging strategies.

Net interest income sensitivity (AEaR) by currency	31st December 2009		31st December 2008	
	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis points £m
GBP	**30**	**(360)**	3	(273)
USD	**(43)**	**14**	(25)	7
EUR	**(34)**		(34)	30
ZAR	**29**	**(27)**	13	(13)
Others	**(1)**	**4**		(8)
Total	**(19)**	**(369)**	(43)	(257)
As percentage of total net interest income	**(0.16%)**	**(3.10%)**	(0.37%)	(2.24%)

Risk management

Market risk management

continued

Disclosures about certain trading activities including non-exchange traded commodity contracts

The Group provides a fully integrated service to clients for base metals, precious metals, oil, power, natural gas, coal, freight, emission credits, structured products and other related commodities. This service offering continues to expand, as market conditions allow, through the addition of new products and markets.

The Group offers both over the counter (OTC) and exchange-traded derivatives, including swaps, options, forwards and futures and enters into physically settled contracts in base metals, power and gas, oil and related products. Physical commodity positions are held at fair value and reported under the Trading Portfolio in Note 12 on page 217.

Fair value measurement

The fair values of physical and derivative positions are primarily determined through a combination of recognised market observable prices, exchange

prices, and established inter-commodity relationships. Further information on fair value measurement of financial instruments can be found in Note 50 on page 293.

Credit risk

Credit risk exposures are actively managed by the Group. Refer to Note 47 on page 269 for more information on the Group s approach to credit risk management and the credit quality of derivative assets.

Fair value of the commodity derivative contracts

The tables below analyse the overall fair value of the OTC commodity derivative contracts by movement over time and contractual maturity. As at 31st December 2009 the fair value of the commodity derivative contracts reflects a gross positive fair value of £27,134m (2008: £44,881m) and a gross negative value of £26,227m (2008: £45,817m).

Movement in fair value of commodity derivative positions	2009 £m	2008 £m
Fair value of contracts outstanding at the beginning of the period	**(936)**	812
Contracts realised or otherwise settled during the period	**1,521**	241

Fair value of new contracts entered into during the period	**(181)**	(1,245)
Other changes in fair values	**503**	(744)
Fair value of contracts outstanding at the end of the period	**907**	(936)

Maturity analysis of commodity derivative fair value	2009 £m	2008 £m
Not more than one year	**(75)**	(2,022)
Over one year but not more than five years	**620**	999
Over five years	**362**	87
Total	**907**	(936)

Risk management

Capital risk management

Capital risk is the risk that the Group has insufficient capital resources to:

- **Meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources.**
- **Support its credit rating. A weaker credit rating would increase the Group s cost of funds.**
- **Support its growth and strategic options.**

Organisation and structure

Barclays operates a centralised capital management model, considering both regulatory and economic capital. The Group s capital management objectives are to:

- maintain sufficient capital resources to meet the minimum regulatory capital requirements set by the FSA and the US Federal Reserve Bank s requirements that a financial holding company be well capitalised ;
- maintain sufficient capital resources to support the Group s risk appetite and economic capital requirements;
- support the Group s credit rating;
- ensure locally regulated subsidiaries can meet their minimum capital requirements; and
- allocate capital to support the Group s strategic objectives including optimising returns on economic and regulatory capital.

Treasury Committee manages compliance with the Group s capital management objectives. The Committee reviews actual and forecast capital demand and resources on a monthly basis. The processes in place for delivering the Group s capital management objectives are:

- establishment of internal targets for capital demand and ratios;
- managing capital ratio sensitivity to foreign exchange movement;
- ensuring local entity regulatory capital adequacy;
- allocating capital in the Group s strategic medium-term plan; and
- economic Capital management.

In addition to the processes above, the Group Risk Oversight Committee and the Board Risk Committee annually review and set risk appetite (see page 268) and analyse the impacts of stress scenarios on the Group capital forecast (see page 93) in order to understand and manage the Group s projected capital adequacy.

Internal targets

To support its capital management objectives, the Group sets internal targets for its key capital ratios. Internal targets are reviewed regularly by Treasury Committee to take account of:

- changes in forecast demand for capital caused by accessing new business opportunities, including mergers and acquisitions;
- flexibility in debt capital issuance and securitisation plans;
- the possible impact of stress scenarios including:
  - changes in forecast demand for capital from unanticipated drawdown of committed facilities or as a result of deterioration in the credit quality of the Group s assets;
  - changes in forecast profits and other capital resources; and
  - changes to capital resources and forecast demand due to foreign exchange rate movements.

Managing capital ratio sensitivity to foreign exchange rate movements

The Group has capital resources and risk weighted assets denominated in foreign currencies. Changes in foreign exchange rates result in changes in the sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group s regulatory capital ratios are sensitive to foreign currency movements.

The Group s capital ratio hedge strategy is to minimise the volatility of the capital ratios caused by foreign exchange rate movements. To achieve this, the Group aims to maintain the ratio of foreign currency Core Tier 1, Tier 1 and Total Capital resources to foreign currency RWAs the same as the Group s capital ratios.

The Group s foreign currency capital resources include investments in subsidiaries and branches, intangible assets, non-controlling interest, deductions from capital and debt capital instruments.

The Group s investments in foreign currency subsidiaries and branches create Core Tier 1 capital resources denominated in foreign currencies. Changes in the sterling value of the investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in Core Tier 1 capital.

To create foreign currency Tier 1 and Total Capital resources additional to the Core Tier 1 capital resources, the Group issues, where possible, debt capital in non-sterling currencies. This is primarily achieved by the issuance of debt capital from Barclays Bank PLC, but can also be achieved by subsidiaries issuing capital in local currencies.

In some circumstances, investments in foreign currency subsidiaries and branches are hedged. In these circumstances, foreign currency capital resources are not created. Hedging decisions take into account the impact on capital ratios, the strategic nature of the investment, the cost of hedging, the availability of a suitable foreign exchange market and prevailing foreign exchange rates. Depending on the value of foreign currency net investments, it is not always possible to maintain the ratio of Core Tier 1 capital to RWAs consistent with the Group s Core Tier 1 ratio in all currencies, leaving some capital ratio sensitivity to foreign currency movements.

The investment of proceeds from the issuance of equity accounted foreign currency preference shares also contributes to foreign currency capital resources. If a preference share issuance is redeemed, the cumulative movement from the date of issuance in the currency translation reserve will be offset by an equal and opposite movement in reserves reflecting the revaluation of the preference shares to prevailing foreign exchange rates. Issuance of a replacement Tier 1 instrument in the same currency will maintain the hedge of the Tier 1 ratio.

Local entity regulatory capital adequacy

The Group manages its capital resources to ensure that those Group entities that are subject to local capital adequacy regulation in individual jurisdictions meet their minimum capital requirements. Local management manages compliance with entities minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by The Treasury Committee, as required.

Injections of capital resources into Group entities are centrally controlled by The Treasury Committee, under authorities delegated from the Group Executive Committee. The Group s policy is for surplus capital held in Group entities to be repatriated to Barclays Bank PLC in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications.

Other than as indicated above, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group liabilities when due.

Risk management

Capital risk management

continued

Allocating capital in the Group s strategic medium-term plan

Capital adequacy and returns on regulatory and economic capital form a key part of the Group s annual strategic medium-term planning process. Amongst other strategic objectives, the Group seeks to optimise returns on economic and regulatory capital through the planning process. To achieve this, executive management consider returns on risk weighted assets and economic capital when setting limits for business capital demand. Executive management will also review the forecast capital ratios to ensure internal targets continue to be met over the medium-term plan.

The Treasury Committee reviews the limits on capital demand on a monthly basis taking into account actual performance.

Economic capital

Economic capital is an internal measure of the minimum equity and preference capital required for the Group to maintain its credit rating based upon its risk profile.

Barclays assesses capital requirements by measuring the Group s risk profile using both internally and externally developed models. The Group assigns economic capital primarily within the following risk categories: credit risk, market risk, operational risk, private equity and pension risk.

The Group regularly reviews its economic capital methodology and benchmarks outputs to external reference points. The framework uses default probabilities during average credit conditions, rather than those prevailing at the balance sheet date, thus seeking to remove cyclicality from the economic capital calculation. The economic capital framework takes into consideration time horizon, correlation of risks and risk concentrations.

Economic capital is allocated on a consistent basis across all of Barclays businesses and risk activities. A single cost of equity is applied to calculate the cost of risk.

The total average economic capital required by the Group is compared with the supply of economic capital to evaluate economic capital utilisation. The supply of economic capital is based on the available shareholders equity adjusted for certain items (e.g. retirement benefit liability, cash flow hedging reserve) and including preference shares.

Economic capital forms the basis of the Group s submission for the Basel II Internal Capital Adequacy Assessment Process (ICAAP).

Economic Capital Demand[a]

UK Retail Banking economic capital allocation decreased £200m to £3,750m (2008: £3,950m) mainly reflecting a revised measurement of economic capital for business risk. In addition, small reductions were seen in the economic capital allocation for overdrafts and local businesses that were offset by growth in mortgages and consumer lending.

Barclays Commercial Bank economic capital allocation decreased £50m to £3,450m (2008: £3,500m) driven primarily by a reduction in exposure offset by an increase in non-performing loans due to economic conditions.

Barclaycard economic capital allocation increased £650m to £3,350m (2008: £2,700m), reflecting asset growth and appreciation of US Dollar against Sterling in 2008 and modest asset growth in 2009.

GRCB Western Europe economic capital allocation increased £600m to £2,500m (2008: £1,900m), due to deteriorating wholesale credit conditions, acquisition activity, additional fixed assets as a result of branch expansion and exchange rate movements.

GRCB Emerging Markets economic capital allocation increased £100m to £1,200m (2008: £1,100m). This reflects asset growth in 2008 versus a relatively slower contraction in 2009.

GRCB Absa economic capital allocation increased £100m to £1,200m (2008: £1,100m), driven primarily by exchange rate movements offset by a reduction in exposure.

Barclays Capital average economic capital allocation increased £2,500m to £10,750m (2008: £8,250m). This primarily reflects deterioration in credit quality that resulted in growth in the economic capital allocation towards the end of 2008 and a further modest increase in 2009.

Barclays Global Investors investment economic capital allocation of £1,000m (2008: £400m) includes BGI assets up to disposal on 1st December 2009, and BGI related exposures post-disposal, mainly the BlackRock, Inc equity investment.

Barclays Wealth economic capital allocation increased £50m to £550m (2008: £500m), reflecting growth in loans and advances and increased measure of economic capital for other risk types.

Average economic capital	Average year ended 31.12.09 £m	Average year ended 31.12.08 £m
UK Retail Banking	**3,750**	3,950
Barclays Commercial Bank	**3,450**	3,500
Barclaycard	**3,350**	2,700
GRCB Western Europe	**2,500**	1,900
GRCB Emerging Markets	**1,200**	1,100
GRCB Absa	**1,200**	1,100
Barclays Capital	**10,750**	8,250
Barclays Global Investors	**1,000**	400
Barclays Wealth	**550**	500
Head Office Functions and Other Operations	**100**	50
Economic capital requirement (excluding goodwill)	**27,850**	23,450
Average historic goodwill and intangible assets[b]	**11,000**	9,450
Total economic capital requirement [c]	**38,850**	32,900

Notes

a Calculated using an adjusted average over the year and rounded to the nearest £50m for presentation purposes. Economic capital demand excludes the economic capital calculated for pension risk.
b Average goodwill relates to purchased goodwill and intangible assets from business acquisitions.
c Total period end economic capital requirement as at 31st December 2009 stood at £40,750m (31st December 2008: £39,200m).

The average supply of capital to support the economic capital framework [a]	2009 £m	2008 £m
Shareholders equity excluding non-controlling interests less goodwill [b]	**28,000**	17,650
Retirement benefits liability	**800**	1,050
Cash flow hedging reserve	**(300)**	100
Available for sale reserve	**600**	400
Cumulative gains on own credit	**(1,150)**	(1,250)
Preference shares	**5,850**	5,500
Available funds for economic capital excluding goodwill	**33,800**	23,450
Average historic goodwill and intangible assets [b]	**11,000**	9,450
Available funds for economic capital including goodwill [c]	**44,800**	32,900

Notes

a Averages for the period will not correspond to period-end balances disclosed on the balance sheet. Numbers are rounded to the nearest £50m for presentational purposes only.

b Average goodwill relates to purchased goodwill and intangible assets from business acquisitions.

c Available funds for economic capital as at 31st December 2009 stood at £40,650m (2008:£39,200m).

d Average EC charts exclude the EC calculated for pension risk (average pension risk for 2009 is £2,500m compared with £650m in 2008).

e Includes Transition Businesses and capital for central function risks.

f Includes credit risk loans.

g Includes investments in associates, private equity risk, insurance risk, residual value and business risk. Also includes BGI related exposures post-disposal, mainly the BlackRock equity.

Risk management

Liquidity risk management

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities, investments and deposits. In extreme circumstances lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. The risk that it will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events.

Organisation and structure

Barclays Treasury operates a centralised governance and control process that covers all of the Group s liquidity risk management activities. Businesses assist Barclays Treasury in policy formation and limit setting by providing relevant and expert input for their local markets and customers.

Execution of the Group s liquidity risk management strategy is carried out at country level within agreed policies, controls and limits, with the Country Treasurer providing reports directly to Barclays Treasury to evidence conformance with the agreed risk profile. Liquidity risk is a standing agenda item at Country and Cluster Asset and Liability Committees and on a consolidated basis is reported to the Group s Treasury Committee.

The objective of the Group s liquidity risk management strategy is to ensure that the funding profile of individual businesses and the Group as a whole is appropriate to underlying market conditions and the profile of our business in each given country. Liquidity risk limits and controls are flexed to achieve that profile and are based on regular qualitative and quantitative assessments of conditions under both normal and stressed conditions. Businesses are only allowed to have funding exposure to wholesale markets where they can demonstrate that their market is sufficiently deep and liquid and then only relative to the size and complexity of their business.

Liquidity limits reflect both local regulatory requirements as well as the behavioural characteristics of their balance sheets. Breaches of limits are reported to Treasury Committee together with details of the requirements to return to compliance.

Liquidity risk framework

Barclays has a comprehensive Liquidity Risk Management Framework (the Liquidity Framework) for managing the Group s liquidity risk. The objective of the Liquidity Framework is for the Group to have sufficient liquidity to continue to operate for at least the minimum period specified by the FSA in the event that the wholesale funding markets are neither open to Barclays nor to the market as a whole. Many of the stress tests currently applied under the Liquidity Framework will also be applied under the FSA s new regime, although the precise calibration may differ in Barclays final Individual Liquidity Guidance to be set by the FSA. The Framework considers a range of possible wholesale and retail factors leading to loss of financing including:

- maturing of wholesale liabilities;
- loss of secured financing and widened haircuts on remaining book;

retail and commercial outflows from savings and deposit accounts;

drawdown of loans and commitments;

potential impact of a two-notch ratings downgrade; and

withdrawal of initial margin amounts by counterparties.

These stressed scenarios are used to assess the appropriate level for the Group s liquidity pool, which comprises unencumbered assets and cash. Barclays regularly uses these assets to access secured funding markets, thereby testing the liquidity assumptions underlying pool composition. The Group does not presume the availability of central bank facilities to monetise the liquidity pool in any of the stress scenarios under the Liquidity Framework.

Liquidity Pool

The Group liquidity pool as at 31st December 2009 was £127bn gross (31st December 2008: £43bn) and comprised cash and unencumbered assets.

The cost of maintaining the liquidity pool is a function of the source of funding for the buffer and the reinvestment spread. The cost of funding the liquidity pool is estimated to have been approximately £650m for 2009.

Composition of the Group liquidity pool	Cash and deposits with central banks £bn	Government guaranteed bonds £bn	Government and supranational bonds £bn	Other available liquidity £bn	Total £bn
As at 31st December 2009[a]	**81**	**3**	**31**	**12**	**127**
As at 31st December 2008 [a]	30		2	11	43

Note

a Previously disclosed as Barclays Capital only.

Term Financing

Raising term funding is important in meeting the risk appetite of the Barclays Liquidity Framework. Barclays has continued to increase the term of issued liabilities during 2009 by issuing:

- £15bn equivalent of public senior term funding;
- £1.8bn equivalent of public covered bonds; and
- £21bn equivalent of structured notes.

The Group has £4bn of publicly issued debt and £11bn of structured notes maturing in 2010.

Intraday liquidity

The need to monitor, manage and control intraday liquidity in real time is recognised by the Group as a critical process: any failure to meet specific intraday commitments would have significant consequences, such as a visible market disruption.

The Group policy is that each operation must ensure that it has access to sufficient intraday liquidity to meet any obligations it may have to clearing and settlement systems. Major currency payment flows and payment system collateral are monitored and managed in real time to ensure that at all times there is sufficient collateral to make payments. In practice, the Group maintains a significant buffer of surplus intraday liquidity to ensure that payments are made on a timely basis. The Group actively engages in payment system development to help ensure that new payment systems are robust.

Day to day funding

Day to day funding is managed through limits on wholesale borrowings, secured borrowings and funding mismatches. These ensure that on any day and over any period there is a limited amount of refinancing requirement. These requirements include replenishment of funds as they mature or are borrowed by customers.

In addition to cash flow management, Treasury also monitors term

mismatches between assets and liabilities, as well as the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Diversification of liquidity sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. In addition, to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors confidence. Such confidence is based on a number of factors including the Group s reputation and relationship with those clients, the strength of earnings and the Group s financial position.

Funding Structure

Global Retail and Commercial Banking, Barclays Wealth and Head Office Functions are structured to be self-funded through customer deposits and Barclays equity and other long-term capital. The Barclays Capital and Absa businesses are funded through the wholesale secured and unsecured funding markets.

The ratio of customer loans to customer deposits and long-term funding has improved to 81% at 31st December 2009, from 93% at 31st December 2008.

Global Retail and Commercial Banking, Barclays Wealth and Head Office Functions

An important source of structural liquidity is provided by our core retail deposits in the UK, Europe and Africa; mainly current accounts and savings accounts. Although contractually current accounts are repayable on demand and savings accounts at short notice, the Group s broad base of customers numerically and by depositor type helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group s operations and liquidity needs.

Wholesale depositor split by counterparty type Barclays Capital	Banks	Corporates	Governments	Other central banks	Other financial institutions	Total
	%	%	%	%	%	%
As at 31st December 2009	**36**	**15**	**2**	**16**	**31**	**100**
As at 31st December 2008	32	15	11	9	33	100

Wholesale depositor split by geography Barclays Capital	US	UK	Other EU	Japan	Africa	Rest of World	Total
	%	%	%	%	%	%	%
As at 31st December 2009	**9**	**25**	**23**	**3**	**16**	**24**	**100**
As at 31st December 2008	13	22	16	9	17	23	100

GRCB, Barclays Wealth and Head Office[a] Behavioural maturity profile of assets and liabilities		Cash inflow/(outflow)					
	Funding surplus	Not more than 1 year	Over 1 year but not more than 2 years	Over 2 years but not more than 3 years	Over 3 years but not more than 4 years	Over 4 years but not more than 5 years	Over 5 years
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
As at 31st December 2009	**94.5**	**(10.2)**	**17.8**	**21.2**	**7.8**	**1.8**	**(132.9)**

Note

a Prior year figures have not been provided as these measures have not previously been reported on a comparable basis.

Risk management

Liquidity risk management

continued

Group policy is to ensure that the assets of the retail, wealth and corporate bank, together with Head Office functions, on a global basis, do not exceed customer deposits and subordinated funding so that these businesses place no reliance on wholesale markets. The exception to this policy is Absa, which has a large portion of wholesale funding due to the structure of the South African financial sector.

In order to assess liquidity risk, the balance sheet is modelled to reflect behavioural experience in both assets and liabilities and is managed to maintain a cash surplus. The maturity profile, excluding Absa, resulting from this behavioural modelling is set out above. This shows that there is a funding surplus of £94.5bn, and that there are expected outflows of £10.2bn within one year from asset repayments being less than liability attrition. For subsequent years the expected repayments on assets are larger than the roll off of liabilities resulting in cash inflows. Maturities of net liabilities are, therefore, behaviourally expected to occur after five years.

Barclays Capital

Barclays Capital manages its liquidity to be primarily funded through wholesale sources, managing access to liquidity to ensure that potential cash outflows in a stressed environment are covered.

73% of the inventory is funded on a secured basis (31st December 2008: 50%). Additionally, much of the short-term funding is invested in highly liquid assets and central bank cash and therefore contributes towards the Group liquidity pool.

Barclays Capital undertakes secured funding in the repo markets based on liquidity characteristics. Limits are in place for each security asset class reflecting liquidity in the cash and financing markets for these assets. The percentage of secured funding using each asset class as collateral is set out below.

Unsecured wholesale funding for the Group (excluding Absa) is managed by Barclays Capital within specific term limits. Excluding short-term deposits that are included within the Group s liquidity pool, the term of unsecured liabilities has been extended, with average life improving from at least 14 monthsa at 31st December 2008 to at least 26 months at 31st December 2009.

The extension of the term of the wholesale financing has meant that, as at 31st December 2009, 81% of net wholesale funding had remaining maturity of greater than one year and, as at the same date, there was no net wholesale unsecured re-financing required within six months.

Regulatory Changes in 2009

The FSA issued its policy document on strengthening liquidity standards on 5th October detailing the requirements for liquidity governance to be in place by 1st December 2009, and the quantitative requirements for liquidity buffers, which will be in place from 1st June 2010, although with an extended transition period of several years to meet the expected standards.

This is the most comprehensive liquidity regime imposed by any regulator globally, requiring increased quantitative reporting from June 2010 and additional evidential reporting to demonstrate adherence to new qualitative requirements. In addition, the Basel Committee on Banking Supervision released a consultative document International framework for liquidity risk measurement, standards and monitoring in December 2009. This included two new key liquidity metrics. A liquidity coverage ratio aimed at ensuring banks have sufficient unencumbered high quality assets to meet cash outflows in an acute short-term stress and a Net Stable Funding Ratio to promote longer-term structural funding of the Bank s balance sheet and capital market activities.

Secured funding by asset class	Government	Agency	MBS	ABS	Corporate	Equity	Other
	%	%	%	%	%	%	%
As at 31st December 2009	**59**	**7**	**7**	**6**	**10**	**8**	**3**
As at 31st December 2008	49	9	11	9	15	4	3

Contractual maturity of unsecured liabilities [b] (Net of assets available from the Group Liquidity pool)	Not more than 1 month	Not more than 2 months	Not more than 3 months	Not more than 6 months	Not more than 1 year	Over 1 year
	%	%	%	%	%	%
As at 31st December 2009					**19**	**81**

Notes

a The 31st December 2008 average unsecured liability term has been restated to at least 14 months to reflect refinements in the underlying calculation.
b Prior years figures have not been provided as these measures have not previously been reported on a comparable basis.

Risk management

Operational risk management

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Group s operations and are typical of any large enterprise. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts. Barclays is committed to the advanced measurement and management of operational risks. In particular, it has implemented improved management and measurement approaches for operational risk to strengthen control, improve customer service and minimise operating losses. Barclays was granted a Waiver to operate an Advanced Measurement Approach (AMA) under Basel II, which commenced in January 2008.

The Group s operational risk management framework aims to:

- **Understand and report the operational risks being taken by the Group.**
- **Capture and report operational errors made.**
- **Understand and minimise the frequency and impact, on a cost benefit basis, of operational risk events.**
- **Manage residual exposures using insurance.**

Organisation and structure

Barclays works to benchmark our internal operation risk practices with peer banks and to drive the development of advanced operational risk techniques across the industry. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Events of small significance are expected to occur and are accepted as part of the normal course of business; events of material significance are rare and the Group seeks to reduce the risk from these in accordance with its agreed Risk Appetite.

Barclays has a Group Operational Risk Framework, which is consistent with and part of the Group Internal Control and Assurance Framework. Minimum control requirements have been established for all key areas of identified risk by Principal Risk owners (see page 82). The risk categories relevant to operational risks are Financial Crime, Financial Reporting, Taxation, Legal, Operations, People, Regulatory and Technology. In addition, the following risk categories are used for business risk: Brand Management, Corporate Responsibility, Strategic and Major Change. Responsibility for implementing and overseeing these policies is positioned with Group

Principal Risk Owners. The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. Front line risk managers are widely distributed throughout the Group in business units. They service and support these areas, assisting line managers in managing these risks.

Business Risk Directors in each business are responsible for overseeing the implementation of and compliance with Group policies. Governance and Control Committees in each business monitor control effectiveness. The Group Governance and Control Committee receives reports from the committees in the businesses and considers Group-significant control issues and their remediation. In the Group Centre, each Principal Risk is owned by a senior individual who liaises with Principal Risk owners within the businesses. In addition, the Operational Risk Director oversees the range of operational risks across the Group in accordance with the Group Operational Risk Framework. Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the material risks to their business objectives, control issues of Group-level significance, and operational risk events. Specific reports are prepared on a regular basis for the Group Risk Oversight Committee, the Board Risk Committee and the Board Audit Committee. The Internal Audit function provides further assurance for operational risk control across the organisation and reports to the Board and senior management.

Measurement and capital modelling

Barclays applies a consistent approach to the identification and assessment of key risks and controls across all business units. Managers in the businesses use self-assessment techniques to identify risks, evaluate control effectiveness and monitor performance. Business management determines whether particular risks are effectively managed within business Risk Appetite and otherwise takes remedial action. The risk assessment process is consistent with the principles in the integrated framework published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are captured in a central database and reported monthly to the Group Operational Risk Executive Committee.

Barclays also uses a database of external public risk events and is a member of the Operational Risk Data Exchange (ORX), an association of international banks that share anonymised loss data information to assist in risk identification, assessment and modelling.

Risk management

Operational risk management

continued

By combining internal data, including internal loss experience, risk and control assessments, key indicators and audit findings, with external loss data and expert management judgement, Barclays is able to generate Key Risk Scenarios (KRSs), which identify the most significant operational risks across the Group. The KRSs are validated at business unit and at Group level to ensure that they appropriately reflect the level of operational risk. These are the main input to our capital model. Distributions of the potential frequency and severity of operational risk losses are calculated and aggregated to provide a distribution of potential losses over a year for Barclays as a whole. The aggregation process takes into account potential correlations between risk events. The regulatory capital requirement is determined to a soundness standard of 99.9% confidence. Operational risk capital is allocated, on a risk sensitive basis, to business units, providing an incentive to manage these risks within appetite levels.

Operational risk events

A high proportion of Barclays operational risk events have a low financial cost associated with them and a very small proportion of operational risk events have a material impact. In 2009, 73.3% of reported operational losses had a value of £50,000 or less (2008: 72.8%) but accounted for 3.4% of the overall impact (2008: 7.8%). In contrast, 4% of the operational risk events had a value of £1m or greater (2008: 2%) but accounted for 87% of the overall impact (2008: 66%).

The Group monitors trends in operational losses by size, business unit and internal risk categories (including Principal Risk). For comparative purposes, the analysis below presents Barclays operational risk events by Basel II category. In 2009, the highest frequency of events occurred in Execution, Delivery and Process Management (45.3%) and External Fraud (35.8%). These two areas also accounted for the majority of losses by value, with Execution, Delivery and Process Management comprising 50.5% of total operational risk losses and External Fraud making up a further 38.1%. The growth in impact of external fraud year on year was caused by stressed market conditions which have brought to light fraudulent activity by a number of clients.

Risk management

Statistical information

Statistical and other risk information

This section of the report contains supplementary information that is more detailed or contains longer histories than the data presented in the discussion. For commentary on this information, please refer to the preceding text (pages 94 to 121).

Credit risk management

Table 1: Maturity analysis of loans and advances to banks

	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
At 31st December 2009									
United Kingdom	**403**	**3,234**	**64**	**625**	**405**			**398**	**5,129**
Other European Union	**1,262**	**10,803**	**44**	**394**	**184**	**8**	**2**		**12,697**
United States	**1,257**	**10,926**	**77**	**619**	**157**		**38**	**63**	**13,137**
Africa	**565**	**465**	**221**	**98**	**974**	**6**	**41**	**18**	**2,388**
Rest of the World	**1,275**	**5,111**	**88**	**98**	**708**	**530**	**17**	**18**	**7,845**
	4,762	**30,539**	**494**	**1,834**	**2,428**	**544**	**98**	**497**	**41,196**
At 31st December 2008									
United Kingdom	127	6,474	193	163	232			343	7,532
Other European Union	1,210	10,458	54	415	407	50	5	1	12,600
United States	1,310	11,215	7	676	324			84	13,616
Africa	584	595	51	1	51	861	8	38	2,189
Rest of the World	1,652	6,957	201	666	884	943	39	479	11,821
Loans and advances to banks	4,883	35,699	506	1,921	1,898	1,854	52	945	47,758

Table 2: Interest rate sensitivity of loans and advances	Fixed rate	2009 Variable	Total £m	Fixed rate	2008 Variable	Total £m

At 31st December	£m	rate £m		£m	rate £m	
Banks	**15,898**	**25,298**	**41,196**	12,101	35,657	47,758
Customers	**94,470**	**336,489**	**430,959**	98,404	369,934	468,338

Risk management

Statistical information

continued

Table 3: Loans and advances to customers by industry

At 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Financial services	**95,839**	114,069	71,160	45,954	43,102
Agriculture, forestry and fishing	**4,321**	3,281	3,319	3,997	3,785
Manufacturing	**18,855**	26,374	16,974	15,451	13,779
Construction	**6,303**	8,239	5,423	4,056	5,020
Property	**23,468**	22,155	17,018	16,528	16,325
Government	**4,801**	5,301	2,036	2,426	1,718
Energy and water	**10,735**	14,101	8,632	6,810	6,891
Wholesale and retail, distribution and leisure	**19,746**	20,208	18,216	15,490	17,760
Transport	**7,284**	8,612	6,258	5,586	5,960
Postal and communication	**3,427**	7,268	5,404	2,180	1,313
Business and other services	**30,277**	37,373	30,363	26,999	22,529
Home loans	**149,738**	140,166	106,751	92,477	85,206
Other personal	**44,971**	48,305	46,423	37,535	39,866
Finance lease receivables	**11,194**	12,886	11,190	10,142	9,088
Loans and advances to customers	**430,959**	468,338	349,167	285,631	272,342

Table 4: Loans and advances to customers in the UK

At 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Financial services	**21,975**	26,091	21,131	14,011	11,958
Agriculture, forestry and fishing	**2,192**	2,245	2,220	2,307	2,409
Manufacturing	**8,549**	11,340	9,388	9,047	8,469
Construction	**3,544**	4,278	3,542	2,761	3,090
Property	**13,514**	12,091	10,203	10,010	10,547
Government	**496**	20	201	6	6
Energy and water	**2,447**	3,040	2,203	2,360	2,701
Wholesale and retail distribution and leisure	**12,792**	14,421	13,800	12,951	12,747
Transport	**2,784**	3,467	3,185	2,745	2,797
Postal and communication	**1,098**	1,491	1,416	899	455
Business and other services	**16,577**	19,589	20,485	19,260	15,397
Home loans	**90,903**	85,672	69,874	62,621	57,382
Other personal	**27,687**	28,362	28,691	27,617	30,598

Finance lease receivables	**3,021**	3,911	4,008	3,923	5,203
Loans and advances to customers in the UK	**207,579**	216,018	190,347	170,518	163,759

Loans and advances included in the above table for the year 2008 have been reanalysed between Home loans and Other personal to reflect changes in classification of assets.

The industry classifications in Tables 3-7 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the Parent s predominant business may be in a different industry.

Table 5: Loans and advances to customers in other European Union countries					
	2009	2008	2007	2006	2005
At 31st December	£m	£m	£m	£m	£m
Financial services	**14,475**	14,218	7,585	5,629	3,982
Agriculture, forestry and fishing	**187**	216	141	786	155
Manufacturing	**5,754**	8,700	4,175	3,147	2,254
Construction	**1,610**	1,786	1,159	639	803
Property	**4,224**	4,814	2,510	2,162	3,299
Government	**575**	1,089		6	
Energy and water	**3,882**	5,313	2,425	2,050	1,490
Wholesale and retail distribution and leisure	**2,428**	2,653	1,719	776	952
Transport	**1,905**	2,603	1,933	1,465	1,695
Postal and communication	**649**	962	662	580	432
Business and other services	**4,878**	5,490	3,801	2,343	3,594
Home loans	**35,752**	34,451	21,405	18,202	16,114
Other personal	**7,403**	6,440	6,615	4,086	2,283
Finance lease receivables	**2,636**	3,328	2,403	1,559	1,870
Loans and advances to customers in other European Union countries	**86,358**	92,063	56,533	43,430	38,923

Table 6: Loans and advances to customers in the United States					
	2009	2008	2007	2006	2005
At 31st December	£m	£m	£m	£m	£m
Financial services	**46,132**	56,006	29,342	17,516	16,229
Agriculture, forestry and fishing	**1**		2	2	1
Manufacturing	**797**	2,171	818	519	937
Construction	**7**	21	18	13	32
Property	**428**	549	568	1,714	329
Government	**303**	336	221	153	300
Energy and water	**2,336**	3,085	1,279	1,078	1,261
Wholesale and retail distribution and leisure	**720**	1,165	846	403	794
Transport	**383**	415	137	128	148
Postal and communication	**355**	3,343	2,446	36	236
Business and other services	**1,721**	2,279	1,053	1,432	885
Home loans	**19**	28	10	349	2
Other personal	**7,410**	7,691	3,256	2,022	1,443
Finance lease receivables	**318**	298	304	312	328
Loans and advances to customers in the United States	**60,930**	77,387	40,300	25,677	22,925

Table 7: Loans and advances to customers in Africa	2009	2008	2007	2006	2005

At 31st December	£m	£m	£m	£m	£m
Financial services	**3,600**	1,956	3,472	2,821	4,350
Agriculture, forestry and fishing	**1,936**	817	956	889	1,193
Manufacturing	**1,419**	1,082	1,351	1,747	1,501
Construction	**903**	2,053	637	591	1,068
Property	**4,154**	3,485	2,433	1,987	1,673
Government	**1,449**	1,741	967	785	625
Energy and water	**158**	118	356	156	193
Wholesale and retail distribution and leisure	**1,789**	1,012	1,326	1,050	2,774
Transport	**368**	739	116	354	394
Postal and communication	**715**	293	231	241	27
Business and other services	**4,319**	4,699	1,285	2,631	1,258
Home loans	**22,057**	19,036	15,393	11,223	11,630
Other personal	**964**	3,069	6,287	2,976	4,955
Finance lease receivables	**5,018**	5,130	4,357	4,240	1,580
Loans and advances to customers in Africa	**48,849**	45,230	39,167	31,691	33,221

Risk management

Statistical information

continued

Table 8: Loans and advances to customers in the Rest of the World

At 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Loans and advances	**27,042**	37,421	22,702	14,207	13,407
Finance lease receivables	**201**	219	118	108	107
Loans and advances to customers in the Rest of the World	**27,243**	37,640	22,820	14,315	13,514

Table 9: Maturity analysis of loans and advances to customers

	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
At 31st December 2009									
United Kingdom									
Corporate lending	**21,369**	**14,941**	**1,568**	**2,856**	**13,057**	**10,071**	**9,759**	**14,626**	**88,247**
Other lending to customers in the United Kingdom	**5,862**	**3,802**	**2,092**	**3,809**	**15,201**	**10,404**	**23,302**	**54,860**	**119,332**
Total United Kingdom	**27,231**	**18,743**	**3,660**	**6,665**	**28,258**	**20,475**	**33,061**	**69,486**	**207,579**
Other European Union	**4,094**	**16,113**	**1,976**	**3,278**	**11,088**	**9,247**	**10,137**	**30,425**	**86,358**
United States	**4,887**	**25,296**	**2,265**	**3,637**	**4,876**	**1,251**	**11,485**	**7,233**	**60,930**
Africa	**11,248**	**2,457**	**1,052**	**1,322**	**4,307**	**3,091**	**6,162**	**19,210**	**48,849**
Rest of the World	**1,967**	**6,616**	**1,189**	**3,758**	**4,367**	**4,485**	**3,154**	**1,707**	**27,243**
Total	**49,427**	**69,225**	**10,142**	**18,660**	**52,896**	**38,549**	**63,999**	**128,061**	**430,959**
At 31st December 2008									
United Kingdom									
Corporate lending	24,790	14,715	1,574	3,259	10,585	12,372	10,495	15,876	93,666
Other lending to customers in the United Kingdom	4,560	6,264	2,495	4,477	16,604	10,541	21,913	55,498	122,352
Total United Kingdom	29,350	20,979	4,069	7,736	27,189	22,913	32,408	71,374	216,018
Other European Union	5,254	17,618	2,707	5,681	11,808	10,272	10,138	28,585	92,063
United States	6,298	39,754	2,737	5,413	8,767	3,447	4,238	6,733	77,387
Africa	8,428	2,247	1,143	1,852	4,560	4,557	5,674	16,769	45,230
Rest of the World	3,832	8,150	2,167	1,545	9,267	4,008	5,666	3,005	37,640

Total	53,162	88,748	12,823	22,227	61,591	45,197	58,124	126,466	468,338

Table 10: Foreign outstandings in currencies other than the local currency of the borrower for countries where this exceeds 1% of total Group assets	As % of assets	Total £m	Banks and other financial institutions £m	Governments and official institutions £m	Commercial industrial and other private sectors £m
At 31st December 2009					
United States	**1.2**	**16,907**	**4,622**		12,285
At 31st December 2008					
United States	3.1	63,614	16,724	2	46,888
Cayman Islands	1.2	23,765	271		23,494
At 31st December 2007					
United States	2.1	26,249	7,151	6	19,092

At 31st December 2009, 2008 and 2007, there were no countries where Barclays had cross-currency loans to borrowers between 0.75% and 1% of total Group assets.

Table 11: Off-balance sheet and other credit exposures as at 31st December	2009 £m	2008 £m	2007 £m
Off-balance sheet exposures			
Contingent liabilities	**52,774**	66,310	45,774
Commitments	**207,275**	260,816	192,639
On-balance sheet exposures			
Trading portfolio assets	**151,344**	185,637	193,691
Financial assets designated at fair value held on own account	**41,311**	54,542	56,629
Derivative financial instruments	**416,815**	984,802	248,088
Available for sale financial investments	**56,483**	64,976	43,072

Table 12: Notional principal amounts of credit derivatives as at 31st December	2009 £m	2008 £m	2007 £m
Credit derivatives held or issued for trading purposes [a]	**2,016,796**	4,129,244	2,472,249

Table 13: Credit risk loans summary

At 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Impaired loans	**16,240**	12,264	8,574	4,444	4,550
Accruing loans which are contractually overdue 90 days or more as to principal or interest	**5,317**	2,953	794	598	609
Impaired and restructured loans	**831**	483	273	46	51
Credit risk loans	**22,388**	15,700	9,641	5,088	5,210

Table 14: Credit risk loans

At 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Impaired loans:					
United Kingdom	**4,519**	3,793	3,605	3,340	2,965
Other European Union	**4,004**	1,713	472	410	345
United States	**4,612**	4,397	3,703	129	230
Africa	**2,170**	1,996	757	535	831
Rest of the World	**935**	365	37	30	179
Total	**16,240**	12,264	8,574	4,444	4,550
Accruing loans which are contractually overdue 90 days or more as to principal or interest:					
United Kingdom	**2,312**	1,656	676	516	539
Other European Union	**951**	562	79	58	53

United States	**232**	433	10	3	
Africa	**1,739**	172	29	21	17
Rest of the World	**83**	130			
Total	**5,317**	2,953	794	598	609
Impaired and restructured loans:					
United Kingdom	**582**	367	179		5
Other European Union	**41**	29	14	10	7
United States	**180**	82	38	22	16
Africa	**22**		42	14	23
Rest of the World	**6**	5			
Total	**831**	483	273	46	51
Total credit risk loans:					
United Kingdom	**7,413**	5,816	4,460	3,856	3,509
Other European Union	**4,996**	2,304	565	478	405
United States	**5,024**	4,912	3,751	154	246
Africa	**3,931**	2,168	828	570	871
Rest of the World	**1,024**	500	37	30	179
Credit risk loans	**22,388**	15,700	9,641	5,088	5,210

Note

a Includes credit derivatives held as economic hedges which are not designated as hedges for accounting purposes.

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Table 15: Potential problem loans At 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
United Kingdom	**858**	883	419	465	640
Other European Union	**790**	963	59	32	26
United States	**553**	431	964	21	12
Africa	**488**	140	355	240	248
Rest of the World	**679**	39		3	3
Potential problem loans	**3,368**	2,456	1,797	761	929

Table 16: Interest foregone on credit risk loans	2009 £m	2008 £m	2007 £m
Interest income that would have been recognised under the original contractual terms			
United Kingdom	**392**	244	340
Rest of the World	**736**	235	91
Total	**1,128**	479	431

Interest income of approximately £413m (2008: £195m, 2007: £48m) from such loans was included in profit, of which £137m (2008: £72m, 2007: £26m) related to domestic lending and the remainder related to foreign lending.

In addition, a further £185m (2008: £135m, 2007: £113m) was recognised arising from impaired loans. Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the expected future cash flows for the purpose of measuring the impairment loss. £52m (2008: £42m, 2007: £93m) of this related to domestic impaired loans and the remainder related to foreign impaired loans.

Table 17: Analysis of impairment/provision charges At 31st December	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Impairment charge/net specific provisions charge					
United Kingdom	**2,744**	1,817	1,593	1,880	1,382
Other European Union	**1,408**	587	123	92	75
United States	**1,525**	1,519	374	12	76

Africa	**814**	454	214	143	37
Rest of the World	**839**	207	2	(53)	4
Impairment on loans and advances	**7,330**	4,584	2,306	2,074	1,574
Impairment on available for sale assets	**670**	382	13	86	4
Impairment on reverse repurchase agreements	**43**	124			
Impairment charge	**8,043**	5,090	2,319	2,160	1,578
Other credit provisions charge/(release)	**28**	329	476	(6)	(7)
Impairment/provision charges	**8,071**	5,419	2,795	2,154	1,571

Table 18: Impairment/provisions charges ratios (Loan loss ratios)	2009 %	2008 %	2007 %	2006 %	2005 %
Impairment/provisions charges as a percentage of average loans and advances for the year:					
Impairment charge	**1.64**	1.01	0.64	0.66	0.58
Total	**1.64**	1.01	0.64	0.66	0.58
Amounts written off (net of recoveries)	**0.72**	0.61	0.49	0.61	0.50

Table 19: Analysis of allowance for impairment/provision for bad and doubtful debts	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Impairment allowance/specific provisions					
United Kingdom	**4,083**	2,947	2,526	2,477	2,266
Other European Union	**2,014**	963	344	311	284
United States	**2,518**	1,561	356	100	130
Africa	**1,349**	857	514	417	647
Rest of the World	**832**	246	32	30	123
Allowance for impairment provision balances	**10,796**	6,574	3,772	3,335	3,450
Average loans and advances for the year	**447,569**	453,413	357,853	313,614	271,421

Table 20: Allowance for impairment/provision balance ratios	2009 %	2008 %	2007 %	2006 %	2005 %
Allowance for impairment/provision balance at end of year as a percentage of loans and advances at end of year:					
Impairment balance	**2.29**	1.27	0.97	1.05	1.14
Total	**2.29**	1.27	0.97	1.05	1.14

Table 21: Movements in allowance for impairment/provisions charge for bad and doubtful debts[a]	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Allowance for impairment/provision balance at beginning of year	**6,574**	3,772	3,335	3,450	2,637
Acquisitions and disposals	**434**	307	(73)	(23)	555
Unwind of discount	**(185)**	(135)	(113)	(98)	(76)
Exchange and other adjustments	**(127)**	791	53	(153)	125
Amounts written off	**(3,380)**	(2,919)	(1,963)	(2,174)	(1,587)
Recoveries	**150**	174	227	259	222
Impairment/provision charged against profit	**7,330**	4,584	2,306	2,074	1,574
Allowance for impairment/provision balance at end of year	**10,796**	6,574	3,772	3,335	3,450

Table 22: Amounts written off	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
United Kingdom	**(1,569)**	(1,514)	(1,530)	(1,746)	(1,302)
Other European Union	**(453)**	(162)	(143)	(74)	(56)
United States	**(669)**	(1,044)	(145)	(46)	(143)
Africa	**(438)**	(187)	(145)	(264)	(81)
Rest of the World	**(251)**	(12)		(44)	(5)

Amounts written off	**(3,380)**	(2,919)	(1,963)	(2,174)	(1,587)

Note

a Does not reflect the impairment of available for sale assets or other credit risk provisions.

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Table 23: Recoveries	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
United Kingdom	**48**	131	154	178	160
Other European Union	**12**	4	32	18	13
United States	**6**	1	7	22	15
Africa	**80**	36	34	33	16
Rest of the World	**4**	2		8	18
Recoveries	**150**	174	227	259	222

Table 24: Impairment allowances/provision charged against profit[a]	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
New and increased impairment allowance/specific provision charge:					
United Kingdom	**3,123**	2,160	1,960	2,253	1,763
Other European Union	**1,625**	659	192	182	113
United States	**1,535**	1,529	431	60	105
Africa	**932**	526	268	209	109
Rest of the World	**896**	242	20	18	39
	8,111	5,116	2,871	2,722	2,129
Reversals of impairment allowance/specific provision charge:					
United Kingdom	**(331)**	(212)	(213)	(195)	(221)
Other European Union	**(205)**	(68)	(37)	(72)	(25)
United States	**(4)**	(9)	(50)	(26)	(14)
Africa	**(38)**	(36)	(20)	(33)	(56)
Rest of the World	**(53)**	(33)	(18)	(63)	(17)
	(631)	(358)	(338)	(389)	(333)
Recoveries	**(150)**	(174)	(227)	(259)	(222)
Net charge to profit	**7,330**	4,584	2,306	2,074	1,574

Table 25: Total impairment/specific provision charges for bad and doubtful debts by industry	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
United Kingdom:					
Financial services	**485**	76	32	64	22
Agriculture, forestry and fishing	**2**	4		5	9
Manufacturing	**112**	118	72	1	120
Construction	**54**	15	14	17	14
Property	**113**	80	36	15	18
Energy and water		1	1	(7)	1
Wholesale and retail distribution and leisure	**314**	59	118	88	39
Transport	**13**	3	3	19	(27)
Postal and communication	**17**		15	15	3

Business and other services	**175**	234	81	133	45
Home loans	**33**	28	1	4	(7)
Other personal	**1,376**	1,178	1,187	1,526	1,142
Finance lease receivables	**50**	21	33		3
	2,744	1,817	1,593	1,880	1,382
Overseas	**4,586**	2,767	713	194	192
Impairment/specific provision charges	**7,330**	4,584	2,306	2,074	1,574

The category Other personal includes credit cards, personal loans, second liens and personal overdrafts.

The industry classifications in Tables 25, 26 and 27 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the Parent s predominant business may be in a different industry.

Note

a Does not reflect the impairment of available for sale assets, reverse repurchase agreements or other credit risk provisions.

Table 26: Allowance for impairment/specific provision for bad and doubtful debts by industry

	2009		2008		2007		2006		2005	
	£m	%	£m	%	£m	%	£m	%	£m	%
United Kingdom:										
Financial services	**493**	**4.6**	81	1.2	103	2.7	67	2.0	26	0.8
Agriculture, forestry and fishing			1	0.0	5	0.1	17	0.5	12	0.3
Manufacturing	**142**	**1.3**	185	2.8	65	1.7	85	2.5	181	5.2
Construction	**41**	**0.4**	18	0.3	16	0.4	16	0.5	13	0.4
Property	**90**	**0.8**	114	1.7	54	1.4	26	0.8	24	0.7
Energy and water			1	0.0	1				18	0.5
Wholesale and retail distribution and leisure	**182**	**1.7**	43	0.7	102	2.7	81	2.4	99	2.9
Transport		**0.0**		0.0	11	0.3	24	0.7	32	0.9
Postal and communication	**27**	**0.3**	33	0.5	25	0.7	12	0.4	2	0.1
Business and other services	**218**	**2.0**	236	3.6	158	4.2	186	5.6	102	3.0
Home loans	**63**	**0.6**	46	0.7	15	0.4	10	0.3	50	1.4
Other personal	**2,762**	**25.5**	2,160	32.9	1,915	50.8	1,953	58.6	1,696	49.2
Finance lease receivables	**65**	**0.6**	29	0.4	56	1.5			11	0.3
	4,083	**37.8**	2,947	44.8	2,526	67.0	2,477	74.3	2,266	65.7
Overseas	**6,713**	**62.2**	3,627	55.2	1,246	33.0	858	25.7	1,184	34.3
Total	**10,796**	**100**	6,574	100.0	3,772	100.0	3,335	100.0	3,450	100.0

Table 27: Analysis of amounts written off and recovered by industry

	Amounts written off for the year					Recoveries of amounts previously written of				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
United Kingdom:										
Financial services	**72**	88	6	13	2	**3**	4	1		1
Agriculture, forestry and fishing	**2**	6	5	8	3			2	1	
Manufacturing	**162**	53	83	73	47	**4**	8	7	21	11
Construction	**34**	19	23	17	15	**3**	2	3	2	1
Property	**141**	27	16	23	4	**3**	2	10	6	1
Energy and water	**2**	1		1	22	**4**			2	
Wholesale and retail distribution and leisure	**182**	137	109	120	85	**8**	7	12	14	25
Transport	**14**	10	13	11	29	**1**	1		1	10
Postal and communication	**23**	3	3	5	15					
Business and other services	**197**	153	83	124	83	**5**	10	22	17	14
Home loans	**16**	4	1		2		1	1	7	4
Other personal	**705**	960	1,164	1,351	992	**13**	88	96	107	92
Finance lease receivables	**19**	53	24		3	**4**	8			1
	1,569	1,514	1,530	1,746	1,302	**48**	131	154	178	160
Overseas	**1,811**	1,405	433	428	285	**102**	43	73	81	62
Total	**3,380**	2,919	1,963	2,174	1,587	**150**	174	227	259	222

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Table 28: Total impairment allowance/(provision) coverage of credit risk loans	2009 %	2008 %	2007 %	2006 %	2005 %
United Kingdom	**55.1**	50.7	56.6	64.2	64.6
Other European Union	**40.3**	41.8	60.9	65.1	70.1
United States	**50.1**	31.8	9.5	64.9	52.8
Africa	**34.3**	39.5	62.1	73.2	74.3
Rest of the World	**81.3**	49.2	86.5	100.0	68.7
Total coverage of credit risk loans	**48.2**	41.9	39.1	65.6	66.2

Table 29: Total impairment allowance/(provision) coverage of potential credit risk lending (CRLs and PPLs)	2009 %	2008 %	2007 %	2006 %	2005 %
United Kingdom	**49.4**	44.0	51.8	57.3	54.6
Other European Union	**34.8**	29.5	55.1	61.0	65.9
United States	**45.1**	29.2	7.6	57.1	50.4
Africa	**30.5**	37.1	43.4	51.5	57.8
Rest of the World	**48.9**	45.5	86.5	91.0	67.6
Total coverage of potential credit risk lending	**41.9**	36.2	33.0	57.0	56.2

Risk management

Supervision and regulation

The Group s operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business, constrain business operations and affect financial returns. These include reserve and reporting requirements and conduct of business regulations. These requirements are imposed by the relevant central banks and regulatory authorities that supervise the Group in the jurisdictions in which it operates. The requirements reflect global standards developed by, among others, the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. They also reflect requirements derived from EU directives.

In the UK, the Financial Services Authority (FSA) is the independent body responsible for the regulation and supervision of deposit taking, life insurance, home mortgages, general insurance and investment business. Barclays Bank PLC is authorised by the FSA under the Financial Services and Markets Act 2000 to carry on a range of regulated activities within the UK and is subject to consolidated supervision by the FSA. In its role as supervisor, the FSA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The FSA s continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The FSA adopts a risk-based approach to supervision. The starting point for supervision of all financial institutions is a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogeneous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment are used by the FSA to develop a risk mitigation programme for a firm. The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy, limits on large exposures to individual entities and groups of closely connected entities, liquidity and rules of business conduct.

The Banking Act 2009 (the Banking Act) provides a permanent regime to allow the FSA, the UK Treasury and the Bank of England to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers, including (a) the power to issue share transfer orders pursuant to which all or some of the securities issued by a bank may be transferred to a commercial purchaser or Bank of England entity and (b) the power to transfer all or some of the property, rights and liabilities of the UK bank to a purchaser or Bank of England entity. A share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including Barclays Bank PLC) or its holding company (Barclays PLC) and warrants for such shares and bonds. The Banking Act powers apply regardless of any contractual restrictions and compensation may be payable in the context of both share transfer orders and property appropriation.

The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank or its holding company and its former group undertakings for reasonable consideration, in order to enable any transferee or successor bank of the UK bank to operate effectively. There is also power for the Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect. In addition, the Banking Act gives the Bank of England statutory responsibility for financial stability in the UK and for the oversight of payment systems.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme FSCS) where an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in Sterling or other EEA currencies (including the Euro) are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC. In the event that the FSCS raises funds, raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group s results and financial condition. Further details can be found in the Competition and Regulatory Matters note to the financial statements on page 248.

Outside the UK, the Group has operations (and main regulators) located in continental Europe, in particular France, Germany, Spain, Switzerland, Portugal and Italy (local central banks and other regulatory authorities); Asia Pacific (various regulatory authorities including the Hong Kong Monetary Authority, the Financial Services Agency of Japan, the Australian Securities and Investments Commission, the Monetary Authority of Singapore, the China Banking Regulatory Commission and the Reserve Bank of India); Africa and the Middle East (various regulatory authorities including the South African Reserve Bank and the Financial Services Board and the regulatory authorities of the United Arab Emirates) and the United States of America (including the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC) and the Securities and Exchange Commission (SEC)).

In Europe, the UK regulatory agenda is considerably shaped and influenced by the directives emanating from the EU. These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays operations in Europe are authorised and regulated by a combination of both home (the FSA) and host regulators.

Barclays operations in South Africa, including Absa Group Limited, are supervised and regulated by the South African Reserve Bank (SARB) and the Financial Services Board (FSB). SARB oversees the banking industry and follows a risk-based approach to supervision whilst the FSB oversees the non-banking financial services industry and focuses on enhancing consumer protection and regulating market conduct.

In the United States, Barclays PLC, Barclays Bank PLC and Barclays US banking subsidiaries are subject to a comprehensive regulatory structure involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956, as amended (BHC Act), the Foreign Bank Supervision Enhancement Act of 1991, the Financial Services Modernization Act of 1999 and the USA PATRIOT Act of 2001. Such laws impose restrictions on the activities of Barclays, including its US banking subsidiaries and the Bank s US branches, as well as prudential restrictions, such as limits on extensions of credit by the Bank s US branches and the US banking subsidiaries to affiliates. The Bank s New York and Florida branches are subject to extensive federal and state supervision and regulation by the FRB and the New York and Florida banking supervisors. Barclays Bank PLC also operates a federal agency in California that is licensed by and subject to regulation and examination by the OCC. Barclays Bank Delaware, a Delaware-chartered commercial bank, is subject to supervision and regulation by the Delaware banking supervisor and the Federal Deposit Insurance Corporation (FDIC). Only the deposits of Barclays Bank Delaware are insured by the FDIC.

Barclays PLC, Barclays Bank PLC and Barclays Group US Inc. are bank holding companies registered with the FRB. Each has elected to be treated as a financial holding company under the BHC Act. Financial holding companies may engage in a broader range of financial and related activities than are permitted to registered bank holding companies that do not maintain financial holding company status, including underwriting and dealing in all types of securities. To maintain the financial holding company status of each of Barclays PLC, Barclays Bank PLC and Barclays Group US Inc., Barclays Bank PLC is required to meet or exceed certain capital ratios and to be deemed to be well managed . Barclays Bank Delaware must also meet certain capital requirements, be deemed to be well managed and must have at least a satisfactory rating under the Community Reinvestment Act of 1977.

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Supervision and regulation

continued

Barclays US securities broker/dealer, investment advisory and Investment banking operations are subject to ongoing supervision and regulation by the SEC, the Financial Industry Regulatory Authority (FINRA) and other government agencies and self-regulatory organisations as part of a comprehensive scheme of regulation of all aspects of the securities business under the US federal and state securities laws. Barclays subsidiaries in the US are also subject to regulation by applicable federal and state regulators of their activities in the mortgage servicing business.

Regulatory Developments

In the wake of the financial crisis there will be regulatory change that will have a substantial impact on all financial institutions, including the Group. The full extent of this impact and its timing is not yet fully clear, with reform programmes being developed at global, EU and national level. A programme to reform the global regulatory framework was agreed by G20 Heads of Government in April 2009, building on an agreement that had been reached by the G20 in November 2008. The EU is following a similar programme of reform following the May 2008 roadmap and implementing G20 requirements. There is a substantial degree of commonality to these programmes covering issues of capital and liquidity regulation, risk management and accounting standards.

The Financial Stability Board (FSB) has been designated by the G20 as the body responsible for co-ordinating the delivery of the reform programme. It has initiated work developing guidelines for the supervision of systemically significant institutions. It is required to present its proposals to the November 2010 meeting of G20 Heads of Government. The FSB is also working on approaches to the resolution of systemically significant institutions that will include the preparation of Recovery and Resolution Plans, sometimes called living wills . Further detail is awaited from the FSB, although the FSA has initiated a pilot project with a group of large UK banks.

In execution of the mandate given by the G20 and the FSB, the Basel Committee on Banking Supervision has agreed on increased capital requirements for trading book activities to be introduced from the end of 2010. In December 2009, the Basel Committee issued proposals for consultation on enhanced capital and liquidity requirements. These proposals would refine the definition of regulatory capital to have a greater focus on core equity, would enhance capital requirements in respect of counterparty risk, introduce measures to make capital requirements less procyclical, establish a leverage ratio and require banks to hold greater buffers of high quality liquid instruments. The Basel Committee will conduct a quantitative impact study on its proposals in the course of the first half of 2010, with a view to finalising its requirements by the end of the year and with the aim of commencing the transition to the new capital and liquidity regime from the end of 2012.

The Basel Committee s trading book proposals are being implemented in the EU by amendment to the Capital Requirements Directive (CRD). The CRD has also been amended to tighten the definition of hybrid capital and the operation of the large exposures regime in relation to interbank transactions. The EU has indicated that it will further amend the CRD to implement revised global standards on capital adequacy and on liquidity that are being consulted on by the Basel Committee. The EU will also conduct a Europe-focused quantitative impact study. In addition, other amendments are being made to the EU framework of directives, including to the Directive and to the Directive on Deposit Guarantee Schemes. Further amendments to EU regulatory requirements are likely as the EU develops its response to the financial crisis, including the structure of the regulatory system in Europe as proposed in the report of a high-level Commission group published in February 2009. Among other things, it is proposed by the end of 2010 to create a European Banking Authority charged with the development of a single rulebook for banks in the EU. National authorities will remain responsible for the supervision of financial institutions.

In the UK, the Treasury issued a White Paper Reforming Financial Markets in July 2009 that foreshadowed the introduction of a Financial Services Bill in November. The Financial Services Bill will, among other things, create a Council for Financial Stability to co-ordinate the activities of the UK tripartite authorities (HM Treasury, the FSA and the Bank of England) to deal with issues related to financial stability and systemic risk. It will also place a duty on the FSA to make rules requiring financial institutions to create and maintain Recovery and Resolution plans, require the FSA to make general rules about remuneration policies of regulated firms, give the FSA a wider authority to prohibit short selling and permit collective court actions as a means by which redress can be sought in cases where there has been a mass failure of practice that has affected significant numbers of consumers. The Financial Services Bill is currently going through the Parliamentary process and its likely final shape remains uncertain. In response to the introduction of the Financial Services Bill, the Conservative Party indicated in July 2009 that, were it to have a majority following the General Election that must take place by early June 2010, it would transfer responsibility for prudential supervision to the Bank of England and create a Consumer Protection Agency to focus on issues of business conduct.

The Chancellor of the Exchequer commissioned two major reviews of the regulation of banks that reported in 2009. Lord Turner, the Chairman of the FSA was requested to undertake a review of banking regulation, while Sir David Walker was asked to review the corporate governance of financial institutions. The Turner Review, published in March 2009, sets out a comprehensive approach to reform the regulation of banks, and for higher standards of capital, liquidity and risk management. It also sets out a more intensive and intrusive approach to supervision. This was already in development as part of the FSA s Supervisory Enhancement Programme that has seen an increase in the resources devoted to supervision, the intensity of supervision and the penalties that may be applied in any enforcement action. Pending international agreement, the FSA has unilaterally set minimum capital requirements that are very substantially increased from pre-crisis levels. Similarly, the FSA is introducing a regulatory liquidity regime in advance of international agreement on the Basel proposals. The Walker Review, published in November 2009, sets out proposals for reforms to the corporate governance of financial institutions. The Financial Services Bill referred to above will give the FSA enabling powers to implement some of these.

In the United States, as elsewhere, recent market disruptions and economic conditions have led to numerous proposals for changes to and significant increases in the regulation of the financial services industry. These proposals include: possible limitations on the activities of banking institutions such as prohibitions on engaging in proprietary trading operations that are not related to serving customers; proposals that would subject large and systemically important banks and financial institutions to enhanced regulatory requirements; and financial market and trading reforms such as the Wall Street Reform and Consumer Protection Act 2009, which was passed by the US House of Representatives in December 2009 and which would, if enacted, among other things, increase regulation of over-the-counter derivatives by imposing clearing and execution requirements on swap dealers and major swap market participants. However, these and other proposals are still under consideration and there is uncertainty as to whether and in what forms such proposals ultimately may be enacted or adopted and therefore what impact they will have on the Group and its businesses in the United States. The Obama Administration has also proposed the levying of a Financial Crisis Responsibility Fee (FCRF). The Administration has said that the FCRF will apply to the US subsidiaries of a foreign bank or financial company if the consolidated assets of the US subsidiaries exceed £50bn. As legislation implementing the FCRF has not yet been proposed, the impact of the FCRF on the Group cannot yet be determined.

The credit card-related activities of the Group in the US will be significantly affected by the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD Act) which was passed by Congress. The Credit CARD Act will have the effect of restricting many credit card pricing and marketing practices. Among the numerous provisions, which come into effect at various times through August 2010, are those that prohibit increasing rates on existing balances and over limit fees in most instances, restrict increasing fees and rates prospectively, restrict what penalty fees can be assessed, regulate how payments are to be allocated to different balances and how the billing process is to work, and revises all communications to cardholders.

Directors report

Business Review

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31st December 2009 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a Business Review). The purpose of the Business Review is to enable shareholders to assess how the Directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the Company). The information that fulfils the requirements of the Business Review can be found in the following sections of the Annual Report:

	Pages
Key performance indicators	26-29
Financial Review	30-80
Sustainability	22-23
Risk factors	82-86

which are incorporated into this report by reference.

Profit Attributable

The profit attributable to equity shareholders of Barclays PLC for the year amounted to £9,393m, compared with £4,382m in 2008.

Dividends

The final dividend for the year ended 31st December 2009 of 1.5p per ordinary share of 25p each has been agreed by the Directors. The final dividend was announced on 16th February 2010 for payment on 19th March 2010 in respect of the ordinary shares registered at the close of business on 26th February 2010. With the interim dividend of 1.0p per ordinary share that was paid on 11th December 2009, the total distribution for 2009 is 2.5p (2008: 11.5p) per ordinary share. The interim and final dividend for 2009 amounted to £289m (2008: £906m).

Dividend Reinvestment Plan

Shareholders may have their dividends reinvested in Barclays PLC ordinary shares by participating in the Barclays Dividend Reinvestment Plan (DRIP). The DRIP is available to all shareholders, including members of Barclays Sharestore, provided that they do not live in, and are not subject to the jurisdiction of, any country where their participation in the DRIP would require Barclays or The Plan Administrator to Barclays DRIP to take action to comply with local government or regulatory procedures or any similar formalities. Any shareholder wishing to obtain details and a form to join the DRIP should write to: The Plan Administrator to Barclays DRIP, Aspect House, Spencer Road, Lancing BN99 6DA, United Kingdom, or, by telephoning 0871 384 2055 (calls to this number are charged at 8p per minute using a BT landline. Other telephone providers costs may vary) from the UK or +44 121 415 7004 from overseas.

Share Capital

At the 2008 Annual General Meeting, shareholders approved the creation of Sterling, Dollar, Euro and Yen preference shares (preference shares) in order to provide the Group with more flexibility in managing its capital resources. As at 5th March 2010 (the latest practicable date for inclusion in this report) no preference shares have been issued.

The Company did not repurchase any ordinary shares of 25p each during 2009 (2008: 36,150,000 at a total cost of £171,923,243).

As at 5th March 2010, the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 837,620,130 ordinary shares. The authorised ordinary share capital was increased by 7,000 million ordinary shares at the Annual General Meeting held on 23rd April 2009.

The issued ordinary share capital was increased by 3,040 million ordinary shares during 2009. In addition to those issued as a result of the exercise of options under the Sharesave and Executive Share Option Schemes during the year, the following share issues took place:

During the period 7th January to 30th June 2009, 2,642 million ordinary shares were issued following the conversion of Mandatorily Convertible Notes.

On 28th October 2009, 379 million ordinary shares were issued following the exercise of warrants to subscribe for ordinary shares.

At 31st December 2009, the issued ordinary share capital totalled 11,411,577,230 shares. Ordinary shares represent 100% of the total issued share capital as at 31st December 2009. Since 31st December 2009 628.3 million ordinary shares have been issued, of which 626.8 million were issued on exercise of Warrants on 17th February 2010. As at 5th March 2010, issued ordinary share capital was 12,039,880,284.

The Company s Articles of Association, a summary of which can be found in the Shareholder Information section on pages 328 to 335, contain the following details, which are incorporated into this report by reference:

The structure of the Company s capital, including the rights and obligations attaching to each class of shares.

Restrictions on the transfer of securities in the Company, including limitations on the holding of securities and requirements to obtain approvals for a transfer of securities.

Restrictions on voting rights.

The powers of the Directors, including in relation to issuing or buying back shares in accordance with the Companies Act 2006. It will be proposed at the 2010 AGM that the Directors be granted new authorities to allot and buy-back shares under the Companies Act 2006.

Rules that the Company has about the appointment and removal of Directors or amendments to the Company s Articles of Association.

Employee Benefit Trusts (EBTs) operate in connection with certain of the Group s Employee Share Plans (Plans). The trustees of the EBTs may exercise all rights attached to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The trustees of the EBTs have informed the Company that their normal policy is to abstain from voting in respect of the Barclays shares held in trust. The trustees of the Sharepurchase EBT may vote in respect of Barclays shares held in the Sharepurchase EBT, but only at the discretion of the participants. The trustees will not otherwise vote in respect of shares held in the Sharepurchase EBT.

Mandatorily Convertible Notes

On 27th November 2008, Barclays Bank PLC issued £4,050m of 9.75% Mandatorily Convertible Notes (MCNs) maturing on 30th September 2009 to: Qatar Holding LLC; Challenger Universal Limited and entities representing the beneficial interests of HH Sheikh Mansour Bin Zayed Al Nahyan, a member of the Royal Family of Abu Dhabi; existing institutional shareholders; and other institutional investors. If not converted at the holders option beforehand, these instruments mandatorily converted to ordinary shares of Barclays PLC on 30th June 2009. The conversion price was £1.53276 and, after taking into account MCNs that were converted on or before 31st December 2008, resulted in the issue of 2,642 million new ordinary shares.

Directors report

continued

Warrants

On 31st October 2008, Barclays PLC issued, in conjunction with a simultaneous issue of Reserve Capital Instruments issued by Barclays Bank PLC, warrants to subscribe for up to 1,516.9 million new ordinary shares at a price of £1.97775 to Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan. The warrants may be exercised at any time up to close of business on 31st October 2013.

If there is a change of control of Barclays PLC following a takeover bid, Barclays PLC must (so far as legally possible) use all reasonable endeavours to cause the corporation which then controls Barclays PLC to execute a deed poll providing that the holders of the warrants shall have the right (during the period in which the warrants are exercisable) to exercise the warrants into the class and amount of shares and other securities and property receivable upon such a takeover by the holders of the number of ordinary shares as would have been issued on exercise of the warrants had such warrants been exercised immediately prior to the completion of such takeover.

The warrants contain provisions for the adjustment of the gross number of ordinary shares in the event of the occurrence of certain dilutive events including, amongst others, extraordinary dividends, bonus issues, alterations to the nominal value of ordinary shares and rights issues.

As at 5th March 2010, a total of 1,006.1 million ordinary shares have been issued on exercise of warrants to subscribe for ordinary shares.

Substantial Shareholdings

Substantial shareholders do not have different voting rights from those of other shareholders. As at 5th March 2010, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the FSA of the following holdings of voting rights in its shares:

Holder	Number of Barclays Shares	% of total voting rights attaching to issued share capital	Number of warrants	% of total voting rights attaching to issued share capital[a]
BlackRock, Inc.[b]	805,969,166	7.06		
Qatar Holding LLC	813,964,552	6.76	379,218,809	3.15
Nexus Capital Investing Ltd	626,835,443	5.49	131,602,175	1.15
Legal & General Group Plc	483,625,057	4.01		
Appleby Trust (Jersey) Limited[c]	353,373,992	3.10		

Board Membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical and biographical details of the Board members are set out on pages 10 and 11. Simon Fraser and Reuben Jeffery were appointed as non-executive Directors with effect from 10th March 2009 and 16th July 2009 respectively.

The following Directors left the Board during 2009:

Professor Dame Sandra Dawson on 23rd April 2009.

Sir Nigel Rudd on 23rd April 2009.

Patience Wheatcroft on 16th June 2009.

Stephen Russell on 31st October 2009.

Frits Seegers on 3rd November 2009.

Retirement and Re-election of Directors

In accordance with its Articles of Association, one-third (rounded down) of the Directors of Barclays PLC are required to retire by rotation at each Annual General Meeting (AGM), together with Directors appointed by the Board since the last AGM. The retiring Directors are eligible to stand for re-election. In addition, the UK Combined Code on Corporate Governance (the Code), recommends that every Director should seek re-election by shareholders at least every three years.

All members of the Board exceptionally offered themselves for reelection at the Barclays Annual General Meeting held in April 2009. Going forward, the Group Chairman, Deputy Chairman and Chairmen of each principal Board Committee will stand for re-election on an annual basis. One-third of the remaining Directors (excluding Directors appointed since the last AGM) will retire by rotation annually. The Directors offering themselves for re-election in such a manner at the 2010 AGM are Marcus Agius, David Booth, Sir Richard Broadbent and Sir Michael Rake. The Directors retiring by rotation at the 2010 AGM and offering themselves for re-election are Sir Andrew Likierman and Chris Lucas. In addition, Reuben Jeffery, who was appointed as a Director since the last AGM, will be offering himself for re-election at the 2010 AGM.

Directors Interests

Directors interests in the shares of the Group on 31st December 2009 are shown on page 178.

Directors Emoluments

Information on emoluments of Directors of Barclays PLC, in accordance with the Companies Act 2006 and the Listing Rules of the United Kingdom Listing Authority, is given in the Remuneration report on pages 170 to 186 and in Note 42 to the accounts.

Directors Indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31st December 2009 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Activities and likely Future Developments

The Group is a major global financial services provider engaged in retail banking, credit cards, corporate and investment banking and wealth management. The Group operates through branches, offices and subsidiaries in the UK and overseas. An indication of likely future developments is set out in the Group Chief Executive s Review on pages 14 to 19.

Community Involvement

Barclays has an extensive community programme covering many countries around the world. The Group provides funding and support to over 7,000 charities and voluntary organisations, ranging from small, local charities, like Passage (UK), to international organisations like Unicef. We also have a very successful employee programme which in 2009 saw more than 58,000 employees and pensioners worldwide taking part in Barclays-supported volunteering, giving and fundraising activities. Further information on

Notes

a The percentages of voting rights detailed above have been calculated without including the new shares to be issued when the warrants are exercised. This results in the percentage figures being artificially high.
b The number of Barclays shares includes 8,003,236 contracts for difference to which voting rights are attached.
c The number of Barclays shares includes 192,860,970 Total Return Swap shares to which voting rights are attached.

our community involvement is given on pages 22-23 and 29. The total commitment for 2009 was £54.9m (2008: £52.2m). The Group committed £27.4m in support of the community in the UK (2008: £27.7m) and £27.5m was committed in international support (2008: £24.5m). The UK commitment includes £19.3m of charitable donations (2008: £19.6m).

Political Donations

The Group did not give any money for political purposes in the UK or the rest of the EU nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. Absa Group Limited, in which the Group acquired a majority stake in 2005, made donations totalling £213,982 in 2009 (2008: £186,589) in accordance with its policy of making political donations to the major South African political parties as part of their Democracy Support Programme. Donations are made to parties with more than three seats in the National Parliament as confirmed by the Independent Electoral Commission. Support for the deepening of democracy in South Africa remains paramount for the government. The Group made no other political donations in 2009.

At the AGM in 2009, shareholders gave a limited authority for Barclays PLC and its subsidiaries to make political donations and incur political expenditure, within an agreed limit, as a precautionary measure in light of the wide definitions in the Companies Act 2006. This was similar to an authority given by shareholders in 2008. This authority, which has not been used, expires at the conclusion of the AGM held this year, or, if earlier, 30th June 2010. The risk of inadvertently breaching the Companies Act 2006 remains and the Directors consider it prudent to seek a similar authority from shareholders. A resolution to authorise Barclays PLC and its subsidiaries to make EU political donations and incur EU political expenditure up to a maximum aggregate sum of £125,000 is therefore being proposed at the Barclays PLC 2010 AGM.

Employee Involvement

Barclays is committed to ensuring that employees share in the success of the Group. Staff are encouraged to participate in share option and share purchase schemes and have a substantial sum invested in Barclays shares. Employees are kept informed of matters of concern to them in a variety of ways, including the corporate news magazines, intranets, briefings and mobile phone SMS messaging. These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of Barclays. Barclays is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. Annual Employee Opinion Surveys are undertaken across the Group with results being reported to the Board and Board HR and Remuneration Committee, all employees and to our European Works Council, Africa Forum, Unite (Amicus section), our recognised union in the UK and other recognised unions worldwide. Roadshows and employee forums also take place. In addition, Barclays undertakes regular and formal consultations with our recognised trade unions and work councils internationally.

Diversity and Inclusion

The diversity agenda at Barclays seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people, regardless of (but not limited to) race, religion, age, gender, sexual orientation or disability. We strive to ensure our workforce reflects the communities in which we operate and the international nature of the organisation. We recognise that diversity is a key part of responsible business strategy in support of our increasingly global business. In the UK, Barclays is committed to providing additional support to employees with disabilities and making it easier for them to inform us of their specific requirements, including the introduction of a dedicated intranet site and disability helpline. Through our UK Reasonable Adjustments Scheme, appropriate assistance can be given, including both physical workplace adjustments, and relevant training and access to trained mentors is also provided for disabled employees. A wide range of recruitment initiatives have been taken to increase the number of people with disabilities working in Barclays.

Health and Safety

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. Barclays regards legislative compliance as a minimum and, where appropriate, we seek to implement higher standards. Barclays also recognises its responsibilities towards all persons on its premises, such as contractors, visitors and members of the public, and ensures, so far as is reasonably practicable, that they are not exposed to significant risks to their health and safety. Barclays regularly reviews its Statement of Health and Safety Commitment, issued with the authority of the Board and which applies to all business areas in which Barclays has operational control. In this statement Barclays commits to:

- demonstrate personal leadership that is consistent with this commitment;
- provide the appropriate resources to fulfil this commitment;
- carry out risk assessments and take appropriate actions to mitigate the risks identified;
- consult with our employees on matters affecting their health and safety;
- ensure that appropriate information, instruction, training and supervision are provided;
- appoint competent persons to provide specialist advice; and
- review Barclays Health and Safety Group Process and the Statement of Commitment, at regular intervals.

Barclays monitors its health and safety performance using a variety of measurements on a monthly basis and the Board HR and Remuneration Committee receives annual reports on health and safety performance from the Group Human Resource Director. In 2009, a Health and Safety Steering Committee was established to ensure decisions are taken relating to the Health and Safety Global Standard and to oversee the operation of a coordinated Health and Safety control framework. The Committee meets on a quarterly basis and produces a quarterly report for the HR Risk Committee. As part of its Partnership Agreement with Unite (Amicus section), Barclays currently funds full time Health and Safety Representatives.

Creditors Payment Policy

Barclays values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses, in a timely manner. Barclays policy follows the Department for Business, Innovation & Skills Prompt Payment Code, copies of which can be obtained from the Prompt Payment Code website at www.promptpaymentcode.org.uk. Part 5 of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 requires disclosure of trade creditor payment days. Disclosure is required by the Company, rather than the Group. The Group s principal trading subsidiary in the UK is Barclays Bank PLC, the accounts for which are prepared in accordance with IFRS.

Directors report

continued

The components for the trade creditor calculation are not easily identified. However, by identifying as closely as possible the components that would be required if item E.4 (trade creditors) in format I of Schedule 1 of these Regulations applied, the trade creditor payment days for Barclays Bank PLC for 2009 were 27 days (2008: 24 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

Essential Business Contracts

There are no persons with whom the Group has contractual or other arrangements that are considered essential to the business of the Group.

Contracts of Significance

Under the terms of a stock purchase agreement dated 16th June 2009 which was entered into by and among Barclays Bank PLC, Barclays PLC and BlackRock, Inc. (BlackRock), Barclays agreed to sell BGI to BlackRock. The sale completed on 1st December 2009 following the receipt of all necessary shareholder and regulatory approvals and satisfaction of other closing conditions. The consideration at completion was US$15.2bn (£9.5bn), including 37.567 million new BlackRock shares, giving Barclays an economic interest of 19.9% of the enlarged BlackRock group. Barclays has provided BlackRock with customary warranties and indemnities in connection with the sale. Barclays Bank will also continue to provide support in respect of certain BGI cash funds until December 2013 and indemnities in respect of certain of BGI s fully collateralised securities lending activities until 30th November 2012.

Research and development

In the ordinary course of business the Group develops new products and services in each of its business units.

Financial Instruments

The Group s financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out on pages 122 to 132 under the headings, Barclays risk management strategy , Credit risk management , Market risk management , Liquidity risk management and Derivatives and in Note 14 and Notes 47 to 49 to the accounts.

Events after the Balance Sheet Date

On 1st January 2010, the Group acquired 100% ownership of Standard Life Bank Plc for a consideration of £227m in cash. The assets acquired include a savings book of approximately £5.8bn, and a mortgage book with outstanding balances of approximately £7.5bn.

As announced on 3rd November 2009, the Group has made changes to its business structure, which will be reflected in the Group s external financial reporting for periods commencing 1st January 2010. The segmental information presented in this Annual Report represents the business segments and other operations used for management and reporting purposes during the year ended 31st December 2009.

On 17th February 2010, 626.8 million of the 758.4 million warrants held by PCP Gulf Invest 3 Limited (a subsidiary of Nexus Capital Investing Limited) were exercised for an aggregate exercise price of approximately £1,240m. As a result 626.8 million new ordinary shares were issued representing a 5.2% ownership in the Group s enlarged share capital.

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group s use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. More details on this can be found on page 162 and Note 9 to the accounts. PricewaterhouseCoopers LLP have been the Company s auditors for many years. Having reviewed the independence and effectiveness of the external auditors, the Committee has not considered it necessary to date to require them to tender for the audit work. The external auditors are required to rotate the audit partners

responsible for the Group and subsidiary audits every five years. The current lead audit partner, who has now been in place for five years, will be replaced for the 2010 year-end. There are no contractual obligations restricting the Company s choice of external auditor. The Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2010 AGM. So far as each of the Directors are aware, there is no relevant audit information of which the Company s auditors are unaware. Each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company s auditors are aware of that information. For these purposes, relevant audit information means information needed by the Company s auditors in connection with preparing their report.

The Annual General Meeting

The Barclays PLC AGM will be held at the Royal Festival Hall on Friday 30th April 2010. The Notice of Meeting is included in a separate document sent to shareholders with this report. A summary of the resolutions being proposed at the 2010 AGM is set out below.

Ordinary Resolutions

To receive the Directors and Auditors Reports and the audited accounts for the year ended 31st December 2009.

To approve the Directors Remuneration Report for the year ended 31st December 2009.

To re-elect the following Directors:

Reuben Jeffery III

Marcus Agius

David Booth

Sir Richard Broadbent

Sir Michael Rake

Sir Andrew Likierman

Chris Lucas

To reappoint PricewaterhouseCoopers LLP as auditors of the Company.

To authorise the Directors to set the remuneration of the auditors.

To authorise Barclays PLC and its subsidiaries to make political donations and incur political expenditure.

To renew the authority given to Directors to allot securities.

To approve and adopt the rules of the Barclays Group SAYE Share Option Scheme.

Special Resolutions

To renew the authority given to the Directors to allot securities for cash other than on a pro-rata basis to shareholders and to sell treasury shares.

To renew the Company s authority to purchase its own shares.

To permit General Meetings to continue to be called on 14 clear days notice.

To adopt new Articles of Association.

This is only a summary of the business to be transacted at the meetings and you should refer to the Notice of Meeting for full details.

By order of the Board

Lawrence Dickinson

Company Secretary

9th March 2010

Corporate governance

Corporate governance report

Group Chairman s Introduction

Barclays performed strongly in 2009, despite it being another challenging year for the financial services industry. Once again, a number of difficult decisions had to be taken as the Board sought to act in the best interests of shareholders.

Review of 2009

The year started with confidence in the banking sector as a whole at an extremely low ebb. The market was unsure as to the strength of banks balance sheets and the extent of further losses from both credit market exposures and the global economic downturn. In Barclays case, the share price was extremely weak during January and the Board took its first key decision in deciding to issue an open letter from the Group Chief Executive and myself on 26th January 2009 to address the principal causes for concern. We felt that it was important to make this announcement, in what were exceptional circumstances, to reassure our stakeholders that we were well funded and profitable.

In March 2009, we announced that the Board did not believe it was in the interests of investors, depositors or clients to participate in HM Treasury s Asset Protection Scheme. This decision was taken after careful consideration of the economics of participation and detailed stress testing of our capital position and resources, the results of which were confirmed by the FSA.

In March 2009, we explored the potential sale of our iShares business with a number of interested parties and announced, in April 2009, the sale of that business to a limited partnership established by CVC Capital Partners Group. Following a superior offer from BlackRock, Inc. for the sale of the whole of the Barclays Global Investors business (BGI), the Board concluded that it would be in the best interests of Barclays and for the benefit of shareholders to accept that offer. The resolution for the sale of BGI was put to shareholders at a General Meeting on 6th August 2009 and 99.9% of votes cast were in favour of the transaction.

During the second half of 2009, the Board took the decision to restructure the Group s credit market exposures. We announced in September 2009 that we were restructuring a significant tranche of such exposures in order to secure more stable risk-adjusted returns for shareholders over time. And, while we did not pay a final dividend for 2008, we were able to resume dividend payments in the second half of 2009 and it is our intention to pay quarterly dividends going forward.

It was essential to keep the Board fully informed during the discussions on all these matters and the Directors were updated regularly at Board meetings and through ad hoc circulation of information. A significant number of additional Board and Board Committee meetings were held, often at short notice, to discuss and take those decisions a total of 27 Board meetings were held during the year and each of our Board Committees held additional meetings. It was also important to keep our shareholders informed and, in addition to regulatory announcements, meetings were held with our institutional shareholders and other investor groups to discuss the financial crisis and how we have responded. Briefings on these meetings were reported to the Board to ensure that all Directors were aware of any concerns raised by our shareholders.

Corporate Governance in Barclays

As Chairman, a key part of my role is to ensure that the composition of the Board is appropriate; that appropriate behaviours are demonstrated in the Boardroom and that there is an environment in which challenge is expected and achieved. In April, we reviewed the lessons learnt from the financial

crisis and considered any enhancements that could be made. Governance processes were reviewed and a number of changes were made. These included revisions to the Board Risk Committee Terms of Reference to make explicit its role in reviewing risks following the Group s entry into new businesses or geographies. The changes also set out the Committee s role in reviewing the specific risk adjustments to be applied to performance objectives. The frequency of risk, capital and liquidity reporting to the Board, Board Audit Committee and Board Risk Committee has been increased and additional time has been allocated to strategy discussions.

Barclays has emerged from the crisis in a relatively strong position compared to many of our peers. The underlying profits of the Group were strong in 2009 and good progress was made on key measures of financial strength, such as capital and liquidity. However, we remain conscious of the significant reduction in shareholder value suffered by our shareholders. Whilst we have made changes to some of our Corporate Governance processes and practices, we believe that these were fundamentally sound. The review of Corporate Governance in the banking sector by Sir David Walker (the Walker Review), to which we contributed, made a number of recommendations for improvements in governance in the banking sector. Many of the practices put forward in the Walker Review recommendations are in line with practices we already have in place, but where we can enhance processes and practices, we are doing so.

However, the real key to effective Corporate Governance is to ensure that behaviours around the Board table are appropriate. It is an essential part of my role to ensure that firstly, appropriate and timely information is available to the Board in a readily understandable format, and secondly, that there is an environment in the Boardroom which promotes and supports constructive and effective challenge. This requires the right Board composition and I believe Barclays has been well served by both its executive and non-executive Directors in this respect. Our Directors understand the importance of appropriate Board behaviour, which is set out in our Charter of Expectations at www.barclays.com/corporategovernance. The Charter of Expectations is given to all new Directors and reviewed on an annual basis to ensure it sets out the expectations of each Director in their role on the Board, including expected competencies, behaviours and time commitment.

Board size and composition

During 2009, we made a conscious effort to reduce the size of the Board from its peak of 17 and, although this number will fluctuate as we seek to ensure the Board has the right level of skills and experience, we will aim to keep it between 12 to 15 Directors. Going forward, it is our intention to maintain a majority of independent non-executive Directors, with approximately 50% of those non-executive Directors, including the Group Chairman and the Chairmen of the principal Board Committees, having banking or financial experience. We do believe, however, that to be fully effective, the Board should have a balance of Directors with both banking or financial experience and broader experience.

We have carefully considered, in the light of both the Walker Review and the Review of the Combined Code, whether all Directors should stand for re-election each year. I do believe it is important that the Chairman should stand for re-election annually and, having discussed the issue at both the Board Corporate Governance and Nominations Committee and the Board, we decided that the Deputy Chairman and Committee Chairmen should also stand for annual re-election.

The report that follows sets out how we have complied with the UK Combined Code on Corporate Governance (the Code) and also gives further details of any enhancements made during the year and in particular, in response to the recommendations of the Walker Review.

Marcus Agius

Group Chairman

9th March 2010

Corporate governance

Corporate governance report

continued

Statements of Compliance

UK Combined Code on Corporate Governance

As Barclays is listed on the London Stock Exchange, we comply with the UK Combined Code on Corporate Governance (the Code). For the year ended 31st December 2009, we have complied with the relevant provisions set out in section 1 of the Code and applied the principles of the Code as described in this report.

NYSE Corporate Governance Rules

Barclays has American Depositary Receipts listed on the New York Stock Exchange (NYSE), and is also subject to the NYSE s Corporate Governance rules (NYSE Rules). We are exempt from most of the NYSE Rules, which domestic US companies must follow, because we are a non-US company listed on the NYSE. However, we are required to provide an Annual Written Affirmation to the NYSE of our compliance with the applicable NYSE Rules and must also disclose any significant differences between our corporate governance practices and those followed by domestic US companies listed on the NYSE. As our main listing is on the London Stock Exchange, we follow the UK s Combined Code. Key differences between the Code and NYSE Rules are set out later in this Report.

Role and constitution of Board

Corporate governance framework

Good corporate governance practices are not just a matter for the Board but are at the heart of everything that we do within the Group. The Group operates within a comprehensive governance framework, which is outlined in the diagram below and set out in the report that follows. The Group s risk management framework is described in the Risk Management section on pages 87 to 93.

The Board

The Board is responsible to the shareholders for creating and delivering sustainable shareholder value through the management of the Group s businesses. Each Director must act in a way that he or she considers promotes the long-term success of the Company for the benefit of shareholders. The Board also ensures that management achieves an appropriate balance between promoting long-term growth and delivering short-term objectives.

Board meetings

The Board has eight Board meetings scheduled each year. Strategy is reviewed regularly at these meetings with updates at each meeting from at least one business unit on the execution of their agreed strategy. One Board meeting each year, scheduled over a day and a half, considers and approves the Group s future strategy. A different approach was taken to strategy formulation in 2009 following feedback received as part of the 2008 Board Effectiveness Review. During the summer of

2009, the non-executive Directors took part in interviews with the Head of Strategy and Company Secretary to discuss strategic areas of focus. These areas of focus were debated by the Board in September with discussions of various themes facilitated by non-executive Directors. Management then developed strategy proposals, which were fully debated by the whole Board in November.

In addition to the eight scheduled meetings in 2009, there were 13 additional Board meetings held to consider and approve the iShares and BGI transactions and the restructuring of our credit market exposures. A further six Board meetings were held during the year on other issues, including share price performance. The additional Board meetings, which were often called at short notice, had attendance of 88%. Any Director who was unable to attend a meeting was briefed separately on the discussions at the meeting and their views were sought and considered. There were also 12 meetings of the Board Finance Committee, to which the Board delegated authority to review and approve certain aspects of the iShares, BGI and credit market exposure transactions. The Board Finance Committee, whose purpose is to authorise certain transactions to which the Group is party, subject to the relevant authority being delegated to the Committee by the Board (as set out in the Board Finance Committee s Terms of Reference), comprises the Group Chairman, Group Chief Executive and at least two independent non-executive Directors. Board Finance Committee attendance was 100%.

Scheduled Board and Committee meetings are arranged at least one year in advance and all Directors are expected to attend each meeting. All Directors are provided with the meeting papers and relevant information in advance of each meeting and, if a Director is unable to attend a meeting because of exceptional circumstances, he or she will still receive the supporting papers and will usually discuss any matters they wish to raise with the Chairman of the meeting. This ensures that their views are given due consideration. The attendance at Board meetings held in 2009 is set out on page 155. In 2009, all Directors committed an appropriate amount of time to fulfil their duties and responsibilities on the Board. Any instances of non-attendance at Board meetings are generally related to prior business or personal commitments or illness. The additional meetings in 2009 were often arranged at short notice or rearranged as market conditions changed and it was not always possible for all Directors to attend these meetings particularly because of time zone differences.

Non-executive Director Board briefings

The Group Chairman usually meets with the non-executive Directors ahead of each scheduled Board meeting to brief them on the business of the meeting. These meetings are held without any executive Directors or senior management present. The non-executive Directors use these meetings as an opportunity to advise the Group Chairman if they have any specific questions they would like to raise about the business of the meeting. The Group Chairman, Group Chief Executive and Company Secretary are always available for the Directors to discuss any issues concerning Board meetings or other matters.

Role of the Board

UK company law requires Directors to act in a way they consider, in good faith, would promote the success of the Company for the benefit of shareholders as a whole. In doing so, the Directors must have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of Barclays employees;

the need to foster Barclays business relationships with suppliers, customers and others;

the impact of Barclays operations on the community and the environment;

the desirability of Barclays maintaining a reputation for high standards of business conduct; and

the need to act fairly as between shareholders of Barclays.

In addition to their statutory duties, the Directors must ensure that the Board focuses effectively on all its accountabilities. The Board determines the strategic objectives and policies of the Group to deliver long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls. The Board is collectively responsible for the success of the Group: the executive Directors are directly responsible for running the business operations and the non-executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board. The non-executive Directors must satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust. Following presentation by executive management and a disciplined process of review and challenge by the Board, clear decisions on the policy or strategy are adopted, and the executive management are fully empowered to implement those decisions. The role and responsibilities of the Barclays Board are set out in Corporate Governance in Barclays , which is available on our website at *www.barclays.com/corporategovernance.*

Role of the Group Chairman

The role of the Group Chairman is to lead and manage the Board to ensure it discharges its legal and regulatory responsibilities fully and effectively. The time commitment of the Group Chairman is set out in our Charter of Expectations and is in line with the Walker Review recommendation that a Chairman commits two-thirds of his/her time to the role. The Group Chairman must also ensure the Board is effective in delivering all its objectives, and so sets the Board agenda and allocates sufficient time for the Board to engage in meaningful discussions on strategic issues. He facilitates and encourages challenge from all Directors where decisions are needed on matters of risk and strategy. The Group Chairman also ensures that the Directors are kept well-informed, particularly the non-executive Directors, so that Board discussions are effective and there is good communication between the executive and non-executive Directors. The Group Chairman, Group Chief Executive and the Company Secretary work together to ensure that the Directors receive relevant information for them to discharge their duties and that such information is accurate, timely and clear. The communication of information applies to all scheduled Board meetings, but is particularly important in exceptional circumstances where the Board needs to respond to changing market conditions. We provide all our Directors with secure access to electronic copies of meeting papers and other key documents via a dedicated Directors intranet. The documents available include past and current Board and Committee papers, reports, minutes, press coverage, analyst reports and material from briefing sessions.

Role of the Chief Executive

The roles of the Group Chairman and Group Chief Executive are separate. The role of the Group Chief Executive is to manage the day-to-day running of the Group. The Board has delegated this responsibility to the Group Chief Executive and he then leads the executive Directors and Executive Committee in making and executing operational decisions. The Group Chief Executive is also responsible for recommending strategy to the Board.

Company Secretary

The Company Secretary and his team provide dedicated support to the Board. Their services are available to all Directors, particularly the non-executive Directors who may need additional support to ensure they receive timely and accurate information to fulfil their duties. Directors may also take independent professional advice on request at the Company s expense.

Effective internal control

One of the Board s key responsibilities is to ensure that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. The Board considers the materiality of financial and other risks to the Group s business and reputation, ensures that appropriate controls are in place and considers the relative costs and benefits of implementing specific controls.

The powers of the Board are set out in a formal schedule of matters reserved for the Board s decision. These matters are significant to the Group as a whole because of their strategic, financial or reputational implications.

The Schedule of Matters Reserved to the Board is reviewed and updated regularly to ensure it remains appropriate and a summary of these matters is set out on page 154.

Board Activities in 2009

At each meeting in 2009, the Group Chief Executive and Group Finance Director reported to the Board and one or two of the main businesses or functions also presented an update on the implementation of their agreed strategy. Scheduled Board meetings also received reports from each of the principal Board Committees and reports from the Company Secretary on relevant corporate governance matters, including updates on the Walker Review and the Review of the Combined Code and the potential implications for the Group. The Board also received reports on the new regulatory frameworks in respect of compensation, particularly in respect of the FSA Remuneration Code and the proposals of the Financial Stability Board.

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The role and responsibilities of the Barclays Board are set out in Corporate Governance in Barclays , which is available on our website at *www.barclays.com/corporategovernance*

Summary of Matters Reserved for the Board
Approval of the Group s strategy, Medium-Term and Short-Term Plans
Approval of Risk Appetite and Liquidity Risk Appetite
Monitoring delivery of the strategy and performance against plan
Changes relating to capital structure or status as a PLC
Approval of annual Capital Plan
Approval of interim and final financial statements, dividends and any significant change in accounting policies or practices
Authorisation for Directors conflicts or possible conflicts of interest

Appointment (or removal) of Company Secretary and Chief Risk Officer

Any share dividend alternative

Remuneration of auditors and recommendations for appointment or removal of auditors

Approval of all circulars, prospectuses and significant press releases

Principal regulatory filings with stock exchanges

Board appointments and removals

Role profiles of key positions on the Board

Terms of reference and membership of Board Committees

Major acquisitions, mergers or disposals

Major capital investments and projects

Approval of the framework for determining the policy and specific remuneration of Executive Directors

Approval of Chairman and non-executive Director remuneration

Major changes in employee share schemes

Approval of allotment of shares

Approval of Board and Board Committees performance evaluation process

Determination of independence of non-executive Directors

Approval of Corporate Governance framework

Approval of division of responsibilities between the Chairman and Group Chief Executive

Rules and procedures for dealing in Barclays securities

The Board allocated its time at scheduled Board meetings during 2009 to the following:

Strategy

- discussion of and approval of Group Strategy, including risk strategy and remuneration strategy;
- reports from the Group Chief Executive on key strategic issues and progress, matters considered by the Executive Committee and competitor activity. The reports also included progress on Group-wide key objectives, a half yearly review of TSR performance and an update on talent management;
- reports from the following businesses on progress against strategy: Western Europe, Barclays Global Investors, Barclays Wealth, Barclays Commercial Bank, Barclays Capital (including an update on the integration of the Lehman Brothers North American business), Barclaycard, UK Retail Bank and Absa;
- reports on the following key issues: Brand and Marketing, Corporate Sustainability, Franchise Health (including customer and employee satisfaction measures); and
- presentations on shareholder sentiment (including institutional perceptions) and reputation.

Finance (including capital and liquidity)

- reports from the Group Finance Director on the financial position of the Group, which included capital management and liquidity updates throughout the year;
- regular reports from the Chairman of the Board Audit Committee on matters discussed at that Committee;
- approval of the full year and half-year results for the Group;
- reports on peer group comparison of results following the release of preliminary and half-year results;
- approval of the dividend policy;

approval of the Group s cost of equity and capital plan for 2010; and

approval of the medium-term plan (including the financial framework) and short-term plan.

Risk

regular reports from the Chief Risk Officer on risk management and impairment and from the Group General Counsel on legal risk issues;

regular reports from the Chairman of the Board Risk Committee on matters discussed at that Committee; and

approval of Risk Appetite and Liquidity Risk Appetite for the Group for 2010.

Note

a Capital management was reported separately for 2008. It is included within Finance (including capital and liquidity) for 2009.

Corporate Finance

- consideration and approval of the proposed iShares sale and subsequent sale of Barclays Global Investors; and
- consideration and approval of the restructuring of our credit market exposures.

Corporate Governance

- reports on governance issues and updates on the changes in company law, including approval of non-executive Director appointments, updates on the Walker Review consultation and the Financial Reporting Council s Review of the Combined Code;
- a report on the effectiveness of the Board following the effectiveness review;
- approval of the non-executive Directors fees following a benchmarking comparison against our peer group; and
- reports from each of the Board Committees.

Compensation

- reports on remuneration strategy;

reports on regulatory frameworks, including FSA Remuneration Code and the proposals from the Financial Stability Board;

regular reports from the Chairman of the Board HR and Remuneration Committee on matters discussed at that Committee; and

consideration of the proposals for the closure of the UK Retirement Fund.

Regulatory issues

a review of the FSA s stress-test results;

regular reports from the Group Chief Executive on contact with regulators worldwide and in particular discussions with the tripartite authorities in the UK;

consideration of the Government s Asset Protection Scheme; and

updates on the global and UK economic and regulatory environment.

Figure 1 on page 154 illustrates how the Board spent its time at scheduled Board meetings in 2009.

Board size, composition and qualification

Board size and composition

There are currently 13 Directors on the Board, comprised of the Group Chairman, three executive Directors and nine non-executive Directors. The size and composition of the Board is regularly reviewed by the Board and, in particular, the Board Corporate Governance and Nominations Committee, to ensure there is an appropriate and diverse mix of skills and experience. The Board aims to appoint non-executive Directors who have the skills and experience needed for a comprehensive understanding of the Group s activities and the risk associated with them. This is particularly important for Barclays as a financial services business and it is our intention that 50% of our non-executive Directors, including the Group Chairman and the Chairmen of the principal Board Committees, should have banking or financial experience. However, a broader range of skills and experience is

Board and Committee Attendance

Number of meetings held	Independent	Scheduled Board 8	Additional Board[a] 19	Board Audit Committee 11	Board HR & Remuneration Committee 14	Board Corporate Governance & Nominations Committee 4	Board Risk Committee 5	AGM 1
Group Chairman								
Marcus Agius	OA	8	19		14	4		1
Executive Directors								
John Varley (Group Chief Executive)	ED	8	19					1
Bob Diamond	ED	8	17					1
Chris Lucas	ED	8	19					1
Frits Seegers (to 3rd November)	ED	6	19					1
Non-executive Directors								
David Booth	I	8	16				5	1

Sir Richard Broadbent (Deputy Chairman & Senior Independent Director)	I	8	18		14	4	5	1
Leigh Clifford	I	8	7		11			1
Fulvio Conti	I	8	15	10				1
Professor Dame Sandra Dawson (to 23rd April)	I	3	11	5				1
Simon Fraser (from 10th March)[b]	I	7	15	5	7			
Reuben Jeffery III (from 16th July)	I	4	2					
Sir Andrew Likierman	I	8	17	11			5	1
Sir Michael Rake	I	8	17	11		2	3	1
Sir Nigel Rudd (Deputy Chairman to 23rd April)	I	3	11			1		1
Stephen Russell (to 31st October)	I	6	12	7		2	3	1
Sir John Sunderland	I	8	17		14	4		1
Patience Wheatcroft (to 16th June)	I	3	14					1

Key

OA Independent on appointment. **ED** Executive Director. **I** Independent non-executive Director.

Notes

a In the case of Leigh Clifford, who is based in Australia, the time difference meant that he was not always able to participate in additional Board meetings called at short notice, but he was fully briefed on the discussions by the Group Chairman or the Company Secretary.

b Simon Fraser was appointed as a member of the Board Audit Committee and Board HR and Remuneration Committee with effect from 1st May 2009.

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essential for the Board to be fully effective. Figure 2 demonstrates the diverse range of skills and experience on the Board.

We have a strong independent element on the Board and more than half the Directors are independent non-executive Directors, which is in line with the recommendations of the Code. The balance of the Board is illustrated by Figure 3.

Independence of non-executive Directors

The Code sets out the circumstances that may be relevant to the Board in determining whether each non-executive Director is independent. In addition to these circumstances, Barclays Charter of Expectations sets out specific criteria that the Board considers are essential behaviours in order to assess the independence of non-executive Directors. These criteria are as follows:

- provides objective challenge to management;
- is prepared to challenge others assumptions, beliefs or viewpoints as necessary for the good of the organisation;
- questions intelligently, debates constructively, challenges rigorously and decides dispassionately;
- is willing to stand up and defend their own beliefs and viewpoints in order to support the ultimate good of the organisation; and
- has a good understanding of the organisation s business and affairs to enable them to properly evaluate the information and responses provided by management.

The Board considers non-executive Director independence on an annual basis, as part of each Director s performance evaluation. The Board Corporate Governance and Nominations Committee and the Board reviewed the independence of each non-executive Director in early 2010 and concluded that each of them continues to demonstrate these essential behaviours.

Board qualification

The Board benefits from the diverse range of skills, knowledge and experience that the non-executive and executive Directors have acquired as Directors of other companies or as business leaders in government or in academia. The Board also values the experience that our international Directors bring and aims to have diverse geographical experience on the Board, as illustrated by Figure 4. The effectiveness of the Board depends on ensuring the right balance of Directors with banking or financial experience and broader commercial experience.

External appointments

We recognise that there are significant advantages to individuals and to the Board as a whole of Barclays executive Directors serving on the Boards of other companies. In line with the Code recommendation, executive Directors may join the Board of one other listed company and all such appointments must be approved by the Board. Executive Directors must ensure that their external appointments do not involve excessive commitment or conflict of interest and their time commitment to Barclays must take precedence over any external appointment (other than those they undertake in connection with their duties at Barclays). Executive

Note

a Individual directors may fall into one or more categories.

Directors may retain fees paid in connection with an external appointment and details of any fees received by executive Directors may be found in the Remuneration Report on page 170.

Conflicts of Interest

Under UK company law, all Directors must seek authorisation before taking up any position with another company that conflicts, or may possibly conflict, with the Barclays interests. Barclays Articles of Association contain provisions to allow the Directors to authorise situations of potential conflicts of interest so that a Director is not in breach of his duty under company law. All Directors must report any changes in their circumstances to the Board and the Board reserves the right to terminate the appointment of a non-executive Director if there are any material changes in their circumstances that may conflict with their commitments as a Barclays Director or that may impact on their independence. All existing external appointments for each Director have been authorised by the Board and each authorisation is set out in a Conflicts Register. The Board Corporate Governance and Nominations Committee is responsible for conducting an annual review of the Conflicts Register and confirming to the Board that, where relevant, conflicts are dealt with appropriately, and that the process for dealing with them is operating effectively. The Board Corporate Governance and Nominations Committee reviewed the Conflicts Register in early 2010 and concluded that conflicts had been appropriately authorised and that the process for authorisation is operating effectively.

Role of the Board and Board Corporate Governance and Nominations Committee

In addition to reviewing the size and composition of the Board, the Board Corporate Governance and Nominations Committee is also responsible for reviewing the balance on the Board and its principal Committees and recommending the appointment of any new Directors to the Board. It is essential that the Board is refreshed regularly to maintain the appropriate skills and experience and the Committee also considers length of tenure of each non-executive Director, which is set out in Figure 5. The biographies of the current Directors, which set out the details of their skills and experience, are on pages 10 and 11.

The Charter of Expectations, which forms part of Corporate Governance in Barclays sets out detailed role profiles for each of the Board positions, including the Group Chairman, Deputy Chairman, Senior Independent Director and both non-executive and executive Directors. Before appointing a new Director, the Board Corporate Governance and Nominations Committee will consider the responsibilities general to all Directors and, in addition, the specific responsibilities required for each role. Non-executive Directors have a responsibility to constructively challenge

and develop proposals on strategy and assess the performance of management in implementing the Group s strategy. As Deputy Chairman and Senior Independent Director, Sir Richard Broadbent has further responsibilities, which are set out in our Charter of Expectations, including conducting the performance review of the Group Chairman and meeting institutional investors.

Sir Richard Broadbent met privately during the year with the other non-executive Directors and the Group Chief Executive to discuss feedback he received on the Group Chairman s performance. These results were shared with the Group Chairman. During 2008 and in the first few months of 2009 leading up to the Annual General Meeting (AGM), Sir Richard conducted a series of meetings and consultations with institutional shareholders to discuss the capital raisings. Sir Richard also met with institutional shareholders to discuss Barclays remuneration strategy and the external reviews into this area.

Time Commitment

The Charter of Expectations sets out the time commitment expected from each Director, with specific requirements for the Chairman, Deputy Chairman, Senior Independent Director and non-executive Directors. Additional time commitment expectations are set out for the Board Committee Chairmen and members. The expected time commitment, which is agreed with each individual, will not be less than a minimum of 20 days per annum. Certain non-executive Directors, including the Deputy Chairman, Committee Chairmen and Committee members, are expected to commit additional time, with the average time commitment for the non-executive Directors as a whole being in the range of 30-36 days per year. Sir Richard Broadbent, as Deputy Chairman and Senior Independent Director, is expected to commit to at least one day per week in carrying out his Barclays duties, but in practice spends significantly more time on Barclays business. Committee Chairmen are expected to commit between 3 and 10 days per year in addition to between 6 and 8 days per year for Committee members. The time commitment of each non-executive Director is decided on an individual basis, with six of the non-executive Directors committing over 30 days per year. Taking into account both Board and Board Committee requirements, the balance commit at least 28 days per year.

Re-election of Directors

In line with the recommendations of the Code, all Directors usually seek re-election every three years and any Directors that were appointed during the year seek re-election at the next AGM. For the 2010 AGM the Group Chairman, Marcus Agius, will offer himself for re-election as recommended by the Walker Review. In addition, the Deputy Chairman, Sir Richard Broadbent, the Chairmen of each principal Board Committee, David Booth,

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Go online

The Charter of Expectations, including role profiles for key Board positions, is available from *www.aboutbarclays.com*

and Sir Michael Rake will also offer themselves for re-election. The Directors retiring by rotation, as required by our Articles, and offering themselves for re-election are Sir Andrew Likierman and Chris Lucas. Reuben Jeffery, who was appointed on 16th July 2009, is also offering himself for re-election.

Induction, business awareness and development

Each new Director receives an induction presentation, an information pack and a personalised induction programme. The induction presentation explains their responsibilities as a Director of a global, listed financial services company and sets out an overview of the Group and its businesses. The information pack gives details of the disclosures that Directors are required to make to comply with various laws and regulations. The personal induction programme, which is discussed with each new Director, is tailored to their needs so that they can gain a better understanding of the Group and its businesses. The induction programme typically involves two stages of meetings. The first involves sessions with each of the executive Directors, members of the Executive Committee and the heads of the main Group functions. These sessions include opportunities for the new Director to visit operational sites and meet with senior management and employees. The second stage includes additional sessions with the executive Directors and senior managers from each of the Group s main business units to provide the new Director with in-depth information to develop a comprehensive understanding of those businesses. The sessions focus on the challenges, opportunities and risks that are faced by each business unit. Simon Fraser and Reuben Jeffery undertook their Board induction programmes during 2009. Additional induction programmes are put together for non-executive Directors who are joining any of the principal Board Committees and may include meetings with external advisers and the Group s statutory auditor, where appropriate or relevant.

To ensure the Directors continue to further their understanding of the issues facing the Group we provide a comprehensive programme of business awareness training sessions and briefings on external technical matters. In early 2009, non-executive Directors were sent a questionnaire to seek their views on topics of interest, including business specific areas and technical issues. As a result, three in-depth briefing sessions on Basel II, Capital Management and Derivatives were arranged during 2009. Attendees were sent pre-reading material for these sessions and interactive discussions were encouraged. Positive feedback was received from the non-executive Directors who attended these sessions and further sessions are planned for 2010.

During 2009, in response to the 2008 Board Effectiveness Review, a questionnaire was sent to non-executive Directors requesting feedback about the level of interaction with senior management below Board level. Following that feedback, and in addition to the regular presentations made to each Board meeting by senior managers, we aim to hold regular lunches for the non-executive Directors and senior management after Board meetings to encourage greater informal interaction between non-executive Directors and senior management.

External matters

Directors are regularly briefed on market opinion and receive copies of analyst research and press commentary. Further briefing material on market conditions was sent to Directors during 2009 and Directors continue to receive relevant publications to keep them up to date with changing market opinion, including a weekly commentary on the Barclays share price and analyst comment. Directors are invited to attend results presentations to meet with analysts and investors to enhance their awareness of market sentiment.

Functioning of the Board and evaluation of performance

Functioning of the Board

For the Board to function effectively, the non-executive Directors must contribute to Board discussions and challenge and test the proposals on strategy that are put forward by the executive Directors. The Board promotes an environment whereby challenge from the non-executive Directors is welcomed and encouraged, combined with full support for and empowerment of the executive Directors in implementing decisions.

The Board Committees

Certain responsibilities of the Board are delegated to Board Committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. The four principal Board Committees (the Board Audit Committee, the Board Corporate Governance and Nominations Committee, the Board HR and Remuneration Committee and the Board Risk Committee) play an essential role in supporting the Board in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained throughout the Group. Each Board Committee reports to the Board following each of its meetings and the minutes of each Board Committee meeting are circulated to the Board. This report sets out how the Board and its Committees work within the governance framework and corporate governance guidelines.

Current membership of the Board Committees

	Board Audit Committee	Board Corporate Governance & Nominations Committee	Board HR & Remuneration Committee	Board Risk Committee
Marcus Agius		C	M	
David Booth		M		C
Sir Richard Broadbent		M	C	M
Leigh Clifford			M	
Fulvio Conti	M			
Simon Fraser	M		M	
Reuben Jeffery III				M
Sir Andrew Likierman	M			M
Sir Michael Rake	C	M		M
Sir John Sunderland		M	M	

Key

C Chairman

M Member

All members of the principal Board Committees are independent non-executive Directors, although the Group Chairman is a member of the Board HR and Remuneration Committee, as permitted by the Code for a Chairman who was independent on appointment. The Group Chairman is also Chairman of the Board Corporate Governance and Nominations Committee.

Each Committee s terms of reference set out the specific matters for which delegated authority has been given by the Board. These terms of reference are reviewed annually and are available on our website at: *www.barclays.com/corporategovernance.* A summary of the terms of reference is set out in the table below.

Board Audit Committee
Sir Michael Rake (Chairman from 31st March 2009)
Fulvio Conti
Simon Fraser (from 1st May 2009)
Sir Andrew Likierman
Stephen Russell (to 31st October 2009) (Chairman to 31st March 2009)
Secretary
Lawrence Dickinson

In addition to the members of the Committee, there are a number of regular attendees at each meeting. The Group Chief Executive, Group Finance Director, Barclays Internal Audit Director, Chief Risk Officer, Group General Counsel and the lead external audit partner normally attend all scheduled Board Audit Committee meetings. The Board Audit Committee members usually meet before each meeting, without any executive Directors or senior management present, to raise any questions and discuss issues with the Chairman of the meeting. They also meet with the external auditors and the Barclays Internal Audit Director, without management present, at the end of most Committee meetings.

Sir Andrew Likierman continues to fulfil his role as the financial expert as defined by the US Sarbanes-Oxley Act of 2002 and, as a result of his accountancy background and his career with HM Treasury, has recent and relevant financial experience as recommended by the Code. Sir Michael Rake succeeded Stephen Russell as Chairman of the Committee in March 2009.

Terms of reference

Board Audit Committee	Board Corporate Governance and Nominations Committee	Board HR and Remuneration Committee	Board Risk Committee
Reviews accounting policies and the contents of financial reports. Monitors disclosure controls and procedures and the internal control environment. Considers the adequacy and scope of the external and internal audit. Oversees the relationship with our external auditors.	Reviews composition of Board. Recommends appointment of new Directors. Considers succession plans for Group Chairman and Group Chief Executive positions. Monitors corporate governance issues. Oversees the annual Board performance review. &	Sets the policy for executive Directors and senior executives remuneration. Approves individual remuneration awards. Agrees changes to senior executive incentive plans. Governs employee share schemes. Looks at strategic HR issues.	Recommends total level of risk we are prepared to take (risk appetite) to the Board. Monitors risk appetite. Reviews limits for individual types of risk. Monitors the risk profile. Obtains assurance that principal risks have been properly identified and are being appropriately managed.