BARCLAYS PLC
Form 6-K
March 24, 2009

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

24 March 2009

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 by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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

The Report comprises:

Information distributed to shareholders and furnished pursuant to General Instruction B to the General Instructions to Form 6-K.

EXHIBIT INDEX

EXHIBIT NUMBER	**DESCRIPTION**
1	Barclays PLC Notice of Annual General Meeting 2009
2	Barclays PLC Proxy Form for the Annual General Meeting 2009
3	Barclays PLC Sharestore Proxy Form for the Annual General Meeting 2009
4	Barclays PLC Annual Report 2008

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, 2009	By:	/s/ Marie Smith
	Name:	Marie Smith
	Title:	Assistant Secretary

We thank our customers and clients for the business they directed to Barclays in 2008. High levels of activity on their behalf have enabled us to report substantial profit generation in difficult conditions. Our priorities in 2008 were (and remain): to stay close to customers and clients; to manage our risks; and to progress strategy.

John Varley

Group Chief Executive

www.barclays.com/annualreport08

In a very difficult economic environment in 2008, Barclays has steered a course that has enabled us to be solidly profitable despite strong headwinds. We are well positioned to maintain Barclays competitive strengths through the undoubted challenges that will come in 2009 and beyond.

Marcus Agius

Group Chairman

We re committed to supporting customers through the current economic climate, running over 800 savings seminars for customers in 2008.

We increased lending to social housing projects by over £2 billion.

51° 30' 16"N
London, UK 12pm GMT

50° 48' 00"N
Portsmouth, UK 12pm GMT

Highlights of the year

Group profit before tax was £6,077m, down 14% on 2007. Profit included:

Gains on acquisitions of £2,406m, including £2,262m relating to Lehman Brothers North American businesses

Profit on disposal of the closed life assurance book of £326m

Gains on Visa IPO and sales of shares in MasterCard of £291m

Gross credit market losses and impairment of £8,053m

Gains on own credit of £1,663m

Global Retail and Commercial Banking profit before tax increased 6% to £4,367m

UK lending increased to both retail and corporate customers

Strengthened international presence in Barclaycard, Western Europe and Emerging Markets

Investment Banking and Investment Management profit before tax was £2,568m, down 24% reflecting significant gain on acquisition and disposal and the impact of credit market dislocation

Barclays Capital s strategy of diversification by geography and business accelerated through the acquisition of Lehman Brothers North American businesses

There were strong net new asset flows into Barclays Wealth and Barclays Global Investors despite declines in equity markets

Group balance sheet growth was driven by over £900bn derivative gross-up, growth in loans and advances of £124bn and impact of foreign exchange rates on non-Sterling assets

Risk weighted assets increased 22% (£79bn) to £433bn reflecting:

the significant depreciation in Sterling relative to both the US Dollar and the Euro

procyclicality: macroeconomic indicators generally, and corporate credit conditions specifically, deteriorated towards the end of 2008 leading to ratings declines

Capital ratios were strengthened through the raising of £13.6bn of Tier 1 capital. The year-end pro forma Tier 1 capital ratio was 9.7% and the pro forma Equity Tier 1 ratio was 6.7%

Barclays targets reduced adjusted gross leverage and capital ratios significantly ahead of regulatory requirements

Income statement highlights

For the year ended 31st December

	2008	2007	2006
	£m	£m	£m
Total income net of insurance claims	**23,115**	23,000	21,595
Impairment charges and other credit provisions	**(5,419)**	(2,795)	(2,154)
Operating expenses	**(14,366)**	(13,199)	(12,674)
Gains on acquisitions	**2,406**		
Profit before tax	**6,077**	7,076	7,136
Profit attributable to equity holders of the parent	**4,382**	4,417	4,571
Basic earnings per share	**59.3p**	68.9p	71.9p
Dividend per ordinary share	**11.5p**	34.0p	31.0p
Return on average shareholders equity	**16.5%**	20.3%	24.7%
Cost:income ratio	**62%**	57%	59%
Number of staff	**156,300**	134,900	122,600

Income

Profit before tax

Business review

Building the best bank in the UK

Barclaycard contactless technology

In 2008 Barclaycard issued over one million contactless payments cards in the UK, with more than 7,000 shops now having the technology to use the cards installed.

The cards enable people to pay for items costing £10 or less by simply swiping them against a sensor and Barclaycard research shows 98% of people with a contactless payment card think it is easy to use and 88% think it speeds up payment times.

Number of contactless cards

1m+

51° 30' 18''N

London, UK 12pm GMT

Barclays today

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

With a strong long-term credit rating and over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs 156,000 people.

Barclays moves, lends, invests and protects money for 48 million customers and clients worldwide.

Senior Management

Global Retail and Commercial Banking

UK Retail Banking
One of the largest retail banks in the UK with over 1,700 branches, 15 million personal customers and 660,000 small business customers.

Profit before tax

Barclays Commercial Bank
Barclays Commercial Bank serves over 81,000 business clients through a network of relationship and industry sector specialists.

Profit before tax

Barclaycard
Barclaycard launched the first credit card in the UK in 1966. It now has 23 million customers in the UK, across Europe and the United States.

Profit before tax

GRCB Western Europe
GRCB Western Europe serves two million retail, premier, card, SME and corporate customers in Spain, Portugal, France and Italy through nearly 1,200 distribution points.

Profit before tax

GRCB Emerging Markets
A rapidly growing part of the business opening over 280 distribution points in 2008 and providing full banking services to over four million customers across Africa, Russia, the Middle East and Asia.

Profit before tax

Number of customers	Number of customers	Number of customers	Number of customers	Number of customers

Diversified operations

Investment Banking and Investment Management

GRCB Absa
One of South Africa s largest financial services groups with over 1,100 distribution points and over 10 million retail customers offering a complete range of banking, bancassurance and wealth management products.

Profit before tax

Number of customers

Barclays Capital
Barclays investment banking division with the global reach, advisory services and distribution power to meet the needs of clients worldwide, holding top three positions in US capital markets and globally in commodities, foreign exchange, fund-linked derivatives, interest rate trading and investment.

Profit before tax

Number of clients generating more than £1m income

Barclays Global Investors
One of the world s largest asset managers with US$1.5 trillion assets under management and the global product leader in exchange traded funds (iShares).

Profit before tax

Assets under management

Barclays Wealth
Barclays Wealth serves clients worldwide, providing international and private banking, fiduciary services, investment management and brokerage. It is the UK s leading wealth manager by client assets and has offices across the Americas following the acquisition of Lehman Brothers Private Investment Management.

Profit before tax

Client assets

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	2006	2007	2008
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.	performance to the majority of our stakeholders.	£7,136m	£7,076m	**£6,077m**
Economic profit Economic Profit (EP) is the other primary profitability measure used by Barclays. EP is profit after tax and minority interests less a capital charge (average shareholders equity and goodwill excluding minority interests multiplied by the Group cost of capital).	Barclays believes that economic profit encourages both profitable growth and the efficient use of capital. Barclays has a set of four year performance goals for the period 2008 to 2011 inclusive. The primary goal is to achieve compound annual growth in economic profit in the range of 5% to 10% (£9.3bn to £10.6bn of cumulative economic profit) over the 2008 to 2011 goal period. Given the increase in the cost of capital and regulatory capital requirements in 2008 we intend to publish new goals in 2009.			
Shareholder returns 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.	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 with the interests of shareholders.	Total shareholder return		
		2006	2007	2008
		2nd quartile	3rd quartile	**2nd quartile**
		Return on average shareholders equity		

2006	2007	2008
24.7%	20.3%	**16.5%**

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. Tier 1 capital is defined by the UK FSA with Equity Tier 1 broadly being tangible shareholders funds within Tier 1. The 2008 pro-forma ratios reflect the conversion of Mandatorily Convertible Notes and inclusion of all innovative instruments in Tier 1 capital.

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

	2006	2007	2008	Pro-forma 2008
Equity Tier 1[a]	5.3%	5.1%	**5.8%**	**6.7%**
Tier 1[a]	7.7%	7.6%	**8.6%**	**9.7%**

We expect to maintain our Equity Tier 1 and Tier 1 ratios at levels which significantly exceed the current minimum requirements

Note

a Capital ratios for 2008 and 2007 are calculated on a Basel II basis, whilst the 2006 of the UK FSA for the duration of the current period of financial and economic stress.

ratios are on a Basel I basis

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. The 2008 Pro forma ratio reflects the conversion of Mandatorily Convertible Notes and inclusion of all innovative instruments in Tier 1 capital.

Barclays believes that there will be more capital and less leverage in the banking system, as a key measure of stability, which is consistent with the views of regulators and investors. Barclays expects adjusted gross leverage to reduce further over time.

2007	2008	Pro-forma 2008
33x	**28x**	**24x**

Strategic KPIs

Build the best bank in the UK

Definition	Why it s important to the business and management			
UK Retail Banking Customer Satisfaction The Retail Banking Service Monitor tracks satisfaction amongst Barclays customers. Approximately 13,000 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.			
Net new lending in Barclays Commercial Bank The net new lending percentage represents the increase in our loans and advances to customers during the year.	Building the best bank in the UK means we are there for our customers. We have increased our lending to UK corporate customers even during the current economic conditions.	2006 +8%	2007 +14%	**2008** **+10%**
UK Retail Banking cost:income ratio target Cost:income ratio is defined as operating expenses compared to total income net of insurance claims.	It is a measure management use to assess the productivity of the business operations. In February 2008 we targeted improving the UK Retail Banking cost:income ratio by a further three percentage points from 57% over the course of the next three years.	2008 58%	2007 57%	**2008** **56%**

Strategic KPIs

Accelerate growth of global businesses

Definition	Why it s important to the business and management			
Barclaycard International number of customers The total number of customers split between UK and non-UK.	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 10 years. This KPI demonstrates how this target is being achieved.			
Investment Banking and Investment Management Income	The Investment Banking and Investment Management division contains the majority of our global businesses and income is a key indicator of growth in this area. Including net credit market	2006 £9,092m	2007 £10,332m	**2008** **£8,399m**

The total income from the businesses which make up Investment Banking and Investment Management; being Barclays Capital, Barclays Global Investors and Barclays Wealth.

write-downs income in 2008 was £8,399m (2007: £10,332m). Excluding these write-downs income in 2008 was £11,593m (2007: £11,185m).

Key performance indicators

Strategic KPIs

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

Definition	Why it s important to the business and management	2006	2007	2008
Number of distribution outlets outside the UK Represents total number of branches and sales centres outside the UK.	This represents the growth in our footprint around the world, providing a clear indication of the development of our activities outside the UK. The addition of new distribution outlets drives the increase in customer numbers.	1,705	2,349	**3,158**
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 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.
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 relevant for each business.	It 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.

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.	Why it s important to the business and management 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	2006	2007	2008
Number of colleagues involved in fundraising and volunteering 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.	33,000	44,000	**57,000**
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.			

Group Chairman s statement

2008 was an extraordinarily difficult year for the financial services industry with the second half in particular seeing a period of exceptional instability. It was a year that saw the rescue of a number of banks around the world and significant action being taken by governments globally to rebuild confidence in the sector including, in the UK, the government taking large shareholdings in two major banks.

Barclays was impacted by the difficult environment we undertook two significant capital raisings during the year and incurred gross losses from credit market write-downs of approximately £8bn. However, a profit before tax for the year of just over £6bn, whilst benefiting from a number of gains on acquisitions and disposals, remains a resilient performance in such a difficult environment and reflects a continuing focus by all our people on servicing the needs of our customers and clients. We were able to absorb the level of credit market write-downs through the strong income performance of the Group. As a result of raising over £13bn in equity and Tier 1 capital in 2008, our capital base has been substantially strengthened and we have over £37bn of equity capital and reserves. This scale of loss absorption capacity, combined with the underlying profitability of the Group, gives us confidence that our capital resources are sufficient, even in these difficult markets. Our liquidity position remains strong.

The share price performance during the year was acutely disappointing. Share prices in the sector as a whole were badly hit during the year by a number of factors, including concerns over the profit outlook given the macroeconomic environment and uncertainty over banks capital strength. It is of little consolation that in terms of total shareholder return we out-performed the majority of our UK peers and a number of our global competitors. The Board is committed to creating the conditions to allow the share price to recover and to resume dividend payments in the second half of 2009, following the decision not to pay a final dividend for 2008.

The difficult market conditions for bank shares has continued in 2009. We welcomed the announcements made by HM Treasury and the FSA in January designed to help the UK economy through a number of initiatives in the areas of capital ratios, funding and asset protection. Despite these, market confidence remains extremely fragile.

As a Board, we very much regret what has happened to the banking sector in general and to Barclays share price in particular. We fully recognise that banks must review their internal governance systems and remuneration structures to ensure there can be no repeat of the turmoil that has impacted the industry, and the wider economy, over the last 18 months. The Board HR and Remuneration Committee is reviewing compensation policy and structures across the Group to ensure maximum alignment both with the interests of our shareholders and with best practice. The Board is also committed to ensuring that Barclays plays its full part in contributing to the restoration of the health of the global economy and, with that, the reputation of the industry. In particular, the capital position and ongoing profitability of the Group is enabling us to support our customers in the difficult economic environment. For example, our lending to UK consumers and UK commercial clients increased by 16% and 14% respectively in 2008.

Market Environment

The announcement that Lehman Brothers would file for bankruptcy in September was the start of a period of extreme instability in global stock markets and a crisis of confidence in the banking system. Credit market conditions became very difficult and a number of banks around the world required government assistance. In October, the UK authorities decided to take action to stabilise the UK financial services industry. The capital plans and balance sheets of all the UK banks were subject to severe stress tests and additional capital was required to be raised to ensure that their ratios would remain prudent even in the severest downturn. This represented a significant change in the capital framework across the UK banking industry and obliged Barclays to raise capital well beyond the level we had previously agreed with our regulators.

In my speech at the General Meeting to approve the capital raising in November (which is available at *www.barclays.com*), we also recognised that some of our shareholders were unhappy about some aspects of the November capital raising. This unhappiness is a matter of great regret to us. I set out in my introduction to the Corporate Governance Report on page

157 some further information on the background to the November capital raising, the governance processes surrounding the decisions that were taken and the Board s appreciation of the support received from shareholders in very difficult circumstances. I would like to give my personal assurance that the Board considered the capital raising very carefully there were 12 meetings of the Board in October and November to discuss the matter, ensuring appropriate corporate governance as we sought to react to the circumstances prevailing at the time. The Board regrets, however, that the capital raising denied Barclays existing shareholders their full rights of pre-emption and that our private shareholders were not able to participate in the raising.

Board Changes

As I stated in my report last year, Sir Michael Rake and Patience Wheatcroft joined the Board on 1st January 2008 and Dr Danie Cronjé retired from the Board at the Annual General Meeting. We announced in January 2009 that Sir Nigel Rudd had advised us that he did not intend seeking re-election at the forthcoming AGM. Sir Nigel has served as a Director for nearly 13 years and Barclays has benefited enormously from his commercial experience and wise counsel. He will be greatly missed. I would also like to pay tribute to Professor Dame Sandra Dawson, who will also be retiring as a Director at the AGM. Sandra has served with distinction as both a Director and member of the Board Audit Committee. Stephen Russell will also retire from the Board in October after nine years excellent service, particularly as Chairman of the Board Audit Committee.

We have also announced the appointment of Simon Fraser as a new non-executive Director. Simon held a number of positions during his career at Fidelity International, including President of Fidelity s European and UK institutional business and Global Chief Investment Officer. He will bring valuable fund management and institutional shareholder experience to the Board.

Maintaining our commitment to sustainability

At no other time in our history have the values of sustainability mattered more to our company and to our stakeholders.

We focus our commitment in this important area on our ability to support our customers well in good times and bad; on our role as an equal opportunity company employing all races, creed, colour and orientation; on our commitment to play our part in managing the impact of climate change; and on our role as a responsible global citizen.

We report on our progress on all these areas within the report (pages 66 to 68) and in our Sustainability Review 2008, which will be published in April 2009.

Key achievements for 2008 included maintaining responsible lending to individuals and businesses, a steady growth in the number of low-income bank accounts in many of our markets including the UK, developing diversity strategies and action plans tailored to local markets across our businesses and maintaining progress towards our goal that the global banking operations of Barclays be carbon neutral by the end of 2009.

There is a universal benefit to be obtained from a return to confidence in the banking system and from the restoration of the reputation of the banking industry in general. I give you my assurance that we at Barclays will do our utmost to play our part in procuring this vital objective.

Marcus Agius
Group Chairman
Barclays PLC

Group Chief Executive s review

I reported in our interim results that the conditions in the market in the preceding 12 months were as difficult as any that we had experienced in many years. In the six months since, we have seen the bankruptcy of Lehman Brothers, substantial action taken by the UK and other governments, and a progressive deterioration in the consensus expectations for global economic prospects. The environment has been extraordinarily challenging for nearly two years, and remains so.

We have managed Barclays carefully through this period. We have remained solidly profitable. Although the 2008 profit before tax of £6.1bn includes several individually significant and one-off items, our performance during the year has mainly been driven by ongoing business. Where we have had the opportunity to generate non-recurring profits, we have done so, including a gain on the acquisition of Lehman Brothers North American businesses, a gain on the acquisition of the Goldfish credit card business in the UK, gains on selling the UK Closed Life Fund and from the Visa IPO and sale of MasterCard shares. These items, combined with record income generation across the Group, have enabled us to absorb substantial write-downs on our credit market assets and still post substantial profits.

But our shareholders have suffered a lot. Although we cannot control the price at which our shares trade in the market, we greatly regret the fact that the total return on our shares during 2008 has been heavily negative, and we acknowledge with regret, also, our decision not to recommend the payment of a final dividend for 2008, which is one of the consequences of the increased capital requirements introduced by the UK Financial Services Authority in October.

These facts have influenced significantly our compensation decisions in respect of 2008. This has resulted in the incentive payments across Barclays being significantly lower in 2008 than in 2007; in the application of high differentiation in incentive pools, based both on business and individual performance; and in our delivering a significant proportion of compensation for the most senior individuals across Barclays over multiple years. Executive Directors will receive no bonuses for 2008. For 2009 and beyond, we are reviewing our compensation policies and practices to ensure that they evolve appropriately. Our endeavour as we do this is to maximise the alignment between these and the interests of our owners, as well as to ensure that our compensation policies and practices are appropriately benchmarked to changing best practice in the industry.

Our priorities in 2008 were (and remain): to stay close to customers and clients; to manage our risks; and to progress strategy.

2008 Priorities

Our approach of staying close to customers and clients is shown in the number of customers we serve in Global Retail and Commercial Banking,

which has increased from 39 million to 48 million; in the increase in our lending volumes, particularly in UK mortgages, where our net lending mortgage market share was 36%, in the Group as a whole where our loans and advances increased 32% to £510bn; and in sharply increased activity levels in Barclays Capital in interest rates, currency products and commodities.

Managing our risks through the unfolding crisis has been a significant focus through the year. In this Annual Report we have set out extensive details on the nature and quality of our loans and advances, as well as further detail on our credit market assets. We have worked hard to reduce these during the year. £9.4bn of our exposures were sold or redeemeda and, in addition, we have announced a total of £8.1bn in gross write-downs of these assets. Managing these exposures will continue to be a priority in 2009. We are confident of the valuations of these assets at the year end; whilst we expect there will be further charges as we work down these assets, we also expect that gross write-downs in 2009 will be lower than the levels of 2008.

In progressing strategy in 2008, we have announced a number of acquisitions Lehman Brothers North American businesses, Goldfish in the UK, Expobank in Russia, Akita Bank in Indonesia and we also launched or expanded banking platforms in Pakistan and India. These steps will, we believe, have a significant collective impact in the future. We have also, of course, raised large amounts of new equity and other capital, increasing our shareholders equity by almost 50% during the year.

As we look forward to 2009 it is clear that the economic and business environment will remain very difficult, and the quality of our assets and risk management capability will again be tested. The scale of our market presence in the geographies where we do business means that we will not avoid the consequences of severe downturn. Although we have been careful over recent years to avoid inappropriate risk concentration in our major loan books in retail and commercial banking, our plans for 2009 assume that impairment will continue to be at a high level.

2009 Strategic Framework

Our framework for moving the strategy forward in 2009 has the following features:

Responsible corporate citizenship. Governments in the UK and elsewhere have taken significant steps to address the impacts of the financial crisis and recession, and we must work with the authorities and, of course, with our customers, to deal with the crisis in a way which is consistent with our obligations to shareholders.

We have committed to recommencing dividend payments during the second half of 2009. Thereafter, and as previously announced, dividend payments will be made on a quarterly basis. We will set out our dividend policy at the Annual General Meeting in April.

Note

a Includes redemption of £3.1bn leveraged finance exposure in January 2009.

We must ensure that our capital position is robust and our balance sheet well-managed. We set out within the Financial Review our approach to managing leverage in the balance sheet, and our expectations for capital ratios. For 2009, returns will rank ahead of growth.

To create good returns at this time, we must preserve strategic and operational choice. As conditions remain very difficult in 2009, we expect that there will be considerable value at stake for our shareholders in decisions that we take relating to resource utilisation, capital allocation and risk management. Our objective over time is to ensure that the cost of the capital we raised last November is covered many times over by the benefits of pursuing our strategy.

We must deliver solid profitability notwithstanding the global downturn. Our diversified income streams have served us well in recent years and have enabled us to absorb substantial costs from the financial crisis. We expect them to continue to do so.

We will seek to manage the composition of our profits, and capital allocation, to ensure that we optimise returns from our universal banking business model. What does this mean? It is clear to us that in the future there will be more capital in the banking system, and less leverage, particularly in capital markets businesses. This will be true at Barclays too, and will govern our approach to capital allocation and expected returns. We expect to see balance sheet utilisation by Barclays Capital fall over time, which will help us to deliver strengthening returns. We believe that the businesses that we have built from the integration of Lehman Brothers North American businesses and Barclays Capital will help in this regard, since the capital intensity of the advisory businesses in M&A and of the flow businesses in fixed income, currencies, equities and credit will be lower, once we have managed down our credit market exposures.

Goals

We set out last year our goals for economic profit for 2008 through 2011. Those were based on, amongst other things, the then regulatory capital requirements for the business and the then cost of equity. The regulatory capital requirements were significantly increased last year by the UK Financial Services Authority. The observed cost of equity has also increased. It is right, therefore, that we revisit our goals, to ensure that they are properly aligned with our new return and balance sheet objectives, and with the interests of our owners. We intend to publish revised goals in due course that reflect the changes to the environment in the past two years.

Outlook

We expect 2009 to be another challenging year with continuing downturns or recessions in many of the economies in which we are represented. In 2008 our profits were reduced by the impacts of substantial gross credit market losses. In 2009, we expect the impact of such credit market losses to be lower. Whilst we are confident in the relative quality of our major books of assets, we also expect the recessionary environments in the UK, Spain, South Africa and the US to increase the loan loss rates on our loans and advances.

Governments in the UK and elsewhere have taken significant measures to assist borrowers and lenders in response to the emerging recession, including reducing official interest rates. The low interest rate environment will have the impact of substantially reducing the spread generated on our retail and commercial banking deposits, particularly in the UK, but we expect the combined impact of these government measures to be positive for the economy in time.

2009 Trading

Customer and client activity levels were high in the first month of 2009, and we have had a good start to the year. In particular, the operating performance of Barclays Capital, benefiting from the now complete integration of the Lehman Brothers North American businesses, was extremely strong. The trends that lie behind the strong operating performance in Global Retail and Commercial Banking in 2008 were again observable in its performance in January.

Conclusion

I end this review by recording the Board s appreciation of the dedication and hard work of our 150,000 people. We are doing more business with more customers and clients than at any time in our history, and have generated substantial profits. That we have been able to do this reflects the continuing focus of Barclays employees on delivering high-quality service to clients and customers despite the difficult conditions of the year.

John Varley
Group Chief Executive

Financial review

Consolidated income statement

For the year ended 31st December

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m [a]
Net interest income	**11,469**	9,610	9,143	8,075	6,833
Net fee and commission income	**8,407**	7,708	7,177	5,705	4,847
Principal transactions	**2,009**	4,975	4,576	3,179	2,514
Net premiums from insurance contracts	**1,090**	1,011	1,060	872	1,042
Other income	**377**	188	214	147	131
Total income	**23,352**	23,492	22,170	17,978	15,367
Net claims and benefits incurred on insurance contracts	**(237)**	(492)	(575)	(645)	(1,259)
Total income net of insurance claims	**23,115**	23,000	21,595	17,333	14,108
Impairment charges and other credit provisions	**(5,419)**	(2,795)	(2,154)	(1,571)	(1,093)
Net income	**17,696**	20,205	19,441	15,762	13,015
Operating expenses	**(14,366)**	(13,199)	(12,674)	(10,527)	(8,536)
Share of post-tax results of associates and joint ventures	**14**	42	46	45	56
Profit before business acquisitions and disposals	**3,344**	7,048	6,813	5,280	4,535
Profit on disposal of subsidiaries, associates and joint ventures	**327**	28	323		45
Gains on acquisitions	**2,406**				
Profit before tax	**6,077**	7,076	7,136	5,280	4,580
Tax	**(790)**	(1,981)	(1,941)	(1,439)	(1,279)
Profit after tax	**5,287**	5,095	5,195	3,841	3,301
Profit attributable to minority interests	**905**	678	624	394	47
Profit attributable to equity holders of the parent	**4,382**	4,417	4,571	3,447	3,254
	5,287	5,095	5,195	3,841	3,301

Selected financial statistics

	2008	2007	2006	2005	2004
Basic earnings per share	**59.3p**	68.9p	71.9p	54.4p	51.0p
Diluted earnings per share	**57.5p**	66.7p	69.8p	52.6p	49.8p
Dividends per ordinary share	**11.5p**	34.0p	31.0p	26.6p	24.0p
Dividend payout ratio	**19.4%**	49.3%	43.1%	48.9%	47.1%
Profit attributable to the equity holders of the parent as a percentage of:					
average shareholders equity	**16.5%**	20.3%	24.7%	21.1%	21.7%
average total assets	**0.2%**	0.3%	0.4%	0.4%	0.5%
Cost: income ratio	**62%**	57%	59%	61%	61%
Cost: net income ratio	**81%**	65%	65%	67%	66%
Average United States Dollar exchange rate used in preparing the accounts	**1.86**	2.00	1.84	1.82	1.83
Average Euro exchange rate used in preparing the accounts	**1.26**	1.46	1.47	1.46	1.47
Average Rand exchange rate used in preparing the accounts	**15.17**	14.11	12.47	11.57	11.83

The financial information above is extracted from the published accounts for the last three years. This information should be read together with, and is qualified by reference to, the accounts and notes included in this report.

Note

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Income statement commentary

Income statement

Barclays delivered profit before tax of £6,077m in 2008, a decline of 14% on 2007. The results included the following significant items:

- 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, distributed widely across the Group
- gross credit market losses and impairment of £8,053m, or £4,957m net of related income and hedges of £1,433m and gains on own credit of £1,663m

Profit after tax increased 4% to £5,287m. This reflected an effective tax rate of 13% (2007: 28%) primarily due to the gain on the acquisition of Lehman Brothers North American businesses of £2,262m in part being offset by carried forward US tax losses attributable to Barclays businesses. Earnings per share were 59.3p (2007: 68.9p), a decline of 14% from 2007, reflecting the impact of share issuance during 2008 on the weighted average number of shares in issue.

Income grew 1% to £23,115m. Income in Global Retail and Commercial Banking increased 17% and was particularly strong in businesses outside of the UK to which we have directed significant resource. Income in Investment Banking and Investment Management was down 19%. 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 by Barclays

Capital 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. In Barclays Capital increased charges also arose in prime services, corporate lending and private equity. In Barclays Commercial Bank, increased impairment charges reflected the UK economy moving into recession. In the UK there was a moderate increase in impairment in UK Retail Banking as a result of book growth and a deteriorating economic environment. UK mortgage impairment charges remained low. There was a lower charge in UK cards as net flows into delinquency and arrears levels reduced. Significant impairment growth in our Global Retail and Commercial Banking businesses outside the UK reflected very strong book growth in recent years, and maturation of those portfolios, together with deteriorating credit conditions and rising delinquency rates in the US, South Africa and Spain.

Operating expenses increased 9% to £14,366m. We continued to invest in our distribution network in the Global Retail and Commercial Banking businesses. Expenses fell in Barclays Capital due to lower performance related costs. Expenses in Barclays Global Investors included selective support of liquidity products of £263m (2007: £80m). Group gains from property disposals were £148m (2007: £267m). Head office reflects £101m due to the cost of the contribution 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%.

Income statement commentary

Net interest income

2008/07

Group net interest income increased 19% (£1,859m) to £11,469m (2007: £9,610m) 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.

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. 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.

2007/06

Group net interest income increased 5% (£467m) to £9,610m (2006: £9,143m) reflecting balance sheet growth across a number of businesses. The contribution of structural hedges relative to average base rates decreased to £351m expense (2006: £26m income), largely due to the effect of the structural hedge on changes in interest rates. Other interest expense principally includes interest on repurchase agreements and hedging activity.

Business margins

2008/07

UK Retail Banking assets margin increased five basis points to 1.25% (2007: 1.20%) reflecting increased returns from mortgages. The average liabilities margin declined 14 basis points to 2.01% (2007: 2.15%) reflecting the reductions in UK base rates in the second half of 2008.

Barclays Commercial Bank assets margin decreased 25 basis points to 1.55% (2007: 1.80%) due, in part, to a continued focus on lower risk term lending. The liabilities margin declined two basis points to 1.47% (2007: 1.49%) partly reflecting the reductions in UK base rates in the second half of 2008.

Barclaycard assets margin increased 41 basis points 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.

GRCB Western Europe assets margin increased three basis points to 1.16% (2007: 1.13%) reflecting the focus on repricing assets and strong growth in unsecured lending resulting in change in the product mix. The liabilities margin decreased 40 basis points to 1.24% (2007: 1.64%) due to campaigns offering attractive deposit rates resulting in margin compression.

GRCB Emerging Markets assets margin decreased 167 basis points to 4.95% (2007: 6.62%) reflecting higher funding costs, partially offset by improvement in the product mix. The liabilities margin improved 142 basis points to 2.17% (2007: 0.75%) driven by a change in the product mix and a higher return from funding the assets.

GRCB Absa assets margin increased nine basis points 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

Net interest income

	2008	2007	2006
	£m	£m	£m
Cash and balances with central banks	174	145	91
Available for sale investments	2,355	2,580	2,811
Loans and advances to banks	1,267	1,416	903
Loans and advances to customers	23,754	19,559	16,290
Other	460	1,608	1,710
Interest income	28,010	25,308	21,805
Deposits from banks	(2,189)	(2,720)	(2,819)
Customer accounts	(6,697)	(4,110)	(3,076)
Debt securities in issue	(5,910)	(6,651)	(5,282)
Subordinated liabilities	(1,349)	(878)	(777)
Other	(396)	(1,339)	(708)
Interest expense	(16,541)	(15,698)	(12,662)
Net interest income	11,469	9,610	9,143

Average balances

	2008	2007	2006
	£m	£m	£m
UK Retail Banking assets	90,263	78,502	73,593
UK Retail Banking liabilities	85,892	81,848	76,498
Barclays Commercial Bank assets	61,710	53,947	52,330
Barclays Commercial Bank liabilities	47,624	46,367	44,839
Barclaycard assets	23,552	18,976	17,728
GRCB Western Europe assets	41,540	30,145	24,812
GRCB Western Europe liabilities	10,429	7,489	6,404
GRCB Emerging Markets assets	7,195	3,559	2,258
GRCB Emerging Markets liabilities	7,568	5,115	4,018
GRCB Absa assets	27,706	25,333	23,720
GRCB Absa liabilities	13,454	11,511	10,897
Barclays Wealth assets	9,749	7,403	5,543
Barclays Wealth liabilities	37,205	31,151	27,744

Business margins

	2008	2007	2006
	%	%	%
UK Retail Banking assets	1.25	1.20	1.32
UK Retail Banking liabilities	2.01	2.15	2.05
Barclays Commercial Bank assets	1.55	1.80	1.92
Barclays Commercial Bank liabilities	1.47	1.49	1.46
Barclaycard assets	6.92	6.51	7.05
GRCB Western Europe assets	1.16	1.13	1.11
GRCB Western Europe liabilities	1.24	1.64	1.70
GRCB Emerging Markets assets	4.95	6.62	8.46
GRCB Emerging Markets liabilities	2.17	0.75	0.93
GRCB Absa assets	2.79	2.70	2.81
GRCB Absa liabilities	3.06	3.21	2.87
Barclays Wealth assets	1.04	1.11	1.08
Barclays Wealth liabilities	0.95	1.03	1.10

funding. The liabilities margin decreased 15 basis points to 3.06% (2007: 3.21%) reflecting the emphasis on liquidity and strong growth in lower margin retail deposits.

Barclays Wealth 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 the year.

2007/06

UK Retail Banking assets margin decreased 12 basis points to 1.20% (2006: 1.32%) principally due to the increased proportion of mortgages and the contraction in unsecured loans. UK Retail Banking liabilities margin increased 10 basis points to 2.15% (2006: 2.05%) due to pricing initiatives and changes in the product mix.

Barclays Commercial Bank assets margin decreased by 12 basis points to 1.80% (2006: 1.92%) due to changes in the product mix. Barclays Commercial Bank liabilities margin remained broadly stable at 1.49% (2006: 1.46%).

Barclaycard assets margin decreased 54 basis points to 6.51% (2006: 7.05%) due to higher average base rates across core markets and an increased weighting to secured lending.

GRCB Western Europe assets margin of 1.13% (2006: 1.11%) was broadly stable. The liabilities margin declined 6 basis points to 1.64% (2006: 1.70%) primarily driven by changes in product and country mix.

GRCB Emerging Markets asset margin declined 184 basis points to 6.62% (2006: 8.46%) reflecting competitive pricing to drive volume growth. The liabilities margin declined 18 basis points to 0.75% (2006: 0.93%) primarily driven by changes in product and country mix.

GRCB Absa assets margin decreased 11 basis points to 2.70% (2006: 2.81%) due to increased competition, increase in interest rates and changes in the product mix. The liabilities margin increased 34 basis points to 3.21% (2006: 2.87%) driven by a re-pricing of customer deposits and higher interest rates.

Barclays Wealth assets margin increased three basis points to 1.11% (2006: 1.08%) due to changes in the product mix. The liabilities margin decreased seven basis points to 1.03% (2006: 1.10%) due to competitive pricing.

Net fee and commission income

2008/07

Net fee and commission income increased 9% (£699m) to £8,407m (2007: £7,708m). 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.

2007/06

Net fee and commission income increased 7% (£531m) to £7,708m (2006: £7,177m). Fee and commission income rose 8% (£673m) to £8,678m (2006: £8,005m) reflecting increased management and securities lending fees in Barclays Global Investors, increased client assets and higher transactional income in Barclays Wealth and higher income generated from lending fees in Barclays Commercial Bank. Fee income in Barclays Capital increased primarily due to the acquisition of HomEq.

Business net interest income

	2008 £m	2007 £m	2006 £m

UK Retail Banking assets	**1,132**	939	970
UK Retail Banking liabilities	**1,723**	1,763	1,566
Barclays Commercial Bank assets	**955**	970	1,005
Barclays Commercial Bank liabilities	**700**	693	655
Barclaycard assets	**1,629**	1,236	1,248
GRCB Western Europe assets	**483**	341	274
GRCB Western Europe liabilities	**129**	123	109
GRCB Emerging Markets assets	**356**	235	214
GRCB Emerging Markets liabilities	**164**	39	37
GRCB Absa assets	**774**	686	664
GRCB Absa liabilities	**411**	369	313
Barclays Wealth assets	**101**	82	60
Barclays Wealth liabilities	**355**	320	306
Business net interest income	**8,912**	7,796	7,421

Reconciliation of business interest

income to Group net interest income

	2008 £m	2007 £m	2006 £m
Business net interest income	**8,912**	7,796	7,421
Other:			
Barclays Capital	**1,724**	1,179	1,158
Barclays Global Investors	**(38)**	(8)	10
Other	**871**	643	554
Group net interest income	**11,469**	9,610	9,143

Net fee and commission income

	2008 £m	2007 £m	2006 £m
Brokerage fees	**87**	109	70
Investment management fees	**1,616**	1,787	1,535
Securities lending	**389**	241	185
Banking and credit related fees and commissions	**7,208**	6,363	6,031
Foreign exchange commission	**189**	178	184
Fee and commission income	**9,489**	8,678	8,005
Fee and commission expense	**(1,082)**	(970)	(828)
Net fee and commission income	**8,407**	7,708	7,177

Income statement commentary

Principal transactions

2008/07

Principal transactions decreased 60% (£2,966m) to £2,009m (2007: £4,975m).

Net trading income decreased 65% (£2,430m) to £1,329m (2007: £3,759m). The majority of the Group s net trading income arises in Barclays Capital. Growth in the Rates related business reflected growth in fixed income, prime services, foreign exchange, commodities and emerging markets. The Credit related business included 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). The cumulative gain from disposal of available for sale assets decreased 62% (£348m) to £212m (2007: £560m) reflecting the lower profits realised on the sale of investments. The £212m gain in 2008 included the £47m gain from sale of shares in MasterCard.

The dividend income increased £170m to £196m (2007: £26m) reflecting the Visa IPO dividend received by GRCB Western Europe, GRCB Emerging Markets and Barclaycard in the current year. The GRCB Absa gain on the Visa IPO of £47m has been recognised in other income.

Net gain from financial instruments designated at fair value decreased 89% (£260m) to £33m (2007: £293m), driven by 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.

Other investment income decreased 29% (£98m) to £239m (2007: £337m) due to a number of non-recurring disposals in the prior year.

2007/06

Principal transactions increased 9% (£399m) to £4,975m (2006: £4,576m).

Net trading income increased 4% (£145m) to £3,759m (2006: £3,614m). The majority of the Group s net trading income arose from Barclays Capital. Growth in the Rates related business reflected very strong performances in fixed income, commodities, foreign exchange, equity and prime services. The Credit related business included net losses from credit market turbulence and the benefits of widening credit spreads on structured notes issued by Barclays Capital.

Net investment income increased 26% (£254m) to £1,216m (2006: £962m). The cumulative gain from disposal of available for sale assets increased 82% (£253m) to £560m (2006: £307m) largely as a result of a number of private equity realisations and divestments. Net income from financial instruments designated at fair value decreased by 34% (£154m) largely due to lower growth in the value of linked insurance assets within Barclays Wealth.

Fair value movements on insurance assets included within net investment income contributed £113m (2006: £205m).

Net premiums from insurance contracts

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 book.

2007/06

Net premiums from insurance contracts decreased 5% (£49m) to £1,011m (2006: £1,060m), primarily due to lower customer take up of loan protection insurance.

Other income

2008/07

Certain asset management products offered to institutional clients by Barclays Global Investors 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 £47m gain from the Visa IPO.

2007/06

Certain asset management products offered to institutional clients by Barclays Global Investors 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 2007 includes a loss on the part disposal of Monument credit card portfolio and gains on reinsurance transactions in 2007 and 2006.

Principal transactions

	2008 £m	2007 £m	2006 £m
Rates related business	4,751	4,162	2,848
Credit related business	(3,422)	(403)	766
Net trading income	1,329	3,759	3,614
Net gain from disposal of available for sale assets	212	560	307
Dividend income	196	26	15
Net gain from financial instruments designated at fair value	33	293	447
Other investment income	239	337	193
Net investment income	680	1,216	962
Principal transactions	2,009	4,975	4,576

Net premiums from insurance contracts

	2008 £m	2007 £m	2006 £m
Gross premiums from insurance contracts	1,138	1,062	1,108
Premiums ceded to reinsurers	(48)	(51)	(48)
Net premiums from insurance contracts	1,090	1,011	1,060

Other income

	2008 £m	2007 £m	2006 £m
(Decrease)/increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	(10,422)	5,592	7,417
Decrease/(increase) in liabilities to customers under investment contracts	10,422	(5,592)	(7,417)
Property rentals	73	53	55
Loss on part disposal of Monument credit card portfolio		(27)	
Other	304	162	159
Other income	377	188	214

Net claims and benefits incurred on insurance contracts

	2008 £m	2007 £m	2006 £m
Gross claims and benefits incurred on insurance contracts	263	520	588
Reinsurers share of claims incurred	(26)	(28)	(13)
Net claims and benefits incurred on insurance contracts	**237**	492	575

Net claims and benefits incurred on insurance contracts

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 disposal of closed life business in October 2008. Partially offsetting these trends is the increase in contract liabilities associated with increased net premiums driven by the growth in GRCB Western Europe.

2007/06

Net claims and benefits incurred under insurance contracts decreased 14% (£83m) to £492m (2006: £575m), principally reflecting lower investment gains attributable to customers in Barclays Wealth.

Impairment charges and other credit provisions

2008/07

Impairment charges in UK Retail Banking increased £43m to £602m (2007: £559m), reflecting growth in the book and deteriorating economic conditions. In UK Home Finance, whilst three month arrears increased from 0.63% to 0.91%, the quality of the book and conservative loan to value ratios meant that the impairment charges and amounts charged off remained low at £24m (2007: £3m release). Impairment charges in Consumer Lending increased 3%, reflecting the current economic environment and loan growth.

The impairment charge in Barclays Commercial Bank increased £122m to £414m (2007: £292m), primarily reflecting higher impairment losses in Larger Business, particularly in the final quarter as the UK corporate credit environment deteriorated.

The impairment charge in Barclaycard increased £270m to £1,097m (2007: £827m), reflecting higher charges in Barclaycard International portfolios, particularly Barclaycard US which was driven by loan growth, rising delinquency due to deteriorating economic conditions and exchange rate movements; and £68m from the inclusion of Goldfish. These factors were partially offset by lower charges in UK Cards and secured consumer lending.

Impairment charges in GRCB Western Europe increased £220m to £296m (2007: £76m), principally due to deteriorating economic trends and asset growth in Spain, where there were higher charges in the commercial portfolios as a consequence of the slowdown in the property and construction sectors. In addition, higher household indebtedness and rising unemployment has driven up delinquency and charge-offs in the personal sector.

Impairment charges in GRCB Emerging Markets increased £127m to £166m (2007: £39m), reflecting: weakening credit conditions which adversely impacted delinquency trends in the majority of the retail portfolios; asset growth, particularly in India; and increased wholesale impairment in Africa.

Impairment charges in GRCB Absa 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.

Barclays Capital impairment charges of £2,423m (2007: £846m) included a charge of £1,763m (2007: £782m) against ABS CDO Super Senior and other credit market positions. Further impairment charges of £241m were incurred in respect of available for sale assets and reverse repurchase agreements (2007: nil). Other impairment charges increased £355m to £419m (2007: £64m) and primarily related to charges in the private equity and other loans business.

The impairment charge in Barclays Wealth increased £37m to £44m (2007: £7m) from a very low base. This increase reflected both the substantial increase in the loan book over the last three years and the impact of the current economic environment on client liquidity and collateral values.

The impairment charge In Head office functions and other operations increased £8m to £11m (2007: £3m), mainly reflecting losses on Floating Rate Notes held for hedging purposes. An additional £19m (2007: nil) of impairment charges were incurred on available for sale assets.

Impairment charges and other credit provisions

	2008 £m	2007 £m	2006 £m
Impairment charges on loans and advances			
New and increased impairment allowances	**5,116**	2,871	2,722
Releases	**(358)**	(338)	(389)
Recoveries	**(174)**	(227)	(259)
Impairment charges on loans and advances	**4,584**	2,306	2,074
Charge/(release) in respect of provision for undrawn contractually committed facilities and guarantees provided	**329**	476	(6)
Impairment charges on loans and advances and other credit provisions	**4,913**	2,782	2,068
Impairment charges on reverse repurchase agreements	**124**		
Impairment on available for sale assets	**382**	13	86
Impairment charges and other credit provisions	**5,419**	2,795	2,154
Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures included above:			
Impairment charges on loans and advances	**1,218**	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	**1,517**	769	
Impairment charges on reverse repurchase agreements	**54**		
Impairment charges on available for sale assets	**192**	13	
Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures	**1,763**	782	

Income statement commentary

2007/06

Impairment charges in UK Retail Banking decreased by £76m to £559m (2006: £635m), reflecting lower charges in unsecured Consumer Lending and Local Business driven by improved collection processes, reduced flows into delinquency, lower arrears trends and stable charge-offs. In UK Home Finance, asset quality remained strong and mortgage charges remained negligible. Mortgage delinquencies as a percentage of outstandings remained stable and amounts charged off were low.

The impairment charge in Barclays Commercial Bank increased £39m to £292m (2006: £253m), primarily due to higher impairment charges in Larger Business, partially offset by a lower charge in Medium Business due to a tightening of the lending criteria.

Impairment charges in Barclaycard decreased £226m to £827m (2006: £1,053m), reflecting reduced flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. Changes were made to impairment methodologies to standardise the approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by the increase in impairment charges in Barclaycard International and secured consumer lending.

Impairment charges in GRCB Western Europe and GRCB Emerging Markets rose by £47m to £115m (2006: £68m), reflecting very strong balance sheet growth in 2006 and 2007 and the impact of lower releases in 2007. Arrears in some of GRCB Absa s retail portfolios deteriorated in 2007, driven by interest rate increases in 2006 and 2007 resulting in pressure on collections.

Barclays Capital impairment charges and other credit provisions of £846m included a charge of £782m against ABS CDO Super Senior and other credit market exposures and £58m net of fees relating to drawn leveraged finance positions.

Operating expenses

2008/07

Operating expenses increased 9% (£1,167m) to £14,366m (2007: £13,199m).

Administrative expenses grew 30% (£1,175m) to £5,153m (2007: £3,978m), 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. In addition, Barclays Global Investors selective support of liquidity products increased to £263m in the year (2007: £80m).

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, principally in UK Retail Banking, Barclays Commercial Bank and GRCB Western Europe.

Amortisation of intangible assets increased 56% (£105m) to £291m (2007: £186m), primarily related to intangible assets arising from the acquisition of Lehman Brothers North American businesses.

Goodwill impairment of £111m reflects the full write-down of £74m relating to EquiFirst, a US non-prime mortgage originator and a partial write-down of £37m relating to FirstPlus following its closure to new business in August 2008.

2007/06

Operating expenses grew 4% (£525m) to £13,199m (2006: £12,674m). The increase was driven by growth of 3% (£236m) in staff costs to £8,405m (2006: £8,169m) and lower gains on property disposals.

Administrative expenses remained flat at £3,978m (2006: £3,980m), reflecting good cost control across all businesses.

Operating lease rentals increased 20% (£69m) to £414m (2006: £345m), primarily due to increased property held under operating leases.

Operating expenses

	2008 £m	2007 £m	2006 £m
Staff costs	**7,779**	8,405	8,169
Administrative expenses	**5,153**	3,978	3,980
Depreciation	**630**	467	455
Impairment charges/(releases)			
property and equipment	**33**	2	14
intangible assets	**(3)**	14	7
goodwill	**111**		
Operating lease rentals	**520**	414	345
Gain on property disposals	**(148)**	(267)	(432)
Amortisation of intangible assets	**291**	186	136
Operating expenses	**14,366**	13,199	12,674

Operating expenses were reduced by gains from the sale of property of £267m (2006: £432m) as the Group continued the sale and leaseback of some of its freehold portfolio, principally in UK Retail Banking.

Amortisation of intangible assets increased 37% (£50m) to £186m (2006: £136m), primarily reflecting the amortisation of mortgage servicing rights relating to the acquisition of HomEq in November 2006.

Staff costs

2008/07

Staff costs decreased 7% (£626m) to £7,779m (2007: £8,405m). Salaries and accrued incentive payments fell overall by 10% (£720m) to £6,273m (2007: £6,993m), 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.

2007/06

Staff costs increased 3% (£236m) to £8,405m (2006: £8,169m). Salaries and accrued incentive payments rose 5% (£358m) to £6,993m (2006: £6,635m), reflecting increased permanent and fixed term staff worldwide. Defined benefit plans pension costs decreased 47% (£132m) to £150m (2006: £282m). This was mainly due to lower service costs.

Staff numbers

2008/07

Staff numbers are shown on a full-time equivalent basis. Total Group permanent and fixed-term contract staff comprised 60,700 (2007: 61,900) in the UK and 95,600 (2007: 73,000) internationally.

UK Retail Banking staff numbers decreased 300 to 30,400 (2007: 30,700). Barclays Commercial Bank staff numbers increased 600 to 9,800 (2007: 9,200), reflecting investment in product expertise, sales and risk capability and associated support areas. Barclaycard staff numbers increased 700 to 9,600 (2007: 8,900), 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 2,100 to 10,900 (2007: 8,800), reflecting expansion of the retail distribution network. GRCB Emerging Markets staff numbers increased 8,800 to 22,700 (2007: 13,900), driven by expansion into new markets and continued investment in distribution in existing countries. GRCB Absa staff numbers increased 1,000 to 36,800 (2007: 35,800), 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 Global Investors staff numbers increased 300 to 3,700 (2007: 3,400). Staff numbers increased primarily in the iShares business due to continued expansion in the global ETF franchise. 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.

2007/06

Total Group permanent and fixed term contract staff comprised 61,900 (2006: 62,400) in the UK and 73,000 (2006: 60,200) internationally.

Staff costs

	2008 £m	2007 £m	2006 £m
Salaries and accrued incentive payments	6,273	6,993	6,635
Social security costs	464	508	502
Pension costs			
defined contribution plans	237	141	128
defined benefit plans	89	150	282
Other post retirement benefits	1	10	30
Other	715	603	592
Staff costs	7,779	8,405	8,169

Staff numbers

	2008	2007	2006
UK Retail Banking	30,400	30,700	34,500
Barclays Commercial Bank	9,800	9,200	8,100
Barclaycard	9,600	8,900	9,100
GRCB Western Europe	10,900	8,800	6,600
GRCB Emerging Markets	22,700	13,900	7,600
GRCB Absa	36,800	35,800	33,000
Barclays Capital	23,100	16,200	13,200
Barclays Global Investors	3,700	3,400	2,700
Barclays Wealth	7,900	6,900	6,600
Head office functions and other operations	1,400	1,100	1,200
Total Group permanent and fixed-term contract staff worldwide	156,300	134,900	122,600

Financial review

Income statement commentary

UK Retail Banking headcount decreased 3,800 to 30,700 (2006: 34,500), due to efficiency initiatives in back-office operations and the transfer of operations personnel to Barclays Commercial Bank. Barclays Commercial Bank headcount increased 1,100 to 9,200 (2006: 8,100) due to the transfer of operations personnel from UK Retail Banking and additional investment in front line staff to drive improved geographical coverage. Barclaycard staff numbers decreased 200 to 8,900 (2006: 9,100), due to efficiency initiatives implemented across the UK operation and the sale of part of the Monument card portfolio, partially offset by an increase in the International cards businesses. GRCB Western Europe staff numbers increased 2,200 to 8,800 (2006: 6,600) and GRCB Emerging Markets staff numbers increased 6,300 to 13,900 (2006: 7,600) due to growth in the distribution network. GRCB Absa staff numbers increased 2,800 to 35,800 (2006: 33,000) reflecting growth in the business and distribution network.

Barclays Capital staff numbers increased 3,000 to 16,200 (2006: 13,200) including 800 from the acquisition of EquiFirst. This reflected further investment in the front office, systems development and control functions to support continued business expansion. The majority of organic growth was in Asia Pacific. Barclays Global Investors staff numbers increased 700 to 3,400 (2006: 2,700). Headcount increased in all geographical regions and across product groups and the support functions, reflecting continued investment to support further growth. Barclays Wealth staff numbers increased 300 to 6,900 (2006: 6,600) principally due to the acquisition of Walbrook and increased client- facing professionals.

Share of post-tax results of associates and joint ventures

2008/07

The overall share of post-tax results of associates and joint ventures decreased £28m to £14m (2007: £42m).The share of results from associates decreased £11m mainly due to reduced contribution from private equity associates. The share of results from joint ventures decreased £17m mainly due to reduced contribution from Barclays Capital joint ventures.

2007/06

The overall share of post-tax results of associates and joint ventures decreased £4m to £42m (2006: £46m). The share of results from associates decreased £20m mainly due to the sale of FirstCaribbean International Bank (2006: £41m) at the end of 2006, partially offset by an increased contribution from private equity associates. The share of results from joint ventures increased by £16m mainly due to the contribution from private equity entities.

Profit on disposal of subsidiaries, associates and joint ventures

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.

2007/06

The profit on disposal in 2007 related mainly to the disposal of the Group s shareholdings in Gabetti Property Solutions (£8m) and Intelenet Global Services (£13m).

Share of post-tax results of associates and joint ventures

	2008 £m	2007 £m	2006 £m
Profit from associates	22	33	53
(Loss)/profit from joint ventures	(8)	9	(7)
Share of post-tax results of associates and joint ventures	**14**	42	46

Profit on disposal of subsidiaries, associates and joint ventures

	2008 £m	2007 £m	2006 £m
Profit on disposal of subsidiaries, associates and joint ventures	327	28	323

Gains on acquisitions

2008/07

The gains on acquisitions in 2008 relate 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.

Tax

The overall tax charge is explained in the table below.

2008/07

The effective rate of tax for 2008, based on profit before tax, was 13% (2007: 28%). 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. Under IFRS the gain on acquisition of £2,262m is calculated net of deferred tax liabilities included in the acquisition balance sheet and is thus not subject to further tax in calculating the tax charge for the year. Furthermore, Barclays has tax losses previously unrecognised as a deferred tax asset but capable of sheltering part of this deferred tax liability. This gives rise to a tax benefit of £492m which, in accordance with IAS 12, is included as a credit within the tax charge for the year. The effective rate has been adversely impacted by the effect of the fall in the Barclays share price on the deferred tax asset recognised on share awards. In common with prior years there have been offsetting adjustments relating to different overseas tax rates, disallowable expenditure and non-taxable gains and income.

2007/06

The tax charge for the period was based on a UK corporation tax rate of 30% (2006: 30%). The effective rate of tax for 2007, based on profit before tax, was 28% (2006: 27%). The effective tax rate differed from 30% as it took account of the different tax rates applied to profits earned outside the UK, non-taxable gains and income and adjustments to prior year tax provisions. The forthcoming change in the UK rate of corporation tax from 30% to 28% on 1st April 2008 led to an additional tax charge in 2007 as a result of its effect on the Group s net deferred tax asset. The effective tax rate for 2007 was higher than the 2006 rate, principally because there was a higher level of profit on disposals of subsidiaries, associates and joint ventures offset by losses or exemptions in 2006.

Economic profit

Economic profit comprises:

- Profit after tax and minority interests; less
- Capital charge (average shareholders equity and goodwill excluding minority interests multiplied by the Group cost of capital).

The Group cost of capital has been applied at a uniform rate of 10.5%[a]. The costs of servicing preference shares are included in minority interests, so preference shares are excluded from average shareholders equity for economic profit purposes.

Gains on acquisitions

	2008 £m	2007 £m	2006 £m
Gains on acquisitions	**2,406**		

Tax

	2008 £m	2007 £m	2006 £m
Profit before tax	**6,077**	7,076	7,136
Tax charge at average UK corporation tax rate of 28.5% (2007: 30%, 2006: 30%)	**1,732**	2,123	2,141
Prior year adjustments	**(176)**	(37)	24
Differing overseas tax rates	**215**	(77)	(17)
Non-taxable gains and income (including amounts offset by unrecognised tax losses)	**(833)**	(136)	(393)
Share-based payments	**229**	72	27
Deferred tax assets not previously recognised	**(514)**	(158)	(4)
Change in tax rates	**(1)**	24	4
Other non-allowable expenses	**138**	170	159
Overall tax charge	**790**	1,981	1,941
Effective tax rate	**13%**	28%	27%

Reconciliation of economic profit

	2008 £m	2007 £m	2006 £m
Profit attributable to equity holders of the parent	**4,382**	4,417	4,571
Addback of amortisation charged on acquired intangible assets [b]	**254**	137	83
Profit for economic profit purposes	**4,636**	4,554	4,654
Average shareholders equity for economic profit purposes[c, d] (rounded to nearest £50m)	**27,400**	23,700	20,500
Post-tax cost of equity	**10.5%**	9.5%	9.5%
Capital charge [a]	**(2,876)**	(2,264)	(1,950)
Economic profit	**1,760**	2,290	2,704

Notes

a The Group s cost of capital changed from 1st January 2008 to 10.5% (2007: 9.5%).

b Amortisation charged for purchased intangibles, adjusted for tax and minority 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 in the balance sheet. Numbers are rounded to the nearest £50m for presentation purposes only.

Consolidated balance sheet

As at 31st December

	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m [a]
Assets					
Cash and other short-term funds	31,714	7,637	9,753	5,807	3,525
Treasury bills and other eligible bills	n/a	n/a	n/a	n/a	6,658
Trading portfolio and financial assets designated at fair value	306,836	341,171	292,464	251,820	n/a
Derivative financial instruments	984,802	248,088	138,353	136,823	n/a
Debt securities and equity securities	n/a	n/a	n/a	n/a	141,710
Loans and advances to banks	47,707	40,120	30,926	31,105	80,632
Loans and advances to customers	461,815	345,398	282,300	268,896	262,409
Available for sale financial investments	64,976	43,072	51,703	53,497	n/a
Reverse repurchase agreements and cash collateral on securities borrowed	130,354	183,075	174,090	160,398	n/a
Other assets	24,776	18,800	17,198	16,011	43,247
Total assets	2,052,980	1,227,361	996,787	924,357	538,181
Liabilities					
Deposits and items in the course of collection due to banks	116,545	92,338	81,783	77,468	112,229
Customer accounts	335,505	294,987	256,754	238,684	217,492
Trading portfolio and financial liabilities designated at fair value	136,366	139,891	125,861	104,949	n/a
Liabilities to customers under investment contracts	69,183	92,639	84,637	85,201	n/a
Derivative financial instruments	968,072	248,288	140,697	137,971	n/a
Debt securities in issue	149,567	120,228	111,137	103,328	83,842
Repurchase agreements and cash collateral on securities lent	182,285	169,429	136,956	121,178	n/a
Insurance contract liabilities, including unit-linked liabilities	2,152	3,903	3,878	3,767	8,377
Subordinated liabilities	29,842	18,150	13,786	12,463	12,277
Other liabilities	16,052	15,032	13,908	14,918	87,200
Total liabilities	2,005,569	1,194,885	969,397	899,927	521,417
Shareholders equity					
Shareholders equity excluding minority interests	36,618	23,291	19,799	17,426	15,870
Minority interests	10,793	9,185	7,591	7,004	894
Total shareholders equity	47,411	32,476	27,390	24,430	16,764
Total liabilities and shareholders equity	2,052,980	1,227,361	996,787	924,357	538,181
Risk weighted assets and capital ratios b					
Risk weighted assets	433,302	353,878	297,833	269,148	218,601
Tier 1 ratio	8.6%	7.6%	7.7%	7.0%	7.6%
Risk asset ratio	13.6%	11.2%	11.7%	11.3%	11.5%
Selected financial statistics					
Net asset value per ordinary share	437p	353p	303p	269p	246p
Year-end United States Dollar exchange rate used in preparing the accounts	1.46	2.00	1.96	1.72	1.92
Year-end Euro exchange rate used in preparing the accounts	1.04	1.36	1.49	1.46	1.41
Year-end Rand exchange rate used in preparing the accounts	13.74	13.64	13.71	10.87	10.86

The financial information above is extracted from the published accounts for the last three years. This information should be read together with, and is qualified by reference to, the accounts and Notes included in this report.

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Risk weighted assets and capital ratios for 2006, 2005 and 2004 are calculated on a Basel I basis. Risk weighted assets and capital ratios for 2008 and 2007 are calculated on a Basel II basis. Capital ratios for 2004 are based on UK GAAP and have not been restated as these remain as reported to the Financial Services Authority (FSA). As at 1st January 2005 the Tier 1 ratio was 7.1% and the risk asset ratio was 11.8% reflecting the impact of IFRS including the adoption of IAS 32, IAS 39 and IFRS 4.

Financial review

Balance sheet commentary

Balance sheet

Total assets increased £826bn to £2,053bn in 2008. Of this increase, £737bn was attributable to an increase in derivative assets and £124bn was attributable to increased loans and advances. All other assets declined by £35bn.

Shareholders equity

Shareholders equity, excluding minority interests increased, nearly 57% from £23bn at the end of 2007 to £37bn at the end of 2008. The main drivers for this were: equity issuances in July and September of £5.0bn; equity impact of issuing Mandatorily Convertible Notes and Warrants of £4.4bn; and after-tax profits of £5.3bn. Other reserves increased £1.6bn and we paid dividends of £2.3bn.

Capital management

At 31st December 2008, on a Basel II basis the equity Tier 1 ratio was 6.7% and the Tier 1 ratio was 9.7%, both stated on a pro forma basis to reflect conversion into ordinary shares of the Mandatorily Convertible Notes and inclusion of all innovative Tier 1 capital. Capital ratios reflect a 22% increase in risk weighted assets to £433bn during the year. This was driven by the combined impacts on risk weighted assets of the weakening of Sterling and the pro-cyclical effects of the International Basel Accord as well as lending growth in 2008. The capital ratios reflect this risk weighted asset growth and benefited from the significant increases in our capital over the course of 2008. The pro forma ratios significantly exceed the minimum levels established by the UK Financial Services Authority.

On 19th January 2009 the UK government announced, amongst other measures, an asset protection scheme under which banks may insure certain assets on their balance sheet. We are working with the Tripartite Authorities (Her Majesty s Treasury, Bank of England and the

UK Financial Services Authority) to determine the terms on which, and the extent to which, we would wish to participate in the scheme. The procuring of such insurance could have the effect of reducing risk weighted assets. The UK Financial Services Authority also announced on 19th January 2009 a programme of work to reduce significantly the requirement for additional capital raising from the pro-cyclical effects of the International Basel Accord.

We expect a single digit percentage rate of risk weighted asset growth in 2009.

We expect to maintain the equity Tier 1 ratio and Tier 1 ratio at levels which significantly exceed the minimum requirements of the UK Financial Services Authority for the duration of the current period of financial and economic stress.

Foreign Currency Translation

Assets and risk weighted assets were affected by the decline in value of Sterling relative to other currencies during 2008, particularly in the last two months of the year. Over the course of the year, Sterling depreciated by 37% relative to the US Dollar and 31% relative to the Euro. We estimate that currency movements contributed £60bn to risk weighted assets.

Our hedging strategy in respect of net investments in foreign currencies is designed to mitigate against the impact of such movements on our capital ratios. In this regard, equity and Tier 1 capital ratios are hedged to approximately 75%, 30% and 100% of the movements in US Dollar, Euro and South African Rand respectively against Sterling.

The currency translation reserve increased by £3.1bn year on year. This reflected foreign exchange movements in foreign currency net investments which are largely economically hedged through preference share capital (denominated in US Dollars and Euros) that is not revalued for accounting purposes.

Balance sheet commentary

Total assets and risk weighted assets[a]

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 (31st December 2007: £88.5bn) driven by growth in mortgage balances. Risk weighted assets decreased 3% to £30.5bn (31st December 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 (31st December 2007: £74.6bn) driven by higher loans and advances. Risk weighted assets increased 11% to £63.1bn (31st December 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 (31st December 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 (31st December 2007: £20.2bn), driven by acquisitions, the redemption of securitisation deals and exposure growth predominantly in the US.

GRCB Western Europe total assets grew 48% to £64.7bn (31st December 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 46% to £36.5bn (31st December 2007: £25.0bn), primarily reflecting underlying lending growth and the appreciation of the Euro.

GRCB Emerging Markets total assets grew 60% to £14.7bn (31st December 2007: £9.2bn) reflecting increases in retail and commercial lending combined with the impact of Sterling depreciation. Risk weighted assets increased 44% to £15.1bn (31st December 2007: £10.5bn), reflecting portfolio growth.

GRCB Absa total assets increased 11% to £40.4bn (31st December 2007: £36.4bn) reflecting broad based asset growth. Risk weighted assets increased 6% to £18.8bn (31st December 2007: £17.8bn), reflecting balance sheet growth.

Barclays Capital total assets increased 94% (£789.2bn) to £1,629.1bn (31st December 2007: £839.9bn) due to an increase in derivative assets of £736.7bn, predominantly driven by significant volatility and movements in yield curves during the year, 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 (31st December 2007: £178.2bn). This was driven by the depreciation in Sterling against the US Dollar and Euro, and an increase in market volatility.

Barclays Global Investors total assets decreased 20% to £71.3bn (31st December 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 (31st December 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 (31st December 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 (31st December 2007: £8.2bn) reflecting strong growth in lending.

Head office functions and other operations total assets decreased 46% to £3.1bn (31st December 2007: £5.7bn). Risk weighted assets decreased 64% to £0.4bn (31st December 2007: £1.1bn). The decrease in the year was mainly attributable to the increased netting of Group deferred tax assets and liabilities.

Total assets by business

	2008 £m	2007 £m	2006 £m
UK Retail Banking	**101,384**	88,477	81,693
Barclays Commercial Bank	**84,029**	74,566	66,224
Barclaycard	**30,925**	22,121	20,033
GRCB Western Europe	**64,732**	43,702	33,487
GRCB Emerging Markets	**14,653**	9,188	5,219
GRCB Absa	**40,391**	36,368	29,575
Barclays Capital	**1,629,117**	839,850	657,922
Barclays Global Investors	**71,340**	89,218	80,515
Barclays Wealth	**13,263**	18,188	15,023
Head office functions and other operations	**3,146**	5,683	7,096
Total assets	**2,052,980**	1,227,361	996,787

Risk weighted assets by business

	2008 b Basel II £m	2007 b Basel II £m	2007 Basel I £m	2006 Basel I £m
UK Retail Banking	**30,491**	31,463	46,059	43,020
Barclays Commercial Bank	**63,081**	57,040	54,325	50,302
Barclaycard	**27,316**	20,199	19,690	16,873
GRCB Western Europe	**36,480**	24,971	24,462	17,567
GRCB Emerging Markets	**15,080**	10,484	6,050	3,255
GRCB Absa	**18,846**	17,829	22,448	19,809
Barclays Capital	**227,448**	178,206	169,124	137,635
Barclays Global Investors	**3,910**	4,369	1,994	1,375
Barclays Wealth	**10,300**	8,216	7,692	6,077
Head office functions and other operations	**350**	1,101	1,632	1,920
Total risk weighted assets	**433,302**	353,878	353,476	297,833

Notes

a The 2008/07 commentary on risk weighted assets is on a Basel II basis. The 2007/06 commentary is on a Basel I basis.

b Under the Group s securitisation programme, certain portfolios subject to securitisation or similar risk transfer transaction are adjusted in calculating the Group s risk weighted assets. Previously, for pre-2008 transactions, regulatory capital adjustments were allocated to the business in proportion to their RWAs. From 1st January 2008, the regulatory capital adjustments for all transactions are allocated to the business undertaking the securitisation unless the transaction has been undertaken for the benefit of a cluster of businesses, in which case the regulatory capital adjustments are shared.

2007/06

Total assets increased 23% to £1,227.4bn (2006: £996.8bn). Risk weighted assets increased 19% to £353.5bn (2006: £297.8bn). Loans and advances to customers that have been securitised increased £4.3bn to £28.7bn (2006: £24.4bn).

UK Retail Banking total assets increased 8% to £88.5bn (2006: £81.7bn). This was mainly attributable to growth in mortgage balances. Risk weighted assets increased by 7% to £46.1bn (2006: £43.0bn) with growth in mortgages partially offset by an increase in securitised balances and other reductions.

Barclays Commercial Bank total assets grew 13% to £74.6bn (2006: £66.2bn) driven by good growth across lending products. Risk weighted assets increased 8% to £54.3bn (2006: £50.3bn), reflecting asset growth partially offset by increased regulatory netting and an increase in securitised balances.

Barclaycard total assets increased 11% to £22.1bn (2006: £20.0bn). Risk weighted assets increased 17% to £19.7bn (2006: £16.9bn), primarily reflecting the increase in total assets, redemption of securitisation transactions, partially offset by changes to the treatment of regulatory associates and the sale of part of the Monument card portfolio.

GRCB Western Europe total assets grew 31% to £43.7bn (2006: £33.5bn). This growth was mainly driven by increases in retail mortgages and unsecured lending. Risk weighted assets increased 39% to £24.5bn (2006: £17.6bn), reflecting asset growth.

GRCB Emerging Markets total assets grew by 76% to £9.2bn (2006: £5.2bn). This growth was driven by increases in unsecured lending. Risk weighted assets increased 86% to £6.1bn (2006: £3.3bn), reflecting asset growth.

GRCB Absa total assets increased 23% to £36.4bn (2006: £29.6bn), primarily driven by increases in mortgages, credit cards and commercial property finance. Risk weighted assets increased 13% to £22.4bn (2006: £19.8bn), reflecting balance sheet growth.

Barclays Capital total assets rose 28% to £839.9bn (2006: £657.9bn). Derivative assets increased £109.7bn primarily due to movements across a range of market indices. This was accompanied by a corresponding increase in derivative liabilities. The increase in non-derivative assets reflects an expansion of the business across a number of asset classes, combined with an increase in drawn leveraged loan positions and mortgage-related assets. Risk weighted assets increased 23% to £169.1bn (2006: £137.6bn) reflecting growth in fixed income, equities and credit derivatives.

Barclays Global Investors total assets increased 11% to £89.2bn (2006: £80.5bn), mainly attributable to growth in certain asset management products recognised as investment contracts. The majority of total assets relates to asset management products with equal and offsetting balances reflected within liabilities to customers. Risk weighted assets increased 45% to £2.0bn (2006: £1.4bn) mainly attributable to overall growth in the balance sheet and the mix of securities lending activity.

Barclays Wealth total assets increased 21% to £18.2bn (2006: £15.0bn) reflecting strong growth in lending to high net worth, affluent and intermediary clients. Risk weighted assets increased 27% to £7.7bn (2006: £6.1bn) reflecting the increase in lending.

Head office functions and other operations total assets decreased 20% to £5.7bn (2006: £7.1bn). Risk weighted assets decreased 15% to £1.6bn (2006: £1.9bn).

Adjusted gross leverage

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

Volatility in reference rates and yield curves used for pricing have led to significantly higher values for derivative assets and liabilities. 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 £917bn (2007: £215bn) 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 (2007: £93bn). 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). On this basis we define adjusted gross leverage, being the multiple of adjusted total tangible assets over total qualifying Tier 1 capital. At 31st December 2008 adjusted gross leverage was 28x (2007: 33x).

On a pro forma basis, reflecting the conversion of Mandatorily Convertible Notes and inclusion of all innovative instruments in Tier 1 capital, our adjusted gross leverage would be 24x. We expect adjusted gross leverage to improve further over time.

Adjusted gross leverage

	2008	2007
	£m	£m
Total assets	2,052,980	1,227,361
Counterparty net/ collateralised derivatives	(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	(69,183)	(92,639)
Net settlement balances	(29,786)	(22,459)
Goodwill and intangible assets	(10,402)	(8,296)
Adjusted total tangible assets	1,026,535	888,482
Total qualifying Tier 1 capital	37,250	26,743
Adjusted gross leverage	28	33

Balance sheet commentary

Total shareholders equity

2008/07

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

Called up share capital comprises 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 will convert into ordinary shares by June 2009.

Movements in other reserves, except the capital redemption reserve, reflect the relevant amounts recorded in the consolidated statement of recognised income and expense on page 206.

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

The Group s authority to buy-back equity shares was renewed at the 2008 AGM.

2007/06

Total shareholders equity increased £5,086m to £32,476m (2006: £27,390m).

Called up share capital comprises 6,600 million (2006: 6,535 million) ordinary shares of 25p each and 1 million (2006: 1 million) staff shares of £1 each. Called up share capital increased by £17m representing the nominal value of shares issued to Temasek Holdings, China Development Bank (CDB) and employees under share option plans largely offset by a reduction in nominal value arising from share buy-backs. Share premium

reduced by £5,762m; the reclassification of £7,223m to retained earnings resulting from the High Court approved cancellation of share premium was partly offset by additional premium arising on the issuance to CDB and on employee options. The capital redemption reserve increased by £75m representing the nominal value of the share buy-backs.

Retained earnings increased by £8,801m. Increases primarily arose from profit attributable to equity holders of the parent of £4,417m, the reclassification of share premium of £7,223m and the proceeds of the Temasek issuance in excess of nominal value of £941m. Reductions primarily arose from external dividends paid of £2,079m and the total cost of share repurchases of £1,802m.

Movements in other reserves, except the capital redemption reserve, reflect the relevant amounts recorded in the consolidated statement of recognised income and expense on page 206.

Minority interests increased £1,594m to £9,185m (2006: £7,591m). The increase was primarily driven by preference share issuances of £1,322m and an increase in the minority interest in Absa of £225m.

The Group s authority to buy-back equity shares was renewed at the 2007 AGM.

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 minority 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 minority interests in Barclays PLC Group. The Mandatorily Convertible Notes issued pursuant to the equity issuances by Barclays PLC represent financial liabilities in the financial statements of Barclays Bank PLC and have not been included in shareholders equity.

Total shareholders equity

	2008 £m	2007 £m	2006 £m
Barclays PLC Group			
Called up share capital	**2,093**	1,651	1,634
Share premium account	**4,045**	56	5,818
Other equity	**3,652**		
Available for sale reserve	**(1,190)**		132
Cash flow hedging reserve	**132**	26	(230)
Capital redemption reserve	**394**	384	309
Other capital reserve	**617**	617	617
Currency translation reserve	**2,840**	(307)	(438)
Other reserves	**2,793**	874	390
Retained earnings	**24,208**	20,970	12,169
Less: Treasury shares	**(173)**	(260)	(212)
Shareholders equity excluding minority interests	**36,618**	23,291	19,799
Minority interests	**10,793**	9,185	7,591
Total shareholders equity	**47,411**	32,476	27,390

Total shareholders equity

	2008 £m	2007 £m	2006 £m
Barclays Bank PLC Group			
Called up share capital	**2,398**	2,382	2,363
Share premium account	**12,060**	10,751	9,452
Available for sale reserve	**(1,249)**	111	184
Cash flow hedging reserve	**132**	26	(230)
Currency translation reserve	**2,840**	(307)	(438)
Other reserves	**1,723**	(170)	(484)
Other shareholders equity	**2,564**	2,687	2,534
Retained earnings	**22,457**	14,222	11,556
Shareholders equity excluding minority interests	**41,202**	29,872	25,421
Minority interests	**2,372**	1,949	1,685
Total shareholders equity	**43,574**	31,821	27,106

Financial review

Capital management

Capital resources

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).

The Mandatorily Convertible Notes (MCNs) issued during the year (£4.1bn) will qualify as equity capital from the date of their conversion, on or before 30th June 2009.

All capital issuance referred to above is stated gross of issue costs.

Basel I transitional floor

Barclays commenced calculating capital requirements under the Basel II capital framework from 1st January 2008. The Group manages its businesses and reports capital requirements on a Basel II basis. During the transition period for the adoption of Basel II, banks capital requirements may not fall below a transitional floor. In 2008 this floor was 90% of adjusted Basel I capital requirements. As at 31st December 2008, the Group had additional capital requirements under the transitional floor rules of £1.5bn. The Group s total capital resources of £58.7bn exceeded its capital requirements taking into account the transitional floor by £22.5bn. On 1st January 2009, the transitional floor reduced to 80% of adjusted Basel I capital requirements and there were no additional capital requirements resulting from its application.

Capital ratios

	Basel II 2008		Basel II 2007		Basel I 2007		Basel I 2006	
	Barclays PLC Group	**Barclays Bank PLC Group**	Barclays PLC Group	Barclays Bank PLC Group	Barclays PLC Group	Barclays Bank PLC Group	Barclays PLC Group	Barclays Bank PLC Group
Capital ratios	**%**	**%**	%	%	%	%	%	%
Tier 1 ratio	**8.6**	**8.6**	7.6	7.3	7.8	7.5	7.7	7.5
Risk asset ratio	**13.6**	**13.5**	11.2	11.0	12.1	11.8	11.7	11.5
Risk weighted assets	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Credit risk	**266,912**	**266,912**	244,474	244,469	265,264	265,259	233,630	233,630
Counterparty risk	**70,902**	**70,902**	41,203	41,203	51,947	51,947	33,912	33,912
Market risk	**65,372**	**65,372**	39,812	39,812	36,265	36,265	30,291	30,291
Operational risk	**30,116**	**30,116**	28,389	28,389	n/a	n/a	n/a	n/a
Total risk weighted assets	**433,302**	**433,302**	353,878	353,873	353,476	353,471	297,833	297,833

Total net capital resources

Capital resources (as defined for regulatory purposes)

	£m	£m	£m	£m	£m	£m	£m	£m
Tier 1								
Called up share capital	2,093	2,338	1,651	2,382	1,651	2,382	1,634	2,363
Eligible reserves	31,156	36,639	22,939	26,028	22,526	25,615	19,608	21,700
Minority interests	13,915	8,038	10,551	5,857	10,551	5,857	7,899	4,528
Tier One Notes	1,086	1,086	899	899	899	899	909	909
Less: Intangible assets	(9,964)	(9,964)	(8,191)	(8,191)	(8,191)	(8,191)	(7,045)	(7,045)
Less: Deductions from Tier 1 capital	(1,036)	(1,036)	(1,106)	(1,106)	(28)	(28)		
Total qualifying Tier 1 capital	37,250	37,101	26,743	25,869	27,408	26,534	23,005	22,455
Tier 2								
Revaluation reserves	26	26	26	26	26	26	25	25
Available for sale equity	122	122	295	295	295	295	221	221
Collectively assessed impairment allowances	1,654	1,654	440	440	2,619	2,619	2,556	2,556
Minority interests	607	607	442	442	442	442	451	451
Qualifying subordinated liabilities								
Undated loan capital	6,745	6,768	3,191	3,191	3,191	3,191	3,180	3,180
Dated loan capital	14,215	14,215	10,578	10,578	10,578	10,578	7,603	7,603
Less: Deductions from Tier 2 capital	(1,036)	(1,036)	(1,106)	(1,106)	(28)	(28)		
Total qualifying Tier 2 capital	22,333	22,356	13,866	13,866	17,123	17,123	14,036	14,036
Less: Regulatory deductions								
Investments not consolidated for supervisory purposes	(403)	(403)	(633)	(633)	(633)	(633)	(982)	(982)
Other deductions	(453)	(561)	(193)	(193)	(1,256)	(1,256)	(1,348)	(1,348)
Total deductions	(856)	(964)	(826)	(826)	(1,889)	(1,889)	(2,330)	(2,330)
Total net capital resources	58,727	58,493	39,783	38,909	42,642	41,768	34,711	34,161

Financial review

Additional financial disclosure

Deposits and short-term borrowings

Deposits

Deposits include deposits from banks and customers accounts.

	Average: year ended 31st December		
	2008	2007	2006
	£m	£m	£m
Deposits from banks			
Customers in the United Kingdom	**14,003**	15,321	12,832
Customers outside the United Kingdom:			
Other European Union	**38,210**	33,162	30,116
United States	**15,925**	6,656	7,352
Africa	**3,110**	4,452	4,140
Rest of the World	**36,599**	36,626	35,013
Total deposits from banks	**107,847**	96,217	89,453
Customer accounts			
Customers in the United Kingdom	**206,020**	187,249	173,767
Customers outside the United Kingdom:			
Other European Union	**30,909**	23,696	22,448
United States	**31,719**	21,908	17,661
Africa	**35,692**	29,855	23,560
Rest of the World	**27,653**	23,032	19,992
Customer accounts	**331,993**	285,740	257,428

Deposits from banks in offices in the United Kingdom received from non- residents amounted to £63,284m (2007: £45,162m).

	Year ended 31st December		
	2008	2007	2006
	£m	£m	£m
Customer accounts	**335,505**	294,987	256,754
In offices in the United Kingdom:			
Current and Demand accounts interest free	**41,351**	33,400	25,650
Current and Demand accounts interest bearing	**20,898**	32,047	31,769
Savings accounts	**68,335**	70,682	62,745
Other time deposits retail	**33,785**	36,123	36,110
Other time deposits wholesale	**74,417**	65,726	53,733
Total repayable in offices in the United Kingdom	**238,786**	237,978	210,007
In offices outside the United Kingdom:			
Current and Demand accounts interest free	**4,803**	2,990	2,169
Current and Demand accounts interest bearing	**15,463**	11,570	17,626
Savings accounts	**7,673**	3,917	3,041

Other time deposits	**68,780**	38,532	23,911
Total repayable in offices outside the United Kingdom	**96,719**	57,009	46,747

Customer accounts deposits in offices in the United Kingdom received from non-residents amounted to £61,714m (2007: £49,179m).

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.

	2008	2007	2006
	£m	£m	£m
Year-end balance	**114,910**	90,546	79,562
Average balance	**107,847**	96,217	89,453
Maximum balance	**139,836**	109,586	97,165
Average interest rate during year	**3.6%**	4.1%	4.2%
Year-end interest rate	**2.3%**	4.0%	4.3%

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.

	2008	2007	2006
	£m	£m	£m
Year-end balance	**27,692**	23,451	26,546
Average balance	**24,668**	26,229	29,740
Maximum balance	**27,792**	30,736	31,859
Average interest rate during year	**4.4%**	5.4%	4.4%
Year-end interest rate	**4.2%**	5.2%	5.0%

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.

	2008	2007	2006
	£m	£m	£m
Year-end balance	**61,332**	58,401	52,800
Average balance	**55,122**	55,394	49,327
Maximum balance	**67,715**	62,436	60,914
Average interest rate during year	**4.4%**	5.1%	5.3%
Year-end interest rate	**4.1%**	5.0%	5.1%

Financial review

Additional financial disclosure

Commitments and contractual obligations

Commercial commitments include guarantees, contingent liabilities and standby facilities.

Commercial commitments

	2008				
	Amount of commitment expiration per period				
	Less than one year	Between one to three years	Between three to five years	After five years	Total amounts committed
	£m	£m	£m	£m	£m
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	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

	2007				
	Amount of commitment expiration per period				
	Less than one year	Between one to three years	Between three to five years	After five years	Total amounts committed
	£m	£m	£m	£m	£m
Acceptances and endorsements	365				365
Guarantees and letters of credit pledged as collateral security	6,417	2,711	1,971	1,874	12,973
Securities lending arrangements	22,719				22,719
Other contingent liabilities	6,594	1,556	416	1,151	9,717
Documentary credits and other short-term trade related transactions	401	121			522
Forward asset purchases and forward deposits placed	283				283
Standby facilities, credit lines and other	136,457	17,039	28,127	10,211	191,834

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

Contractual obligations

	2008				
	Payments due by period				
	Less than one year	Between one to three years	Between three to five years	After five years	Total
	£m	£m	£m	£m	£m
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

	2007				
	Payments due by period				
	Less than one year	Between one to three years	Between three to five years	After five years	Total
	£m	£m	£m	£m	£m
Long-term debt	90,201	13,558	8,630	19,358	131,747
Operating lease obligations	197	755	610	2,225	3,787
Purchase obligations	141	186	27	6	360
Total	90,539	14,499	9,267	21,589	135,894

The long-term debt does not include undated loan capital of £13,673m (2007: £6,631m).

Further information on the contractual maturity of the Group s assets and liabilities is given in Note 49.

Additional financial disclosure

Securities

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

	2008		2007		2006	
	Book value	Amortised cost	Book value	Amortised cost	Book value	Amortised cost
	£m	£m	£m	£m	£m	£m
Investment securities available for sale						
Debt securities:						
United Kingdom government	1,238	1,240	78	81	758	761
Other government	11,456	11,338	7,383	7,434	12,587	12,735
Other public bodies	2,373	2,379	634	632	280	277
Mortgage and asset backed securities	3,510	4,126	1,367	1,429	1,706	1,706
Bank and building society certificates of deposit	10,478	10,535	3,028	3,029	6,686	6,693
Corporate and other issuers	29,776	30,363	26,183	26,219	25,895	25,857
Equity securities	2,142	1,814	1,676	1,418	1,371	1,047
Investment securities available for sale	60,973	61,795	40,349	40,242	49,283	49,076
Other securities held for trading						
Debt securities:						
United Kingdom government	6,955	n/a	3,832	n/a	4,986	n/a
Other government	50,727	n/a	51,104	n/a	46,845	n/a
Mortgage and asset backed securities	30,748	n/a	37,038	n/a	29,606	n/a
Bank and building society certificates of deposit	7,518	n/a	17,751	n/a	14,159	n/a
Corporate and other issuers	52,738	n/a	43,053	n/a	44,980	n/a
Equity securities	30,535	n/a	36,307	n/a	31,548	n/a
Other securities held for trading	179,221	n/a	189,085	n/a	172,124	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, at 31st December 2008, 2007 and 2006, the Group held the following government securities which exceeded 10% of shareholders equity.

Government securities

	2008	2007	2006
	Book value	Book value	Book value
	£m	£m	£m
United States	17,165	15,156	18,343
Japan	9,092	9,124	15,505
Germany	5,832	5,136	4,741
France	4,091	3,538	4,336

Italy	**6,091**	5,090	3,419
Spain	**3,647**	3,674	2,859

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	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	£m	%	£m	%	£m	%	£m	%	£m	%
Government	3,096	6.0	5,410	5.1	1,694	1.1	2,493	0.9	12,693	4.0
Other public bodies	832	1.9	1,526	0.9	1		14	4.7	2,373	1.3
Other issuers	21,749	4.3	9,692	3.8	7,702	4.4	4,622	5.7	43,765	4.3
Total book value	25,677	4.4	16,628	3.9	9,397	3.8	7,129	4.0	58,831	4.1

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2008 by the fair value of securities held at that date.

Financial review

Additional financial disclosure

Average balance sheet

Average balance sheet and net interest income (year ended 31st December)

	2008			2007			2006		
	Average balance a	Interest	Average rate	Average balance a	Interest	Average rate	Average balance a	Interest	Average rate
	£m	£m	%	£m	£m	%	£m	£m	%
Assets									
Loans and advances to banks b :									
in offices in the United Kingdom	38,913	1,453	3.7	29,431	1,074	3.6	18,401	647	3.5
in offices outside the United Kingdom	14,379	419	2.9	12,262	779	6.4	12,278	488	4.0
Loans and advances to customers b :									
in offices in the United Kingdom	249,081	13,714	5.5	205,707	13,027	6.3	184,392	11,247	6.1
in offices outside the United Kingdom	116,284	9,208	7.9	88,212	6,733	7.6	77,615	4,931	6.4
Lease receivables:									
in offices in the United Kingdom	4,827	281	5.8	4,822	283	5.9	5,266	300	5.7
in offices outside the United Kingdom	6,543	752	11.5	5,861	691	11.8	6,162	595	9.7
Financial investments:									
in offices in the United Kingdom	35,844	1,654	4.6	37,803	2,039	5.4	41,125	1,936	4.7
in offices outside the United Kingdom	10,450	697	6.7	14,750	452	3.1	14,191	830	5.8
Reverse repurchase agreements and cash collateral on securities borrowed:									
in offices in the United Kingdom	207,521	8,768	4.2	211,709	9,644	4.6	166,713	6,136	3.7
in offices outside the United Kingdom	128,250	4,450	3.5	109,012	5,454	5.0	100,416	5,040	5.0
Trading portfolio assets:									
in offices in the United Kingdom	107,626	4,948	4.6	120,691	5,926	4.9	106,148	4,166	3.9
in offices outside the United Kingdom	128,287	5,577	4.3	57,535	3,489	6.1	61,370	2,608	4.2
Total average interest earning assets	1,048,005	51,921	5.0	897,795	49,591	5.5	794,077	38,924	4.9
Impairment allowances/provisions	(5,749)			(4,435)			(3,565)		
Non-interest earning assets	711,856			422,834			310,949		
Total average assets and interest income	1,754,112	51,921	3.0	1,316,194	49,591	3.8	1,101,461	38,924	3.5
Percentage of total average interest earning assets in offices outside the United Kingdom	38.6%			32.0%			34.3%		
Total average interest earning assets related to:									
Interest income		51,921	5.0		49,591	5.5		38,924	4.9
Interest expense		(38,181)	3.6		(37,892)	4.2		(30,385)	3.8
		13,740	1.4		11,699	1.3		8,539	1.1

Notes

a Average balances are based upon daily averages for most UK banking operations and monthly averages elsewhere.

b Loans and advances to customers and banks 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.

Financial review

Additional financial disclosure

Average balance sheet

Average balance sheet and net interest income (year ended 31st December)

	2008			2007			2006		
	Average balance [a] £m	**Interest £m**	**Average rate %**	Average balance [a] £m	Interest £m	Average rate %	Average balance [a] £m	Interest £m	Average rate %
Liabilities and shareholders equity									
Deposits by banks:									
in offices in the United Kingdom	**70,272**	**2,780**	**4.0**	63,902	2,511	3.9	62,236	2, 464	4.0
in offices outside the United Kingdom	**32,172**	**956**	**3.0**	27,596	1,225	4.4	23,438	1,137	4.9
Customer accounts:									
demand deposits:									
in offices in the United Kingdom	**24,333**	**910**	**3.7**	29,110	858	2.9	25,397	680	2.7
in offices outside the United Kingdom	**14,902**	**572**	**3.8**	13,799	404	2.9	10,351	254	2.5
Customer accounts:									
savings deposits:									
in offices in the United Kingdom	**71,062**	**2,143**	**3.0**	55,064	2,048	3.7	57,734	1,691	2.9
in offices outside the United Kingdom	**7,033**	**413**	**5.9**	4,848	128	2.6	3,124	74	2.4
Customer accounts:									
other time deposits retail:									
in offices in the United Kingdom	**32,283**	**1,523**	**4.7**	30,578	1,601	5.2	34,865	1,548	4.4
in offices outside the United Kingdom	**20,055**	**1,350**	**6.7**	12,425	724	5.8	8,946	482	5.4
Customer accounts:									
other time deposits wholesale:									
in offices in the United Kingdom	**60,574**	**2,362**	**3.9**	52,147	2,482	4.8	45,930	1,794	3.9
in offices outside the United Kingdom	**31,300**	**2,094**	**6.7**	24,298	1,661	6.8	23,442	1,191	5.1
Debt securities in issue:									
in offices in the United Kingdom	**41,014**	**1,920**	**4.7**	41,552	2,053	4.9	47,216	1,850	3.9
in offices outside the United Kingdom	**80,768**	**3,734**	**4.6**	94,271	5,055	5.4	74,125	3,686	5.0
Dated and undated loan capital and other subordinated liabilities principally:									
in offices in the United Kingdom	**22,912**	**1,435**	**6.3**	12,972	763	5.9	13,686	777	5.7
Repurchase agreements and cash collateral on securities lent:									
in offices in the United Kingdom	**203,967**	**8,445**	**4.1**	169,272	7,616	4.5	141,862	5,080	3.6
in offices outside the United Kingdom	**177,883**	**2,800**	**1.6**	118,050	5,051	4.3	86,693	4,311	5.0
Trading portfolio liabilities:									
in offices in the United Kingdom	**56,675**	**2,657**	**4.7**	47,971	2,277	4.7	49,892	2,014	4.0
in offices outside the United Kingdom	**62,239**	**2,087**	**3.4**	29,838	1,435	4.8	39,064	1,352	3.5
Total average interest bearing liabilities	**1,009,444**	**38,181**	**3.8**	827,693	37,892	4.6	748,001	30,385	4.1
Interest free customer deposits:									
in offices in the United Kingdom	**40,439**			34,109			27,549		
in offices outside the United Kingdom	**3,089**			3,092			2,228		
Other non-interest bearing liabilities	**664,458**			421,473			297,816		
Minority and other interests and shareholders equity	**36,682**			29,827			25,867		
Total average liabilities, shareholders equity and interest expense	**1,754,112**	**38,181**	**2.2**	1,316,194	37,892	2.9	1,101,461	30,385	2.8
Percentage of total average interest bearing non-capital liabilities in offices outside the United Kingdom	**42.2%**			39.4%			36.1%		

Note

a Average balances are based upon daily averages for most UK banking operations and monthly averages elsewhere.

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.

	2008/2007 Change due to increase/ (decrease) in:			2007/2006 Change due to increase/ (decrease) in:			2006/2005 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	**379**	**354**	**25**	427	402	25	193	121	72
in offices outside the UK	**(360)**	**117**	**(477)**	291	(1)	292	85	46	39
	19	**471**	**(452)**	718	401	317	278	167	111
Loans and advances to customers:									
in offices in the UK	**687**	**2,525**	**(1,838)**	1,780	1,337	443	1,018	726	292
in offices outside the UK	**2,475**	**2,214**	**261**	1,802	728	1,074	1,956	1,695	261
	3,162	**4,739**	**(1,577)**	3,582	2,065	1,517	2,974	2,421	553
Lease receivables:									
in offices in the UK	**(2)**		**(2)**	(17)	(26)	9	(48)	(70)	22
in offices outside the UK	**61**	**79**	**(18)**	96	(30)	126	478	413	65
	59	**79**	**(20)**	79	(56)	135	430	343	87
Financial investments:									
in offices in the UK	**(385)**	**(102)**	**(283)**	103	(165)	268	181	(85)	266
in offices outside the UK	**245**	**(163)**	**408**	(378)	32	(410)	363	202	161
	(140)	**(265)**	**125**	(275)	(133)	(142)	544	117	427
Reverse repurchase agreements and cash collateral on securities borrowed:									
in offices in the UK	**(876)**	**(188)**	**(688)**	3,508	1,865	1,643	1,519	324	1,195
in offices outside the UK	**(1,004)**	**855**	**(1,859)**	414	430	(16)	2,316	254	2,062
	(1,880)	**667**	**(2,547)**	3,922	2,295	1,627	3,835	578	3,257
Trading portfolio assets:									
in offices in the UK	**(978)**	**(616)**	**(362)**	1,760	621	1,139	1,456	907	549
in offices outside the UK	**2,088**	**3,303**	**(1,215)**	881	(172)	1,053	492	151	341
	1,110	**2,687**	**(1,577)**	2,641	449	2,192	1,948	1,058	890
Total interest receivable:									
in offices in the UK	**(1,175)**	**1,973**	**(3,148)**	7,561	4,034	3,527	4,319	1,923	2,396
in offices outside the UK	**3,505**	**6,405**	**(2,900)**	3,106	987	2,119	5,690	2,761	2,929
	2,330	**8,378**	**(6,048)**	10,667	5,021	5,646	10,009	4,684	5,325

Financial review

Additional financial disclosure

Average balance sheet

Changes in net interest income volume and rate analysis

	2008/2007 Change due to increase/ (decrease) in:			2007/2006 Change due to increase/ (decrease) in:			2006/2005 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 payable									
Deposits by banks:									
in offices in the UK	**269**	**252**	**17**	47	66	(19)	799	247	552
in offices outside the UK	**(269)**	**181**	**(450)**	88	190	(102)	432	52	380
		433	**(433)**	135	256	(121)	1,231	299	932
Customer accounts demand deposits:									
in offices in the UK	**52**	**(155)**	**207**	178	105	73	170	68	102
in offices outside the UK	**168**	**34**	**134**	150	95	55	166	80	86
	220	**(121)**	**341**	328	200	128	336	148	188
Customer accounts savings deposits:									
in offices in the UK	**95**	**527**	**(432)**	357	(81)	438	121	152	(31)
in offices outside the UK	**285**	**77**	**208**	54	45	9	35	28	7
	380	**604**	**(224)**	411	(36)	447	156	180	(24)
Customer accounts other time deposits retail:									
in offices in the UK	**(78)**	**86**	**(164)**	53	(204)	257	78	41	37
in offices outside the UK	**626**	**500**	**126**	242	200	42	222	125	97
	548	**586**	**(38)**	295	(4)	299	300	166	134
Customer accounts other time deposits wholesale:									
in offices in the UK	**(120)**	**367**	**(487)**	688	263	425	603	129	474
in offices outside the UK	**433**	**469**	**(36)**	470	45	425	601	550	51
	313	**836**	**(523)**	1,158	308	850	1,204	679	525
Debt securities in issue:									
in offices in the UK	**(133)**	**(26)**	**(107)**	203	(240)	443	219	22	197
in offices outside the UK	**(1,321)**	**(673)**	**(648)**	1,369	1,063	306	1,991	850	1,141
	(1,454)	**(699)**	**(755)**	1,572	823	749	2,210	872	1,338
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**672**	**620**	**52**	(14)	(41)	27	172	135	37
Repurchase agreements and cash collateral on securities lent:									
in offices in the UK	**829**	**1,471**	**(642)**	2,536	1,090	1,446	1,446	329	1,117
in offices outside the UK	**(2,251)**	**1,840**	**(4,091)**	740	1,402	(662)	1,932	200	1,732
	(1,422)	**3,311**	**(4,733)**	3,276	2,492	784	3,378	529	2,849
Trading portfolio liabilities:									
in offices in the UK	**380**	**408**	**(28)**	263	(80)	343	277	222	55
in offices outside the UK	**652**	**1,189**	**(537)**	83	(366)	449	156	85	71
	1,032	**1,597**	**(565)**	346	(446)	792	433	307	126
Total interest payable:									
in offices in the UK	**1,966**	**3,550**	**(1,584)**	4,311	878	3,433	3,885	1,345	2,540
in offices outside the UK	**(1,677)**	**3,617**	**(5,294)**	3,196	2,674	522	5,535	1,970	3,565
	289	**7,167**	**(6,878)**	7,507	3,552	3,955	9,420	3,315	6,105

Movement in net interest income

Increase/(decrease) in interest receivable	**2,330**	**8,378**	**(6,048)**	10,667	5,021	5,646	10,009	4,684	5,325
(Increase)/decrease in interest payable	**(289)**	**(7,167)**	**6,878**	(7,507)	(3,552)	(3,955)	(9,420)	(3,315)	(6,105)
	2,041	**1,211**	**830**	3,160	1,469	1,691	589	1,369	(780)

Additional financial disclosure

Off-balance sheet arrangements

In the ordinary course of business and primarily to facilitate client transactions, the Group enters into transactions which may involve the use of off-balance sheet arrangements and special purpose entities (SPEs). These arrangements include the provision of guarantees, loan commitments, retained interests in assets which have been transferred to an unconsolidated SPE or obligations arising from the Group s involvements with such SPEs.

Guarantees

The Group issues guarantees on behalf of its customers. In the majority of cases, the Group will hold collateral against the exposure, have a right of recourse to the customer or both. In addition, the Group issues guarantees on its own behalf. The main types of guarantees provided are: financial guarantees given to banks and financial institutions on behalf of customers to secure loans; overdrafts; and other banking facilities, including stock borrowing indemnities and standby letters of credit. Other guarantees provided include performance guarantees, advance payment guarantees, tender guarantees, guarantees to Her Majesty s Revenue and Customs and retention guarantees. The nominal principal amount of contingent liabilities with off-balance sheet risk is set out in Note 34 and in the table on page 33.

Loan commitments

The Group enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period or are cancellable by the Group subject to notice conditions. Information on loan commitments and similar facilities is set out in Note 34 and in the table on page 33.

Special purpose entities

Transactions entered into by the Group may involve the use of SPEs.

SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their on-going activities.

Transactions with SPEs take a number of forms, including:

- The provision of financing to fund asset purchases, or commitments to provide finance for future purchases.
- Derivative transactions to provide investors in the SPE with a specified exposure.
- The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties.
- Direct investment in the notes issued by SPEs.

Depending on the nature of the Group s resulting exposure, it may consolidate the SPE on to the Group s balance sheet. The consolidation of SPEs is considered at inception, based on the arrangements in place and the assessed risk exposures at that time. In accordance with IFRS, SPEs are consolidated when the substance of the relationship between the Group and the entity indicates control. Potential indicators of control include, amongst others, an assessment of the Group s exposure to the risks and benefits of the SPE. The initial consolidation analysis is revisited at a later date if:

(i) the Group acquires additional interests in the entity;

(ii) the contractual arrangements of the entity are amended such that the relative exposures to risks and rewards change; or if

(iii) the Group acquires control over the main operating and financial decisions of the entity.

A number of the Group s transactions have recourse only to the assets of unconsolidated SPEs. Typically, the majority of the exposure to these assets is borne by third parties and the Group s risk is mitigated through over-collateralisation, unwind features and other protective measures. The Group s involvement with unconsolidated third party conduits, collateralised debt obligations and structured investment vehicles is described further below.

Collateralised debt obligations (CDOs)

The Group has structured and underwritten CDOs. At inception, the Group s exposure principally takes the form of a liquidity facility provided to support future funding difficulties or cash shortfalls in the vehicles. If required by the vehicle, the facility is drawn with the amount advanced included within loans and advances in the balance sheet. Upon an event of default or other triggering event, the Group may acquire control of a CDO and, therefore, be required to fully consolidate the vehicle for accounting purposes. The potential for transactions to hit default triggers before the end of 2009 has been assessed and is included in the determination of £1,763m impairment charges and other credit provisions in relation to ABS CDO Super Senior and other credit market exposures for the year ended 31st December 2008.

The Group s exposure to ABS CDO Super Senior positions before hedging was £3,104m as at 31st December 2008. This represents the Group s exposure to High Grade CDOs, stated net of write-downs and charges. These facilities are fully drawn and included within loans and advances on the balance sheet. The undrawn mezzanine facilities that were in place as at 31st December 2007 relate to CDOs that have been consolidated during the period.

Collateral

The collateral underlying unconsolidated CDOs comprised 78% residential mortgage backed securities, 3% non-residential asset backed securities and 19% in other categories (a proportion of which will be backed by residential mortgage collateral).

The remaining Weighted Average Life (WAL) of all collateral is 5.1 years. The combined Net Asset Value (NAV) for all of the CDOs was £2.2bn below the nominal amount, equivalent to an aggregate 41.3% decline in value on average for all investors.

Funding

The CDOs were funded with senior unrated notes and rated notes up to AAA. The capital structure senior to the AAA notes on cash CDOs was supported by a liquidity facility provided by the Group. The senior portion covered by liquidity facilities is on average 85% of the capital structure.

The initial WAL of the notes in issue averaged 6.7 years. The full contractual maturity is 38 years.

Interests in third party CDOs

The Group has purchased securities in and entered into derivative instruments with third party CDOs. These interests are held as trading assets or liabilities on the Group s balance sheet and measured at fair value. The Group has not provided liquidity facilities or similar agreements to third party CDOs.

Additional financial disclosure

Off-balance sheet arrangements

Structured investment vehicles (SIVs)

The Group has not structured or managed SIVs. Group exposure to third party SIVs comprised:

- £41m of senior liquidity facilities.
- Derivative exposures included on the balance sheet at their net fair value of £273m.
- Bonds issued by the SIVs included within trading portfolio assets at their fair value of £11m.

SIV-Lites

The Group has exposure to two SIV-Lite transactions. The Group is not involved in their ongoing management. Exposures have increased by £531m relating to a SIV-Lite which had previously been hedged with Lehman Brothers. Following the Lehman Brothers bankruptcy this facility was reflected as a new exposure to the underlying assets. The other SIV-Lite of £107m represents drawn liquidity facilities supporting a CP programme.

During 2008 exposure to a third SIV-Lite through bond holdings was written down to zero.

Commercial paper and medium-term note conduits

The Group provided £22bn in undrawn backstop liquidity facilities to its own sponsored CP conduits. The Group fully consolidates these entities such that the underlying assets are reflected on the Group balance sheet.

These consolidated entities in turn provide facilities of £899m to third party conduits containing prime UK buy-to-let RMBS. As at 31st December 2008, the entire facility had been drawn and is included in available for sale financial investments.

The Group provided backstop facilities to support the paper issued by four third party conduits. These facilities totalled £866m, with underlying collateral comprising 100% auto loans. Drawings on these facilities were £25m as at 31st December 2008 and are included within loans and advances to customers.

The Group provided backstop facilities to six third party SPEs that fund themselves with medium-term notes. These notes are sold to investors as a series of 12 month securities and remarketed to investors annually. If investors decline to renew their holdings at a price below a pre-agreed spread, the backstop facility requires the Group to purchase the outstanding notes at scheduled maturity. The Group has provided facilities of £2.6bn to SPEs holding prime UK and Australian owner-occupied Residential Mortgage Back Securities (RMBS) assets. As at the balance sheet date these facilities had been drawn and were included in loans and advances.

Asset securitisations

The Group has assisted companies with the formation of asset securitisations, some of which are effected through the use of SPEs. These entities have minimal equity and rely on funding in the form of notes to purchase the assets for securitisation. As these SPEs are created for other companies, the Group does not usually control these entities and therefore does not consolidate them. The Group may provide financing in the form of senior notes or junior notes and may also provide derivatives to the SPE. These transactions are included on the balance sheet.

The Group has used SPEs to securitise part of its originated and purchased retail and commercial lending portfolios and credit card receivables. These SPEs are usually consolidated and de-recognition only occurs when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. The carrying amount of securitised assets together with the associated liabilities are set out in Note 29.

Client intermediation

The Group has structured transactions as a financial intermediary to meet investor and client needs. These transactions involve entities structured by either the Group or the client and they are used to modify cash flows of third party assets to create investments with specific risk or return profiles or to assist clients in the efficient management of other risks. Such transactions will typically result in a derivative being shown on the balance sheet, representing the Group s exposure to the relevant asset.

The Group also invests in lessor entities specifically to acquire assets for leasing. Client intermediation also includes arrangements to fund the purchase or construction of specific assets (most common in the property industry).

Fund management

The Group provides asset management services to a large number of investment entities on an arm s length basis and at market terms and prices. The majority of these entities are investment funds that are owned by a large and diversified number of investors. These funds are not consolidated because the Group does not own either a significant portion of the equity or the risks and rewards inherent in the assets.

During 2008, Group operating expenses included charges of £263m related to selective support of liquidity products managed by Barclays Global Investors and not consolidated by the Group. The Group have not provided any additional selective support subsequent to 31st December 2008.

Financial review

Additional financial disclosure

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. Financial instruments with a fair value based on observable inputs include valuations determined by unadjusted quoted prices in an active market and market standard pricing models that use observable inputs.

Financial instruments whose fair value is determined, at least in part, using unobservable inputs are further categorised into Vanilla and Exotic products as follows:

Vanilla products are valued using simple models such as discounted cash flow or Black Scholes models however, some of the inputs are not observable.

Exotic products are over-the-counter products that are relatively bespoke, not commonly traded in the markets, and their valuation comes from sophisticated mathematical models where some of the inputs are not observable.

An analysis of financial instruments carried at fair value by valuation technique, including the extent of valuations based on unobservable inputs, together with a sensitivity analysis of valuations using unobservable inputs is included in Note 50.

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 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 £2,333m (2007: £1,605m) and amounts to 51% (2007: 70%) of the total impairment charge on loans and advances in 2008.

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

Additional financial disclosure

Critical accounting estimates

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 £2,251m (2007: £701m) or 49% (2007: 30%) of the total impairment charge on loans and advances in 2007. Further information on impairment allowances is set out in Note 47 on page 264.

Goodwill

Management have to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the impairment review process requires the identification of independent cash generating units, by dividing the Group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This 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, GRCB Absa and Barclays Global Investors, where goodwill impairment testing performed in 2008 indicated that this goodwill was not impaired. Goodwill impairment of £111m relating to FirstPlus and EquiFirst was recognised in 2008 (2007: nil). An analysis of goodwill by cluster, together with key assumptions underlying the impairment testing, is included in Note 21 on page 222.

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 Bank 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 2008 was £1,287m (2007: surplus of £393m). There are net recognised liabilities of £1,292m (2007: £1,501m) and unrecognised actuarial gains of £5m (2007: £1,894m). The net recognised liabilities comprised retirement benefit liabilities of £1,357m (2007: £1,537m) and assets of £65m (2007: £36m).

The Group s IAS 19 pension deficit in respect of the main UK scheme as at 31st December 2008 was £858m (2007: surplus of £668m). Among the reasons for this change were the large loss in value of the assets over the year, and to a lesser extent the strengthening of the allowance made for future improvement in mortality. Offsetting these were the increase in the AA long-term corporate bond yields which resulted in a higher discount rate of 6.75% (2007: 5.82%), a decrease in the inflation assumption to 3.16% (2007: 3.45%) and contributions paid. Further information on retirement benefit obligations, including assumptions, is set out in Note 30 to the accounts on page 234.

Financial review

Analysis of results by business

Global Retail and Commercial Banking

UK Retail Banking profit before tax grew 7% to £1,369m. Income grew 4% to £4,482m, reflecting strong growth in Home Finance and minimal settlements on overdraft fees. Loans and advances grew 15% driven by a market share of net new mortgage lending of 36%. Operating expenses showed a modest increase of 2% reflecting active management of the cost base and reduced gains from the sale of property. The cost:income ratio improved one percentage point. Impairment charges increased 8% reflecting strong growth in assets and a deteriorating economic environment.

Barclays Commercial Bank profit before tax decreased 7% to £1,266m. Income growth of 7% principally reflected increased sales of treasury products. Loans and advances to customers increased 14% to £80.5bn. Costs increased 14% driven by lower gains on the sale of property, further investment in new payments capability, and growth in the operating lease business. Impairment charges increased 42% as the deteriorating economic environment caused higher delinquency and lower recovery rates on corporate credit.

Barclaycard profit before tax increased 31% to £789m, including £260m from Barclaycard International. Income growth of 27% reflected strong growth in Barclaycard International, the income related to Goldfish since acquisition, and gains relating to the Visa IPO and the sale of MasterCard shares. Costs increased 30% reflecting continued international growth, increased marketing expenditure and the impact of Goldfish. Impairment charges increased 33% reflecting growth in charges in the international businesses and the acquisition of Goldfish, partly offset by lower impairment in the other UK businesses.

GRCB Western Europe profit before tax grew 31% to £257m. Income grew 53%, driven by very strong growth in deposits, mortgages

and commercial lending across the expanded franchise, as well as gains of £82m relating to the Visa IPO and the sale of MasterCard shares. Costs increased 38% reflecting the expansion of the network by 347 distribution points to 1,145 and continued strategic investment in the Premier and core retail businesses. Impairment charges increased £220m to £296m, largely driven by deteriorating trends in Spain which led to losses in property-related commercial banking exposures and credit cards.

GRCB Emerging Markets profit before tax increased 34% to £134m. Income increased 91%, driven by retail expansion in India, entry into new markets in Russia and Pakistan and strong performances in Africa, as well as gains of £82m relating to the Visa IPO and sale of MasterCard shares. Operating expense growth of 82% reflected continued investment in business infrastructure, distribution and new markets. Distribution points increased 286 to 836. Impairment charges increased £127m to £166m reflecting asset growth, and increased wholesale impairment in Africa.

GRCB Absa profit before tax decreased 8% to £552m. Income growth of 10% was driven by higher fees and commissions, balance sheet growth as well as a gain relating to the Visa IPO. Operating expenses increased 3%, well below the rate of inflation, reflecting investment in new distribution points, which increased 176 to 1,177, offset by good cost control. This led to a four percentage point improvement in the cost:income ratio to 59%. Impairment charges rose £201m to £347m, mainly due to prolonged high interest rates and inflation rates and increased customer indebtedness resulting in higher delinquency levels in the retail portfolios.

Analysis of results by business

For the year ended 31st December 2008

	UK Retail Banking £m	Barclays Commercial Bank	Barclaycard £m	GRCB Western Europe £m	GRCB Emerging Markets £m	GRCB Absa £m

		£m				
Net interest income	2,996	1,757	1,786	856	616	1,104
Net fee and commission income	1,299	861	1,299	383	223	762
Principal transactions		22	82	165	169	111
Net premiums from insurance contracts	205		44	352		234
Other income	17	105	19	39	11	113
Total income	4,517	2,745	3,230	1,795	1,019	2,324
Net claims and benefits incurred on insurance contracts	(35)		(11)	(365)		(126)
Total income, net of insurance claims	4,482	2,745	3,219	1,430	1,019	2,198
Impairment charges and other credit provisions	(602)	(414)	(1,097)	(296)	(166)	(347)
Net income	3,880	2,331	2,122	1,134	853	1,851
Operating expenses	(2,519)	(1,063)	(1,422)	(929)	(719)	(1,305)
Share of post-tax results of associates and joint ventures	8	(2)	(3)			5
Profit on disposal of subsidiaries						1
Gains on acquisitions			92	52		
Profit before tax	1,369	1,266	789	257	134	552
As at 31st December 2008						
Total assets	101,384	84,029	30,925	64,732	14,653	40,391
Total liabilities	104,640	64,997	3,004	37,250	10,517	20,720

Investment Banking and Investment Management

Barclays Capital profit before tax was £1,302m in a very challenging market, down 44%, and included a gain on the acquisition of Lehman Brothers North American businesses of £2,262m. Net income of £2,808m was down 55% as the impact of market dislocation continued and included gross losses of £8,053m, partially offset by related income and hedges of £1,433m and gains of £1,663m from the general widening of credit spreads on structured notes issued by Barclays Capital. There were record performances in interest rate products, currency products, emerging markets, prime services and commodities. Equities, credit products, mortgages and asset backed securities and private equity were significantly impacted by market dislocation and recorded lower income than in 2007. Operating expenses, after absorbing Lehman Brothers North American businesses, were 5% lower than in 2007 due to lower performance related pay.

Barclays Global Investors profit before tax decreased 19% to £595m. Income fell 4% to £1,844m due to lower incentive fees. Operating expenses increased 5% and included charges of £263m (2007: £80m) related to selective support of liquidity products. Total assets under management were US$1,495bn, reflecting net new assets of US$99bn, negative market moves of US$553bn and adverse exchange rate movements of US$130bn.

Barclays Wealth profit before tax grew 119% to £671m, including a £326m profit on disposal of the closed life business, which contributed profit before tax of £104m before disposal. Income growth of 3% to £1,324m reflected strong growth in customer deposits and lending, partially offset by the impact of lower equity markets on fee income. Operating expenses decreased 4% reflecting strong cost control. Total client assets increased 10% (£12.6bn) to £145.1bn, with net new asset inflows and the acquisition of Lehman Brothers North American businesses offsetting the impact of negative market movements and the sale of the closed life business.

Analysis of results by business

For the year ended 31st December 2008

	Barclays Capital £m	Barclays Global Investors £m	Barclays Wealth £m
Net interest income	1,724	(38)	486
Net fee and commission income	1,429	1,917	720
Principal transactions	2,065	(43)	(344)
Net premiums from insurance contracts			136
Other income	13	8	26
Total income	5,231	1,844	1,024
Net claims and benefits incurred on insurance contracts			300
Total income, net of insurance claims	5,231	1,844	1,324
Impairment charges and other credit provisions	(2,423)		(44)
Net income	2,808	1,844	1,280
Operating expenses	(3,774)	(1,249)	(935)
Share of post-tax results of associates and joint ventures	6		
Profit on disposal of subsidiaries			326
Gain on acquisition	2,262		
Profit before tax	1,302	595	671
As at 31st December 2008			
Total assets	1,629,117	71,340	13,263
Total liabilities	1,603,093	68,372	45,846

Financial review

Analysis of results by business

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 15.2 million UK customers.

Performance

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 [b] 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%.

Highlights

Performance indicators

Key facts

	2008	2007	2006
Personal Customers			
Number of UK current accounts[a]	**11.7m**	11.3m	11.5m
Number of UK savings accounts	**12.0m**	11.1m	11.0m
Total UK mortgage balances	**£ 82.3bn**	£ 69.8bn	£ 61.7bn
Local Business			
Number of Local Business customers	**660,000**	643,000	630,000

Notes

a Decrease in 2007 reflects the consolidation of Woolwich and Barclays current accounts.
b Excludes Housing Associations.

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%).

2007/06

UK Retail Banking profit before tax increased 8% (£94m) to £1,275m (2006: £1,181m) due to reduced costs and a strong improvement in impairment.

Income grew 2% (£67m) before the impact of settlements on overdraft fees in relation to prior years (£116m). This was driven by very strong growth in Personal Customer retail savings and good growth in Personal Customer current accounts, Home Finance and Local Business. Including the impact of settlements on overdraft fees, income decreased £49m to £4,297m (2006: £4,346m).

Net interest income increased 3% (£93m) to £2,858m (2006: £2,765m). Growth was driven by a higher contribution from deposits, through a combination of good balance sheet growth and an increased liability margin. Total average customer deposit balances increased 7% to £81.9bn (2006: £76.5bn), supported by the launch of new products.

Mortgage volumes increased significantly, driven by an improved mix of longer term value products for customers, higher levels of retention and continuing improvements in processing capability. Mortgage balances were £69.8bn at the end of the period (2006: £61.7bn), an approximate market share of 6% (2006: 6%). Gross advances were 25% higher at £23.0bn (2006: £18.4bn). Net lending was £8.0bn (2006: £2.4bn), representing market share of 8% (2006: 2%). The average loan to value

ratio of the residential mortgage book on a current valuation basis was 33%. The average loan to value ratio of new residential mortgage lending in 2007 was 54%. Consumer Lending balances decreased 4% to £7.9bn (2006: £8.2bn), reflecting the impact of tighter lending criteria.

Overall asset margins decreased as a result of the increased proportion of mortgages and contraction in unsecured loans.

Net fee and commission income reduced 4% (£49m) to £1,183m (2006: £1,232m). There was strong Current Account income growth in Personal Customers and good growth within Local Business. This was more than offset by settlements on overdraft fees.

Net premiums from insurance underwriting activities reduced 26% (£90m) to £252m (2006: £342m), as there continued to be lower customer take-up of loan protection insurance. Net claims and benefits on insurance contracts increased to £43m (2006: £35m).

Impairment charges decreased 12% (£76m) to £559m (2006: £635m) reflecting lower charges in unsecured Consumer Lending and Local Business. This was driven by improvements in the collection process which led to reduced flows into delinquency, lower levels of arrears and stable charge-offs. Mortgage impairment charges remained negligible.

Operating expenses reduced 2% (£62m) to £2,470m (2006: £2,532m), reflecting strong and active management of all expense lines, targeted processing improvements and back-office consolidation. Gains from the sale of property were £193m (2006: £253m). Increased investment was focused on improving the overall customer experience through converting and improving the branch network; revitalising the product offering; increasing operational and process efficiency; and meeting regulatory requirements.

The cost:income ratio improved one percentage point to 57%. Excluding the impact of settlements on overdraft fees, the cost:income ratio improved two percentage points to 56%.

UK Retail Banking

	2008	2007	2006

	£m	£m	£m
Income statement information			
Net interest income	**2,996**	2,858	2,765
Net fee and commission income	**1,299**	1,183	1,232
Net premiums from insurance contracts	**205**	252	342
Other income	**17**	47	42
Total income	**4,517**	4,340	4,381
Net claims and benefits on insurance contracts	**(35)**	(43)	(35)
Total income net of insurance claims	**4,482**	4,297	4,346
Impairment charges	**(602)**	(559)	(635)
Net income	**3,880**	3,738	3,711
Operating expenses excluding amortisation of intangible assets	**(2,499)**	(2,461)	(2,531)
Amortisation of intangible assets	**(20)**	(9)	(1)
Operating expenses	**(2,519)**	(2,470)	(2,532)
Share of post-tax results of associates and joint ventures	**8**	7	2
Profit before tax	**1,369**	1,275	1,181
Balance sheet information			
Loans and advances to customers	**£ 94.4bn**	£ 82.0bn	£ 74.7bn
Customer accounts	**£ 89.6bn**	£ 87.1bn	£ 82.3bn
Total assets	**£ 101.4bn**	£ 88.5bn	£ 81.7bn
Performance ratios			
Return on average economic capital	**27%**	28%	28%
Cost:income ratio	**56%**	57%	58%
Cost:net income ratio	**65%**	66%	68%
Other financial measures			
Risk tendency	**£ 520m**	£ 470m	£ 500m
Economic profit	**£ 633m**	£ 617m	£ 590m
Risk weighted assets[a]	**£ 30.5bn**	£ 31.5bn	£ 43.0bn

Note

a Risk weighted assets for 2008 and 2007 are calculated under Basel II. 2006 is calculated under Basel I.

Analysis of results by business

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 more than 81,000 customers in the UK via a network of relationship, regional, industry-sector and product specialists.

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

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. 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.

Highlights

Performance indicators

Key facts

	2008	2007	2006
Number of customers	81,200	83,800	77,100
Number of colleagues	9,800	9,200	8,100

Impairment charges increased 42% (£122m) to £414m (2007: £292m) primarily reflecting higher impairment losses in Larger Business, particularly in the final quarter 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.

2007/06

Barclays Commercial Bank profit before tax decreased £5m to £1,357m (2006: £1,362m) due to continued good income growth partially offset by lower gains from business disposals. Profit before business disposals increased 4% to £1,343m (2006: £1,286m).

Income increased 7% (£160m) to £2,564m (2006: £2,404m). Non-interest income increased to 32% of total income (2006: 29%), reflecting continuing focus on cross sales and efficient balance sheet utilisation. There was very strong growth in net fee and commission income, which increased 17% (£107m) to £750m (2006: £643m) due to very strong performance in lending fees. There was also good growth in transaction

related income, foreign exchange and derivatives transactions undertaken on behalf of clients.

Net interest income improved 2% (£37m) to £1,747m (2006: £1,710m). Average customer lendings increased 3% to £53.9bn (2006: £52.3bn) and 5%, excluding the impact of the vehicle leasing and European vendor finance businesses sold in 2006. Average customer accounts grew 4% to £46.4bn (2006: £44.8bn). The asset margin decreased by 12 basis points to 1.80%, reflecting an increased focus on higher quality lending and competitive market conditions. The liabilities margin remained broadly stable at 1.49%.

Income from principal transactions primarily reflecting venture capital and other equity realisations increased 87% (£26m) to £56m (2006: £30m).

Impairment charges increased 15% (£39m) to £292m (2006: £253m), mainly due to a higher level of impairment losses in Larger Business as impairment trended towards risk tendency. There was a reduction in impairment levels in Medium Business due to a tightening of the lending criteria.

Operating expenses increased 7% (£61m) to £929m (2006: £868m). Operating expenses are net of gains of £39m (2006: £60m) on the sale of property. Growth in operating expenses was focused on continuing investment in operations, infrastructure, and new initiatives in product development and sales capability.

Barclays Commercial Bank

	2008	2007	2006
	£m	£m	£m
Income statement information			
Net interest income	**1,757**	1,747	1,710
Net fee and commission income	**861**	750	643
Net trading income	**3**	9	2

Net investment income	**19**	47	28
Principal transactions	**22**	56	30
Other income	**105**	11	21
Total income	**2,745**	2,564	2,404
Impairment charges and other credit provisions	**(414)**	(292)	(253)
Net income	**2,331**	2,272	2,151
Operating expenses excluding amortisation of intangible assets	**(1,048)**	(924)	(867)
Amortisation of intangible assets	**(15)**	(5)	(1)
Operating expenses	**(1,063)**	(929)	(868)
Share of post-tax results of associates and joint ventures	**(2)**		3
Profit on disposal of subsidiaries, associates and joint ventures		14	76
Profit before tax	**1,266**	1,357	1,362
Balance sheet information			
Loans and advances to customers	**£ 67.5bn**	£ 63.7bn	£ 56.6bn
Loans and advances to customers including those designated at fair value	**£ 80.5bn**	£ 70.7bn	£ 62.1bn
Customer accounts	**£ 60.6bn**	£ 60.8bn	£ 57.4bn
Total assets	**£ 84.0bn**	£ 74.6bn	£ 66.2bn
Performance ratios			
Return on average economic capital	**26%**	30%	36%
Cost:income ratio	**39%**	36%	36%
Cost:net income ratio	**46%**	41%	40%
Other financial measures			
Risk Tendency	**£ 400m**	£ 305m	£ 300m
Economic profit	**£ 544m**	£ 635m	£ 729m
Risk weighted assets[a]	**£ 63.1bn**	£ 57.0bn	£ 50.3bn

Note

a Risk weighted assets for 2008 and 2007 are calculated under Basel II. 2006 is calculated under Basel I.

Analysis of results by business

Global Retail and Commercial Banking

Barclaycard

Barclaycard is a multi-brand international credit card, consumer lending and payment processing business. 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 activities include all Barclaycard branded credit cards, secured lending business and Barclays Partner Finance, our retail finance business. In addition to these activities, Barclaycard also operates partnership cards with leading brands such as SkyCard. We continue to lead the UK market and we strengthened our position in 2008 with the purchase of the Goldfish portfolio, adding more than 1m customers to our growing customer base.

Barclaycard s international presence continues to grow very strongly, with international customers now almost equalling the number in the UK. We currently operate in Germany, South Africa and the United States, where we are one of the fastest-growing credit card businesses. In Scandinavia, we operate through Entercard, a joint venture with Swedbank.

Our payment processing business, Barclaycard Business, processes card payments for 89,000 retailers and merchants, and issues credit and charge cards to corporate customers and the UK Government. It is Europe s number one issuer of Visa Commercial Cards with over 132,000 corporate customers.

Performance

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.

Investment income increased £69m to £80m (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.

Highlights

Performance indicators

Key facts

	2008	2007	2006
Number of Barclaycard UK customers	**11.7m**	10.1m	9.8m
UK credit cards average outstanding balances	**£ 9.9bn**	£ 8.4bn	£ 9.4bn
UK credit cards average extended credit balances	**£ 8.0bn**	£ 6.9bn	£ 8.0bn
Number of Barclaycard International customers	**11.6m**	7.7m	6.0m
International average outstanding balance	**£ 6.5bn**	£ 4.1bn	£ 3.1bn
International average extended credit balances	**£ 5.2bn**	£ 3.3bn	£ 2.5bn
Secured lending average outstanding balance	**£ 4.7bn**	£ 4.3bn	£ 3.4bn
Number of retailer relationships	**89,000**	93,000	93,000

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.

2007/06

Barclaycard profit before tax increased 16% (£81m) to £603m (2006: £522m), driven by strong international growth coupled with a significant improvement in UK impairment charges. Other income included a £27m loss on disposal of part of the Monument card portfolio. 2006 results reflected a property gain of £38m.

Income decreased 2% (£46m) to £2,530m (2006: £2,576m), reflecting strong growth in Barclaycard International, offset by a decline in UK Cards revenue resulting from a more cautious approach to lending in the UK and a £27m loss on disposal of part of the Monument card portfolio.

Net interest income increased 1% (£11m) to £1,374m (2006: £1,363m), due to strong organic growth in international average

extended credit card balances, up 32% to £3.3bn and average secured consumer lending balances up 26% to £4.3bn, partially offset by lower UK average extended credit card balances which fell 14% to £6.9bn. Margins fell to 6.51% (2006: 7.05%) due to higher average base rates across core operating markets and a change in the product mix with an increased weighting to secured lending.

Net fee and commission income fell 3% (£40m) to £1,143m (2006: £1,183m), with growth in Barclaycard International offset by our actions in response to the Office of Fair Trading s findings on late and overlimit fees in the UK which were implemented in August 2006.

Impairment charges improved 21% (£226m) to £827m (2006: £1,053m), reflecting reduced flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. We made changes to our impairment methodologies to standardise our approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by an increase in impairment charges in Barclaycard International and secured consumer lending.

Operating expenses increased 10% (£100m) to £1,093m (2006: £993m). Excluding a property gain of £38m in 2006, operating expenses increased 6% (£62m), reflecting continued investment in expanding our businesses in Europe and the United States. Costs in the UK businesses were broadly flat, with investment in new UK product innovations such as Barclaycard OnePulse being funded out of operating efficiencies.

Barclaycard International continued to gain momentum, delivering a profit before tax of £152m against a profit before tax of £8m in 2006. The Entercard joint venture continued to perform ahead of plan and entered the Danish market, extending its reach across the Scandinavian region. Barclaycard US was profitable, with very strong average balance growth and a number of new card partnerships, including Lufthansa Airlines and Princess Cruise Lines.

Barclaycard

	2008	2007	2006
	£m	£m	£m

Income statement information			
Net interest income	**1,786**	1,374	1,363
Net fee and commission income	**1,299**	1,143	1,183
Net tracking income	**2**		
Net investment income	**80**	11	20
Principal transactions	**82**	11	20
Net premiums from insurance contracts	**44**	40	18
Other income	**19**	(25)	
Total income	**3,230**	2,543	2,584
Net claims and benefits incurred on insurance contracts	**(11)**	(13)	(8)
Total income net of insurance claims	**3,219**	2,530	2,576
Impairment charges and other credit provisions	**(1,097)**	(827)	(1,053)
Net income	**2,122**	1,703	1,523
Operating expenses excluding amortisation of intangible assets	**(1,361)**	(1,057)	(969)
Amortisation of intangible assets	**(61)**	(36)	(24)
Operating expenses	**(1,422)**	(1,093)	(993)
Share of post-tax results of associates and joint ventures	**(3)**	(7)	(8)
Gain on acquisition	**92**		
Profit before tax	**789**	603	522
Balance sheet information			
Loans and advances to customers	**£ 27.4bn**	£ 19.7bn	£ 18.1bn
Total assets	**£ 30.9bn**	£ 22.1bn	£ 20.0bn
Performance ratios			
Return on average economic capital	**23%**	20%	19%
Cost: income ratio	**44%**	43%	39%
Cost: net income ratio	**67%**	64%	65%
Other financial measures			
Risk Tendency	**£ 1,475m**	£ 955m	£ 1,090m
Economic profit	**£ 335m**	£ 213m	£ 183m
Risk weighted assets [a]	**£ 27.3bn**	£ 20.2bn	£ 16.9bn

Note

a Risk weighted assets for 2008 and 2007 are calculated under Basel II. 2006 is calculated under Basel I.

Analysis of results by business

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 and Italy.

What we do

GRCB Western Europe serves more than 2m retail and commercial banking customers in France, Italy, Portugal and Spain through a variety of distribution channels including 961 branches, 184 sales centres and 988 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

2008/07

GRCB Western Europe profit before tax grew 31% (£61m) to £257m (2007: £196m), despite challenging market conditions in Spain and accelerated investment in the expansion of the franchise. Distribution points increased 347 to 1,145 (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 53% (£493m) to £1,430m (2007: £937m), reflecting growth in both net interest income and net fee and commission income.

Net interest income increased 62% (£329m) to £856m (2007: £527m), driven by a 63% increase in customer liabilities to £15.3bn (2007: £9.4bn) and a 53% increase in customer assets to £53.5bn (2007: £35.0bn).

Net fee and commission income increased 19% (£61m) to £383m (2007: £322m). Increased fees in retail and in the life insurance businesses were offset by lower market-related investment revenue.

Principal transactions grew £59m to £165m (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 £220m to £296m (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 38% (£256m) to £929m (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.

2007/06

GRCB Western Europe profit before tax increased 21% (£34m) to £196m (2006: £162m). The performance reflected strong income growth driven by an increase in distribution points of 145 to 798 (2006: 653).

Income increased 25% (£186m) to £937m (2006: £751m), reflecting strong growth in net fee and commission income and principal transactions.

Net interest income increased 21% (£91m) to £527m (2006: £436m), driven by a 38% increase in customer liabilities to £9.4bn (2006: £6.8bn) and a 30% increase in customer assets to £35.0bn (2006: £26.9bn).

Net fee and commission income increased 30% (£74m) to £322m (2006: £248m), driven by the expansion of the customer base.

Principal transactions grew 34% (£27m) to £106m (2006: £79m), reflecting gains on equity investments.

Impairment charges grew 100% (£38m) to £76m (2006: £38m), reflecting very strong balance sheet growth.

Operating expenses grew 22% (£123m) to £673m (2006: £550m), driven by the expansion of the distribution network. Operating expenses included property sales in Spain of £22m (2006: £55m).

Highlights

Performance indicators

Key facts

	2008	2007	2006
Number of distribution points	1,145	798	653

GRCB Western Europe

	2008	2007	2006
	£m	£m	£m
Income statement information			
Net interest income	**856**	527	436
Net fee and commission income	**383**	322	248
Net trading income	**4**	13	14
Net investment income	**161**	93	65
Principal transactions	**165**	106	79
Net premiums from insurance contracts	**352**	145	110
Other income	**39**	7	16
Total income	**1,795**	1,107	889
Net claims and benefits incurred under insurance contracts	**(365)**	(170)	(138)
Total income net of insurance claims	**1,430**	937	751
Impairment charges	**(296)**	(76)	(38)
Net income	**1,134**	861	713
Operating expenses excluding amortisation of intangible assets	**(915)**	(665)	(542)
Amortisation of intangible assets	**(14)**	(8)	(8)
Operating expenses	**(929)**	(673)	(550)
Share of post-tax results of associates and joint ventures			(1)
Profit on disposal of subsidiaries, associates and joint ventures		8	
Gain on acquisition	**52**		
Profit before tax	**257**	196	162
Balance sheet information			
Loans and advances to customers	**£ 53.5bn**	£ 35.0bn	£ 26.9bn
Customer accounts	**£ 15.3bn**	£ 9.4bn	£ 6.8bn
Total assets	**£ 64.7bn**	£ 43.7bn	£ 33.5bn
Performance ratios			
Return on average economic capital	**19%**	11%	11%
Cost: income ratio	**65%**	72%	73%
Cost: net income ratio	**82%**	78%	77%
Other financial measures			
Risk Tendency	**£ 270m**	£ 135m	£ 90m
Economic profit	**£ 164m**	£ 16m	£ 9m
Risk weighted assets[a]	**£ 36.5bn**	£ 25.0bn	£ 17.6bn

Note

a Risk weighted assets for 2008 and 2007 are calculated under Basel II. 2006 is calculated under Basel I.

Analysis of results by business

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, Russia, Seychelles, Tanzania, Uganda, the UAE, Zambia and Zimbabwe.

Through a network of more than 830 distribution points and 1,440 ATMs, we provide 4.2m customers and clients with a full range of products and services. This includes current accounts, savings, investments, mortgages and secured and unsecured lending.

Performance

2008/07

GRCB Emerging Markets profit before tax increased 34% (£34m) to £134m (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 286 to 836 (2007: 550). New market entries in 2008 comprised the acquisition of Expobank in Russia, the launch of a new business in Pakistan and the announced acquisition of Bank Akita in Indonesia.

Income increased 91% (£486m) to £1,019m (2007: £533m), reflecting growth in lending, deposit taking and fee-driven transactional revenues.

Net interest income increased 93% (£297m) to £616m (2007: £319m), loans and advances to customers increased 98% to £10.1bn (2007: £5.1bn). The assets margin decreased 167 basis points to 4.95% (2007: 6.62%), reflecting higher funding costs, partially offset by improvement in the product mix. Customer accounts increased 55% to £9.6bn (2007: £6.2bn). The deposit margin improved 142 basis points to 2.17% (2007: 0.75%), driven by a change in the product mix and a higher return from funding the assets.

Highlights

Performance indicators

Key facts

	2008	2007	2006
Number of distribution points	**836**	550	214
Average liabilities balances	**£7.6bn**	£5.1bn	£4.0bn
Average asset balances	**£7.1bn**	£3.6bn	£2.3bn

Net fee and commission income increased 59% (£83m) to £223m (2007: £140m), primarily driven by very strong growth in commercial banking and treasury fee income.

Principal transactions increased £97m to £169m (2007: £72m), reflecting higher foreign exchange income, a gain of £68m relating to the Visa IPO and a gain of £14m from the sale of shares in MasterCard.

Impairment charges increased £127m to £166m (2007: £39m), reflecting higher assets and delinquencies, particularly in India and increased wholesale impairment in Africa.

Operating expenses increased 82% (£324m) to £719m (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.

2007/06

GRCB Emerging Markets profit before tax decreased 74% to £100m (2006: £384m). The performance in 2006 reflected the sale of First Carribean International Bank which resulted in a profit of £247m in December 2006. In addition, profits of £41m were generated by the First Carribean business up to date of sale. Excluding First Carribean, the performance reflected very strong income growth driven by a rapid growth

in distribution points to 550 (2006: 214), as well as the launch of new businesses in India and UAE.

Income increased 35% (£137m) to £533m (2006: £396m) driven by new business in India and UAE and excellent performances in Egypt, Kenya and Ghana.

Net interest income increased 30% (£73m) to £319m (2006: £246m). Total customer loans increased 89% (£2.4bn) to £5.1bn (2006: £2.7bn) with lending margins improving with changing product mix. Customer deposits increased 47% (£2.0bn) to £6.2bn (2006: £4.2bn), driven by growth across the markets.

Net fee and commission income declined marginally (£1m) to £140m (2006: £141m).

Principal transactions increased £68m to £72m (2006: £4m), reflecting gains on equity investments and higher foreign exchange income across markets.

Impairment charges rose 30% (£9m) to £39m (2006: £30m). The increase reflected very strong balance sheet growth in 2006 and 2007.

Operating expenses grew 46% (£125m) to £395m (2006: £270m), driven by the rapid expansion of the distribution network across all markets and investment in people and infrastructure to support future growth across the franchise.

GRCB Emerging Markets

	2008 £m	2007 £m	2006 £m
Income statement information			
Net interest income	**616**	319	246
Net fee and commission income	**223**	140	141
Net trading income	**78**	56	3
Net investment income	**91**	16	1
Principal transactions	**169**	72	4
Net premiums from insurance contracts			1

Other income	**11**	2	4
Total income	**1,019**	533	396
Impairment charges	**(166)**	(39)	(30)
Net income	**853**	494	366
Operating expenses excluding amortisation of intangible assets	**(711)**	(391)	(269)
Amortisation of intangible assets	**(8)**	(4)	(1)
Operating expenses	**(719)**	(395)	(270)
Share of post-tax results of associates and joint ventures		1	41
Profit on disposal of subsidiaries, associates and joint ventures			247
Profit before tax			