BARCLAYS PLC
Form 20-F
March 19, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report ______

Commission file numbers	Barclays PLC	1-09246
	Barclays Bank PLC	1-10257

BARCLAYS PLC

BARCLAYS BANK PLC

(Exact Names of Registrants as Specified in their Charter[s])

ENGLAND

(Jurisdiction of Incorporation or Organization)

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

(Address of Principal Executive Offices)

PATRICK GONSALVES, +44 (0)20 7116 2901, PATRICK.GONSALVES@BARCLAYS.COM

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

***(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Barclays PLC

Title of Each Class	**Name of Each Exchange On Which Registered**
25p ordinary shares	New York Stock Exchange*
American Depository Shares, each representing four 25p ordinary shares	New York Stock Exchange

* Not for trading, but in connection with the registration of American Depository Shares, pursuant to the requirements of the Securities and Exchange Commission.

Barclays Bank PLC

Title of Each Class	**Name of Each Exchange On Which Registered**
Callable Floating Rate Notes 2035	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 2	New York Stock Exchange*
American Depository Shares, Series 2, each representing one Non-Cumulative Callable Dollar Preference Share, Series 2	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 3	New York Stock Exchange*
American Depository Shares, Series 3, each representing one Non-Cumulative Callable Dollar Preference Share, Series 3	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 4	New York Stock Exchange*
American Depository Shares, Series 4, each representing one Non-Cumulative Callable Dollar Preference Share, Series 4	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 5	New York Stock Exchange*

American Depository Shares, Series 5, each representing one Non-Cumulative Callable Dollar Preference Share, Series 5	New York Stock Exchange
iPath® Dow Jones UBS Commodity Index Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Agriculture Subindex Total Return ℠ ETN	NYSE Arca
iPath® Dow Jones UBS Aluminum Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Cocoa Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Coffee Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Copper Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Cotton Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Energy Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Grains Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Industrial Metals Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Lead Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Livestock Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Natural Gas Subindex Total Return ℠ ETN	NYSE Arca
iPath® Dow Jones UBS Nickel Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Platinum Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Precious Metals Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Softs Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Sugar Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Tin Subindex Total Return℠ ETN	NYSE Arca
iPath® S&P GSCI® Total Return Index ETN	NYSE Arca
iPath® S&P GSCI® Crude Oil Total Return Index ETN	NYSE Arca
iPath® CBOE S&P 500 BuyWrite Index℠ ETN	NYSE Arca
iPath® MSCI India Index℠ ETN	NYSE Arca
iPath® EUR/USD Exchange Rate ETN	NYSE Arca
iPath® GBP/USD Exchange Rate ETN	NYSE Arca
iPath® JPY/USD Exchange Rate ETN	NYSE Arca
iPath® S&P 500 VIX Short-Term Futures™ ETN	NYSE Arca
iPath® S&P 500 VIX Mid-Term Futures™ ETN	NYSE Arca
iPath® Global Carbon ETN	NYSE Arca
iPath® Optimized Currency Carry ETN	NYSE Arca
Barclays GEMS Index™ ETN	NYSE Arca
Barclays GEMS Asia 8 ETN	NYSE Arca
Barclays Asian and Gulf Currency Revaluation ETN	NYSE Arca
Barclays ETN + Short C Leveraged Exchange Traded Notes Linked to the Inverse Performance of the S&P 500® Total Return Index℠	NYSE Arca
Barclays ETN + Short D Leveraged Exchange Traded Notes Linked to the Inverse Performance of	NYSE Arca

the S&P 500® Total Return IndexSM	
Barclays ETN + Long B Leveraged Exchange Traded Notes Linked to the S&P 500® Total Return IndexSM	NYSE Arca
Barclays ETN + Short B Leveraged Exchange Traded Notes Linked to the Inverse Performance of the S&P 500® Total Return IndexSM	NYSE Arca
Barclays ETN + Long C Leveraged Exchange Traded Notes Linked to the S&P 500® Total Return IndexSM	NYSE Arca

* Not for trading, but in connection with the registration of American Depository Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuers classes of capital or common stock as of the close of the period covered by the annual report.

Barclays PLC	25p ordinary shares	11,411,577,230
Barclays Bank PLC	£1 ordinary shares	2,342,558,515
	£1 preference shares	1,000
	£100 preference shares	75,000
	100 preference shares	240,000
	$0.25 preference shares	237,000,000
	$100 preference shares	100,000

Indicate by check mark if each registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes þ No ¨

If this report is an annual or transition report, indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934.

Yes ¨ No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes þ No ¨

* This requirement does not apply to the registrants until their fiscal year ending December 31, 2011.

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Barclays PLC

Large Accelerated Filer þ Accelerated Filer ¨ Non-Accelerated Filer ¨

Barclays Bank PLC

Large Accelerated Filer ¨ Accelerated Filer ¨ Non-Accelerated Filer þ

* Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP ¨

International Financial Reporting Standards as issued by the International Accounting Standards Board þ

Other ¨

* If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:
Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS.)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ¨ No ¨

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Certain non-IFRS measures

In this document certain non-IFRS (International Financial Reporting Standards) measures are reported. Barclays management believes that these non-IFRS measures provide valuable information to readers of its financial statements because they enable the reader to focus more directly on the underlying day-to-day performance of its businesses and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays management. However, any non-IFRS measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Among other non-IFRS information, certain information and related discussion are provided in pages 2 to 50 relating to the Group s total results rather than separating out discontinued operations, representing the Barclays Global Investors (BGI) business sold on 1st December 2009. These non-IFRS measures are provided because management considers that including BGI as part of Group operations and separately identifying the gain on this disposal provides useful information about the performance of the Group as a whole and reflects how the operations were managed until the disposal of BGI. The consolidated summary income statement on page 2 provides a reconciliation between continuing and Group results, and the discussion of Group results from page 4 to 10 describe the Group s results on a continuing operations basis, followed by a discussion of the Group s discontinued operations.

Market and other data

This document contains information, including statistical data, about certain of Barclays markets and its competitive position. Except as otherwise indicated, this information is taken or derived from Datastream and other external sources. Barclays cannot guarantee the accuracy of information taken from external sources, or that, in respect of internal estimates, a third party using different methods would obtain the same estimates as Barclays.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to certain Group s plans and its current goals and expectations relating to its future financial conditions and performance. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate to only to historic or current facts. Forward-looking statements sometimes use words such as may , will , seek , continue , aim , anticipate , target , expect , estimate , intend , plan , goal , bel similar meaning. Examples of forward-looking statements include, among others, statements regarding Group s future financial position, income growth, assets, impairments, charges, business strategy, capital ratios, leverage, payment of dividends, projected levels of growth in the banking and finance markets, projected costs, estimates of capital expenditure, and plans and objectives for future operations and other statements that are not historical by fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, UK domestic and global economic and business conditions, the effect of continued volatility in credit market exposures, changes in valuation of issue notes, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under International Financial Reporting Standards (IFRS) applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, the outcome of pending and future litigation, the success of future acquisitions and other strategic transactions and the impact of completion a number of such factors being beyond the Group s control. As a result, the Group s actual results may differ materially from plans, goals, and expectations set forth in the Group s forward-looking statement.

Any forward-looking statements made herein speak only as of the date they are made. Expect as required by the U.K. Financial Services Authority (FSA), the London Stock Exchange or applicable laws, Barlcays expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this report to reflect any change in Barclay s expectations with regard thereto or any change in events, conditions or circumstance on which any such statement is based. The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has filed or may file with the U.S. Securities and Exchange Commission.

Certain terms

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

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SEC FORM 20-F CROSS REFERENCE INFORMATION

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* Captions have been included only in respect of pages with multiple sections on the same page in order to identify the relevant caption on that page covered by the corresponding Form 20-F item number.

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Financial review

Consolidated summary income statement

Year ended 31st December	**2009**			2008			2007		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Net interest income	**11,918**	**33**	**11,951**	11,469		11,469	9,598	12	9,610
Net fee and commission income	**8,418**	**1,759**	**10,177**	6,491	1,916	8,407	5,771	1,937	7,708
Principal transactions	**7,057**	**67**	**7,124**	2,019	(10)	2,009	4,970	5	4,975
Net premiums from insurance contracts	**1,172**		**1,172**	1,090		1,090	1,011		1,011
Other income	**1,389**	**4**	**1,393**	367	10	377	186	2	188
Total income	**29,954**	**1,863**	**31,817**	21,436	1,916	23,352	21,536	1,956	23,492
Net claims and benefits incurred on insurance contracts	**(831)**		**(831)**	(237)		(237)	(492)		(492)
Total income net of insurance claims	**29,123**	**1,863**	**30,986**	21,199	1,916	23,115	21,044	1,956	23,000
Impairment charges and other credit provisions	**(8,071)**		**(8,071)**	(5,419)		(5,419)	(2,795)		(2,795)
Net income	**21,052**	**1,863**	**22,915**	15,780	1,916	17,696	18,249	1,956	20,205
Operating expenses	**(16,715)**	**(1,137)**	**(17,852)**	(13,391)	(975)	(14,366)	(12,096)	(1,103)	(13,199)
Share of post-tax results of associates and joint ventures	**34**		**34**	14		14	42		42
Profit on disposal of subsidiaries, associates and joint ventures	**188**		**188**	327		327	28		28
Gains on acquisitions	**26**		**26**	2,406		2,406			
Profit before tax and disposal of discontinued operations	**4,585**	**726**	**5,311**	5,136	941	6,077	6,223	853	7,076
Profit on disposal of discontinued operations		**6,331**	**6,331**						
Profit before tax	**4,585**	**7,057**	**11,642**	5,136	941	6,077	6,223	853	7,076
Tax	**(1,074)**	**(280)**	**(1,354)**	(453)	(337)	(790)	(1,699)	(282)	(1,981)
Profit after tax	**3,511**	**6,777**	**10,288**	4,683	604	5,287	4,524	571	5,095
Profit for the year attributable to									
Equity holders of the Parent	**2,628**	**6,765**	**9,393**	3,795	587	4,382	3,886	531	4,417
Non-controlling interests	**883**	**12**	**895**	888	17	905	638	40	678
	3,511	**6,777**	**10,288**	4,683	604	5,287	4,524	571	5,095
Earnings per share									
Basic earnings per share	**24.1p**	**62.1p**	**86.2p**	51.4p	7.9p	59.3p	60.6p	8.3p	68.9p

Diluted earnings per share	**22.7p**	**58.9p**	**81.6p**	49.8p	7.7p	57.5p	58.8p	8.1p	66.9p

The consolidated summary income statement above sets out the Group s results analysed between continuing and discontinued operations for each income statement line for ease of comparability. The line items from Net interest income to Profit before tax and disposal of discontinued operations shown above under Discontinued operations for 2009 represent the results for the 11 month period to 30 November 2009 of the BGI discontinued operations that were sold on 1st December 2009. In addition, the figures included in the Total columns in 2009, 2008 and 2007 in respect of the line items from Net interest income to Profit before tax and disposal of discontinued operations are non-IFRS measures; see Certain non-IFRS measures on page i for more information with respect to including BGI results within such Group totals. The income statement on page 178 and the five year summary included on page 11 shows the income statement on a continuing basis with profit after tax from discontinued operations shown as a single line under profit after tax from continuing operations, in accordance with IFRS.

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Financial review

Income statement commentary[a]

2009/08

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

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

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

Total operating expenses increased 24% to £17,852m, but by 10% less than the rate of increase in Group total income. Operating expenses from continuing operations increased 25% to £16,715m. Expenses in GRCB were well controlled, with the cost:income ratio improving from 53% to 52%. Operating expenses in Barclays Capital increased by £2,818m to £6,592m reflecting the inclusion of the acquired Lehman Brothers North American business. The Group total cost:income ratio improved from 62% to 58% (from 63% to 57% on a continuing basis). At Barclays Capital the compensation:income ratio improved from 44% to 38%.

2008/07

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

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

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

Total operating expenses increased 9% to £14,366m and operating expenses from continuing operations increased 11% to £13,391m. This reflected continued investment in the distribution network in the GRCB businesses. Expenses fell in Barclays Capital due to lower performance related costs. Group gains from property disposals were £148m (2007: £267m). Head office costs included £101m relating to the UK Financial Services Compensation Scheme. Underlying cost growth was well controlled. The Group cost:income ratio deteriorated by five percentage points to 62% (from 57% to 63% on a continuing basis).

Note

a Total income net of reinsurance claims, total operating expenses and total cost: income ratio information in the 2009/2008 and 2008/2007 discussions are non-IFRS measures because they present Group operating results that combine continued operations and discontinued operations. See page 2 for a reconciliation between continuing and Group results, see Certain non-IFRS measures on page i for more information with respect to including BGI results within such Group totals. In addition, Top-line income within Barclays Capital is a non-IFRS measure that represents income before gains/losses and credit market write-downs. This measure has been presented as it provides a consistent basis for comparing the business performance between financial periods. For a reconciliation of top-line income to total income of Barclays Capital, see page 43.

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Financial review

Income statement commentary

continued

Continuing operations

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

Net interest income

2009/08

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

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

Further discussion of margins is included in the analysis of results by business on pages 29 to 50.

2008/07

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

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

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

Net fee and commission income

2009/08

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

2008/07

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

Net interest income

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

Net fee and commission income

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

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Principal transactions

2009/08

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

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

2008/07

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

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

Net premiums from insurance contracts

2009/08

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

2008/07

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

Other income

2009/08

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

2008/07

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

Principal transactions

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

Net premiums from insurance contracts

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

Other income

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

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Net claims and benefits incurred under insurance contracts

2009/08

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

2008/07

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

Impairment charges and other credit provisions

2009/08

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

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

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

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

Further discussion of impairments is included in the analysis of results by business on pages 29 to 50.

2008/07

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

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

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

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

Net claims and benefits incurred on insurance contracts

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

Impairment charges and other credit provisions

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

Operating expenses

2009/08

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

Administrative expenses grew 2% (£98m) to £4,889m (2008:

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

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

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

2008/07

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

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

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

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

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

Staff costs

2009/08

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

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

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

2008/07

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

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

Operating expenses

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

Staff costs

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

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Staff numbers

2009/08

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

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

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

2008/07

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

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

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

Staff numbers

As at 31st December

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

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Share of post-tax results of associates and joint ventures

2009/08

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

2008/07

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

Profit on disposal of subsidiaries, associates and joint ventures

2009/08

The profit on disposal of £188m (2008: £327m) is largely attributable to the sale of 50% of Barclays Vida y Pensiones Compañía de Seguros

(£157m), and the 7% sale of GRCB Emerging Markets Botswana business (£24m).

2008/07

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

Gains on acquisitions

2009/08

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

2008/07

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

Share of post-tax results of associates and joint ventures

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

Profit on disposal of subsidiaries, associates and joint ventures

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

Gains on acquisitions

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

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Tax

2009/08

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

2008/07

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

Discontinued operations

Profit after tax from discontinued operations 2009/08

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

2008/07

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

Tax

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

Discontinued operations

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

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Five-year consolidated summary income statement

For the year ended 31st December

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

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

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Consolidated summary balance sheet

As at 31st December

	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Assets					
Cash and other short-term funds	**83,076**	31,714	7,637	9,753	5,807
Trading portfolio and financial assets designated at fair value	**193,912**	306,836	341,171	292,464	251,820
Derivative financial instruments	**416,815**	984,802	248,088	138,353	136,823
Loans and advances to banks	**41,135**	47,707	40,120	30,926	31,105
Loans and advances to customers	**420,224**	461,815	345,398	282,300	268,896
Available for sale financial investments	**56,483**	64,976	43,072	51,703	53,497
Reverse repurchase agreements and cash collateral on securities borrowed	**143,431**	130,354	183,075	174,090	160,398
Other assets	**23,853**	24,776	18,800	17,198	16,011
Total assets	**1,378,929**	2,052,980	1,227,361	996,787	924,357
Liabilities					
Deposits and items in the course of collection due to banks	**77,912**	116,545	92,338	81,783	77,468
Customer accounts	**322,429**	335,505	294,987	256,754	238,684
Trading portfolio and financial liabilities designated at fair value	**137,454**	136,366	139,891	125,861	104,949
Liabilities to customers under investment contracts	**1,679**	69,183	92,639	84,637	85,201
Derivative financial instruments	**403,416**	968,072	248,288	140,697	137,971
Debt securities in issue	**135,902**	149,567	120,228	111,137	103,328
Repurchase agreements and cash collateral on securities lent	**198,781**	182,285	169,429	136,956	121,178
Insurance contract liabilities, including unit-linked liabilities	**2,140**	2,152	3,903	3,878	3,767
Subordinated liabilities	**25,816**	29,842	18,150	13,786	12,463
Other liabilities	**14,922**	16,052	15,032	13,908	14,918
Total liabilities	**1,320,451**	2,005,569	1,194,885	969,397	899,927
Shareholders equity					
Shareholders equity excluding non-controlling interests	**47,277**	36,618	23,291	19,799	17,426
Non-controlling interests	**11,201**	10,793	9,185	7,591	7,004
Total shareholders equity	**58,478**	47,411	32,476	27,390	24,430
Total liabilities and shareholders equity	**1,378,929**	2,052,980	1,227,361	996,787	924,357
Risk weighted assets and capital ratios [a]					
Risk weighted assets	**382,653**	433,302	353,878	297,833	269,148
Tier 1 ratio	**13.0%**	8.6%	7.6%	7.7%	7.0%
Risk asset ratio	**16.6%**	13.6%	11.2%	11.7%	11.3%
Selected financial statistics					
Net asset value per ordinary share	**414p**	437p	353p	303p	269p
Number of ordinary shares of Barclays PLC (in millions)	**11,412**	8,372	6,601	6,535	6,490
Year-end United States Dollar exchange rate used in preparing the accounts	**1.62**	1.46	2.00	1.96	1.72
Year-end Euro exchange rate used in preparing the accounts	**1.12**	1.04	1.36	1.49	1.46
Year-end Rand exchange rate used in preparing the accounts	**11.97**	13.74	13.64	13.71	10.87

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

Note

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

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Shareholders equity

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

Balance sheet

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

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

Capital management

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

Liquidity

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

Foreign currency translation

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

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

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

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Total assets and risk weighted assets by business

2009/08

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

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

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

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

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

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

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

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

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

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

Total assets by business

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

Risk weighted assets by business under Basel II

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

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2008/07

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

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

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

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

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

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

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

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

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

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

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

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

Adjusted gross leverage

2009/08

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

Adjusted total tangible assets are total assets less derivative counterparty netting, assets under management on the balance sheet, settlement balances, goodwill and tangible assets. Tier 1 capital is defined by the UK FSA. Adjusted gross leverage is a non-IFRS measure. However, Barclays management believes that this measure provides valuable information to readers of Barclays financial statements as a key measure of stability, which is consistent with the views of regulators and investors. However, this measure is not a substitute for IFRS measures and readers should consider IFRS measures as well.

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

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

Adjusted gross leverage

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

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Financial review

Balance sheet commentary

continued

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

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

2008/07

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

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

Total shareholders equity

2009/08

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

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

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

Movements in other reserves, except the capital redemption reserve and

other capital reserve, reflect the relevant amounts recorded in the consolidated statement of comprehensive income on page 179.

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

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

2008/07

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

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

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

Movements in other reserves, except the capital redemption reserve and other capital reserve, reflect the relevant amounts recorded in the consolidated statement of comprehensive income on page 179.

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

Barclays Bank PLC

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

Total shareholders equity

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

Total shareholders equity

	2009	2007

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

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Capital management

Capital resources

2009/08

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

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

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

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

2008/07

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

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

	2009	2008	2007

Capital ratios under Basel II

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

Note

a Incremental Default Risk Charge.

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Financial review

Capital management

continued

Capital resources continued

Total net capital resources under Basel II

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

Revaluation reserves	**26**	**26**	26	26	26	26
Available for sale reserve equity	**309**	**335**	122	122	295	295
Collectively assessed impairment allowances	**2,443**	**2,443**	1,654	1,654	440	440
Tier 2 non-controlling interests	**547**	**547**	607	607	442	442
Qualifying subordinated liabilities [f]						
Undated loan capital	**1,350**	**1,350**	6,745	6,768	3,191	3,191
Dated loan capital	**15,657**	**15,658**	14,215	14,215	10,578	10,578
Less: Net excess of expected loss over impairment at 50%	**(25)**	**(25)**	(158)	(158)	(743)	(743)
Less: Securitisation positions at 50%	**(2,799)**	**(2,799)**	(704)	(704)	(335)	(335)
Less: Material holdings in financial companies at 50%	**(2,805)**	**(2,915)**	(174)	(174)	(28)	(28)
Total qualifying Tier 2 capital	**14,703**	**14,620**	22,333	22,356	13,866	13,866
Less: Other regulatory deductions	**(880)**	**(880)**	(856)	(964)	(826)	(826)
Total net capital resources	**63,460**	**63,462**	58,727	58,493	39,783	38,909

Notes

a For Barclays Bank PLC this balance represents Shareholders equity excluding non-controlling interests.

b Adjusted for the scope of regulatory consolidation.

c Preference shares are included in the balance sheet under non-controlling interests for Barclays PLC and shareholders equity for Barclays Bank PLC.

d Reserve Capital Instruments comprise instruments that are both debt and equity accounted and are included in the balance sheet under subordinated liabilities and non-controlling interests for Barclays PLC and subordinated liabilities and shareholders equity for Barclays Bank PLC.

e Tier 1 Notes are included in the balance sheet under subordinated liabilities.

f Qualifying subordinated liabilities include excess innovative Tier 1 instruments and are subject to limits laid down in the regulatory requirements.

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Financial review

Additional financial disclosure

Deposits and short-term borrowings

Deposits

Deposits include deposits from banks and customers accounts.

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

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

	Year ended 31st December		
	2009	2008	2007
	£m	£m	£m

Customer accounts	**322,429**	335,505	294,987
In offices in the United Kingdom:			
Current and Demand accounts interest free	**45,160**	41,351	33,400
Current and Demand accounts interest bearing	**24,066**	20,898	32,047
Savings accounts	**71,238**	68,335	70,682
Other time deposits retail	**29,678**	33,785	36,123
Other time deposits wholesale	**52,891**	74,417	65,726
Total repayable in offices in the United Kingdom	**223,033**	238,786	237,978
In offices outside the United Kingdom:			
Current and Demand accounts interest free	**7,308**	4,803	2,990
Current and Demand accounts interest bearing	**24,176**	15,463	11,570
Savings accounts	**9,950**	7,673	3,917
Other time deposits	**57,962**	68,780	38,532
Total repayable in offices outside the United Kingdom	**99,396**	96,719	57,009

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

Note

a Calculated using month-end balances.

Short-term borrowings

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

Deposits from banks

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

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

Commercial paper

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

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

Negotiable certificates of deposit

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

	2009	2008	2007
	£m	£m	£m
Year-end balance	**44,681**	61,332	58,401
Average balance [a]	**54,960**	55,122	55,394
Maximum balance	**64,054**	67,715	62,436
Average interest rate during year	**2.3%**	4.4%	5.1%
Year-end interest rate	**2.2%**	4.1%	5.0%

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Financial review

Additional financial disclosure

continued

Commitments and contractual obligations

Commercial commitments include guarantees, contingent liabilities and standby facilities.

Commercial commitments

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

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

Contractual obligations

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

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

Note

a Securities lending arrangements are fully collateralised, and are not expected to result in an outflow of funds from the Group, see Note 34 on page 220 for further details.

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Securities

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

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

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

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

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

Government securities

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

Maturities and yield of available for sale debt securities

	Maturing within one year		Maturing after one but within five years		Maturing after five but within ten years		Maturing after ten years		Total	
	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %
Government	971	5.3	6,647	2.5	2,147	1.8	1,270	1.2	11,035	2.5
Other public bodies and US Agencies	14	3.6	148	2.4	3,279	4.1	15	4.8	3,456	4.1
Other issuers	14,727	2.7	12,983	1.4	1,075	3.0	612	3.4	29,397	2.3
Total book value	15,712	2.9	19,778	1.8	6,501	3.2	1,897	1.9	43,888	2.5

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2009 by the fair value of securities held at that date.

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Average balance sheet

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

	2009			2008			2007		
	Average balance [a] £m	Interest £m	Average rate %	Average balance [a] £m	Interest £m	Average rate %	Average balance [a] £m	Interest £m	Average rate %
Assets									
Loans and advances to banks [b]:									
in offices in the United Kingdom	41,912	483	1.2	38,913	1,453	3.7	29,431	1,074	3.6
in offices outside the United Kingdom	35,073	271	0.8	14,379	419	2.9	12,262	779	6.4
Loans and advances to customers [b]:									
in offices in the United Kingdom	264,687	9,405	3.6	249,081	13,714	5.5	205,707	13,027	6.3
in offices outside the United Kingdom	135,936	8,869	6.5	116,284	9,208	7.9	88,212	6,733	7.6
Lease receivables:									
in offices in the United Kingdom	4,316	174	4.0	4,827	281	5.8	4,822	283	5.9
in offices outside the United Kingdom	7,406	732	9.9	6,543	752	11.5	5,861	691	11.8
Financial investments:									
in offices in the United Kingdom	46,702	1,525	3.3	35,844	1,654	4.6	37,803	2,039	5.4
in offices outside the United Kingdom	13,590	485	3.6	10,450	697	6.7	14,750	452	3.1
Reverse repurchase agreements and cash collateral on securities borrowed:									
in offices in the United Kingdom	163,139	1,770	1.1	207,521	8,768	4.2	211,709	9,644	4.6
in offices outside the United Kingdom	145,606	665	0.5	128,250	4,450	3.5	109,012	5,454	5.0
Trading portfolio assets:									
in offices in the United Kingdom	96,421	3,262	3.4	107,626	4,948	4.6	120,691	5,926	4.9
in offices outside the United Kingdom	103,789	3,228	3.1	128,287	5,577	4.3	57,535	3,489	6.1
Financial assets designated at fair value:									
in offices in the United Kingdom	18,881	822	4.4	20,299	1,325	6.5	19,154	849	4.4
in offices outside the United Kingdom	13,552	315	2.3	8,690	426	4.9	11,298	713	6.3
Total average interest earning assets	1,091,010	32,006	2.9	1,076,994	53,672	5.0	928,247	51,153	5.5
Impairment allowances/provisions	(8,705)			(5,749)			(4,435)		
Non-interest earning assets	782,378			682,867			392,382		
Total average assets and interest income	1,864,683	32,006	1.7	1,754,112	53,672	3.1	1,316,194	51,153	3.9
Percentage of total average interest earning assets in offices outside the United Kingdom	41.7%			38.3%			32.2%		
Total average interest earning assets related to:									
Interest income [c]		32,006	2.9		53,672	5.0		51,153	5.5

Interest expense [c]	**(20,713)**	**1.9**	(39,820)	3.8	(39,201)	4.6
	11,293	**1.0**	13,852	1.2	11,952	0.9

Notes

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

b Loans and advances to banks and customers include all doubtful lendings, including non- accrual lendings. Interest receivable on such lendings has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Group.

c In addition to interest income and interest expense shown on the income statement on page 178, interest income and interest expense above includes interest related to principal transactions and available for sale assets and liabilities.

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

	2009			2008			2007		
	Average balance [a] £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	66,394	805	1.2	70,272	2,780	4.0	63,902	2,511	3.9
in offices outside the United Kingdom	31,091	295	0.9	32,172	956	3.0	27,596	1,225	4.4
Customer accounts:									
demand deposits:									
in offices in the United Kingdom	20,989	374	1.8	24,333	910	3.7	29,110	858	2.9
in offices outside the United Kingdom	23,774	876	3.7	14,902	572	3.8	13,799	404	2.9
Customer accounts:									
savings deposits:									
in offices in the United Kingdom	71,818	388	0.5	71,062	2,143	3.0	55,064	2,048	3.7
in offices outside the United Kingdom	8,563	326	3.8	7,033	413	5.9	4,848	128	2.6
Customer accounts:									
other time deposits retail:									
in offices in the United Kingdom	30,233	647	2.1	32,283	1,523	4.7	30,578	1,601	5.2
in offices outside the United Kingdom	28,612	1,728	6.0	20,055	1,350	6.7	12,425	724	5.8
Customer accounts:									
other time deposits wholesale:									
in offices in the United Kingdom	54,459	1,140	2.1	60,574	2,362	3.9	52,147	2,482	4.8
in offices outside the United Kingdom	20,595	988	4.8	31,300	2,094	6.7	24,298	1,661	6.8
Debt securities in issue:									
in offices in the United Kingdom	75,950	2,186	2.9	41,014	1,920	4.7	41,552	2,053	4.9
in offices outside the United Kingdom	81,077	2,278	2.8	80,768	3,734	4.6	94,271	5,055	5.4
Dated and undated loan capital and other subordinated liabilities principally:									
in offices in the United Kingdom	26,379	1,889	7.2	22,912	1,435	6.3	12,972	763	5.9
Repurchase agreements and cash collateral on securities lent:									
in offices in the United Kingdom	169,824	1,300	0.8	203,967	8,445	4.1	169,272	7,616	4.5
in offices outside the United Kingdom	215,714	849	0.4	177,883	2,800	1.6	118,050	5,051	4.3
Trading portfolio liabilities:									
in offices in the United Kingdom	55,704	2,193	3.9	56,675	2,657	4.7	47,971	2,277	4.7
in offices outside the United Kingdom	36,812	999	2.7	62,239	2,087	3.4	29,838	1,435	4.8
Financial liabilities designated at fair value:									
in offices in the United Kingdom	32,573	1,223	3.8	32,311	1,062	3.3	16,337	1,068	6.5
in offices outside the United Kingdom	18,484	229	1.2	14,237	577	4.1	9,190	241	2.6
Total average interest bearing liabilities	1,069,045	20,713	1.9	1,055,992	39,820	3.8	853,220	39,201	4.6
Interest free customer deposits:									
in offices in the United Kingdom	43,897			40,439			34,109		
in offices outside the United Kingdom	4,816			3,089			3,092		
Other non-interest bearing liabilities	696,478			617,910			395,946		
Non-controlling and other interests and shareholders equity	50,447			36,682			29,827		

Total average liabilities, shareholders equity and interest expense	**1,864,683**	**20,713**	**1.1**	1,754,112	39,820	2.3	1,316,194	39,201	3.0
Percentage of total average interest bearing non-capital liabilities in offices outside the United Kingdom	**43.5%**			41.7%			39.2%		

Note

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

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Changes in net interest income volume and rate analysis

The following tables allocate changes in net interest income between changes in volume and changes in interest rates for the last two years. Volume and rate variances have been calculated on the movement in

the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Where variances have arisen from changes in both volumes and interest rates, these have been allocated proportionately between the two.

	2009/2008 Change due to increase/ (decrease) in:			2008/2007 Change due to increase/ (decrease) in:			2007/2006 Change due to increase/ (decrease) in:		
	Total change £m	**Volume £m**	**Rate £m**	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
Interest receivable									
Loans and advances to banks:									
in offices in the UK	**(970)**	**104**	**(1,074)**	379	354	25	427	402	25
in offices outside the UK	**(148)**	**310**	**(458)**	(360)	117	(477)	291	(1)	292
	(1,118)	**414**	**(1,532)**	19	471	(452)	718	401	317
Loans and advances to customers:									
in offices in the UK	**(4,309)**	**814**	**(5,123)**	687	2,525	(1,838)	1,780	1,337	443
in offices outside the UK	**(339)**	**1,422**	**(1,761)**	2,475	2,214	261	1,802	728	1,074
	(4,648)	**2,236**	**(6,884)**	3,162	4,739	(1,577)	3,582	2,065	1,517
Lease receivables:									
in offices in the UK	**(107)**	**(27)**	**(80)**	(2)		(2)	(17)	(26)	9
in offices outside the UK	**(20)**	**92**	**(112)**	61	79	(18)	96	(30)	126
	(127)	**65**	**(192)**	59	79	(20)	79	(56)	135
Financial investments:									
in offices in the UK	**(129)**	**426**	**(555)**	(385)	(102)	(283)	103	(165)	268
in offices outside the UK	**(212)**	**171**	**(383)**	245	(163)	408	(378)	32	(410)
	(341)	**597**	**(938)**	(140)	(265)	125	(275)	(133)	(142)

Reverse repurchase agreements and cash collateral on securities borrowed:									
in offices in the UK	**(6,998)**	**(1,564)**	**(5,434)**	(876)	(188)	(688)	3,508	1,865	1,643
in offices outside the UK	**(3,785)**	**532**	**(4,317)**	(1,004)	855	(1,859)	414	430	(16)
	(10,783)	**(1,032)**	**(9,751)**	(1,880)	667	(2,547)	3,922	2,295	1,627
Trading portfolio assets:									
in offices in the UK	**(1,686)**	**(477)**	**(1,209)**	(978)	(616)	(362)	1,760	621	1,139
in offices outside the UK	**(2,349)**	**(943)**	**(1,406)**	2,088	3,303	(1,215)	881	(172)	1,053
	(4,035)	**(1,420)**	**(2,615)**	1,110	2,687	(1,577)	2,641	449	2,192
Financial assets designated at fair value:									
in offices in the UK	**(503)**	**(87)**	**(416)**	476	53	423	479	534	(55)
in offices outside the UK	**(111)**	**174**	**(285)**	(287)	(146)	(141)	478	357	121
	(614)	**87**	**(701)**	189	(93)	282	957	891	66
Total interest receivable:									
in offices in the UK	**(14,702)**	**(811)**	**(13,891)**	(699)	2,026	(2,725)	8,040	4,568	3,472
in offices outside the UK	**(6,964)**	**1,758**	**(8,722)**	3,218	6,259	(3,041)	3,584	1,344	2,240
	(21,666)	**947**	**(22,613)**	2,519	8,285	(5,766)	11,624	5,912	5,712

Changes in net interest income volume and rate analysis

	2009/2008 Change due to increase/ (decrease) in:			2008/2007 Change due to increase/ (decrease) in:			2007/2006 Change due to increase/ (decrease) in:		
	Total change £m	**Volume £m**	**Rate £m**	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
Interest payable									
Deposits by banks:									
in offices in the UK	**(1,975)**	**(146)**	**(1,829)**	269	252	17	47	66	(19)
in offices outside the UK	**(661)**	**(31)**	**(630)**	(269)	181	(450)	88	190	(102)
	(2,636)	**(177)**	**(2,459)**		433	(433)	135	256	(121)
Customer accounts demand deposits:									
in offices in the UK	**(536)**	**(111)**	**(425)**	52	(155)	207	178	105	73
in offices outside the UK	**304**	**327**	**(23)**	168	34	134	150	95	55
	(232)	**216**	**(448)**	220	(121)	341	328	200	128
Customer accounts savings deposits:									
in offices in the UK	**(1,755)**	**23**	**(1,778)**	95	527	(432)	357	(81)	438
in offices outside the UK	**(87)**	**77**	**(164)**	285	77	208	54	45	9
	(1,842)	**100**	**(1,942)**	380	604	(224)	411	(36)	447
Customer accounts other time deposits retail:									
in offices in the UK	**(876)**	**(91)**	**(785)**	(78)	86	(164)	53	(204)	257
in offices outside the UK	**378**	**529**	**(151)**	626	500	126	242	200	42
	(498)	**438**	**(936)**	548	586	(38)	295	(4)	299
Customer accounts other time deposits wholesale:									
in offices in the UK	**(1,222)**	**(219)**	**(1,003)**	(120)	367	(487)	688	263	425
in offices outside the UK	**(1,106)**	**(605)**	**(501)**	433	469	(36)	470	45	425
	(2,328)	**(824)**	**(1,504)**	313	836	(523)	1,158	308	850
Debt securities in issue:									
in offices in the UK	**266**	**1,202**	**(936)**	(133)	(26)	(107)	203	(240)	443
in offices outside the UK	**(1,456)**	**14**	**(1,470)**	(1,321)	(673)	(648)	1,369	1,063	306
	(1,190)	**1,216**	**(2,406)**	(1,454)	(699)	(755)	1,572	823	749
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	**454**	**233**	**221**	672	620	52	(14)	(41)	27
Repurchase agreements and cash collateral on securities lent:									
in offices in the UK	**(7,145)**	**(1,217)**	**(5,928)**	829	1,471	(642)	2,536	1,090	1,446
in offices outside the UK	**(1,951)**	**497**	**(2,448)**	(2,251)	1,840	(4,091)	740	1,402	(662)
	(9,096)	**(720)**	**(8,376)**	(1,422)	3,311	(4,733)	3,276	2,492	784
Trading portfolio liabilities:									
in offices in the UK	**(464)**	**(45)**	**(419)**	380	408	(28)	263	(80)	343
in offices outside the UK	**(1,088)**	**(742)**	**(346)**	652	1,189	(537)	83	(366)	449
	(1,552)	**(787)**	**(765)**	1,032	1,597	(565)	346	(446)	792
Financial liabilities designated at fair value:									
in offices in the UK	**161**	**8**	**153**	(6)	700	(706)	571	82	489
in offices outside the UK	**(348)**	**137**	**(485)**	336	168	168	29	29	
	(187)	**145**	**(332)**	330	868	(538)	600	111	489

Total interest payable:									
in offices in the UK	**(13,092)**	**(363)**	**(12,729)**	1,960	4,250	(2,290)	4,882	960	3,922
in offices outside the UK	**(6,015)**	**203**	**(6,218)**	(1,341)	3785	(5,126)	3,225	2,703	522
	(19,107)	**(160)**	**(18,947)**	619	8,035	(7,416)	8,107	3,663	4,444
Movement in net interest income									
Increase/(decrease) in interest receivable	**(21,666)**	**947**	**(22,613)**	2,519	8,285	(5,766)	11,624	5,912	5,712
(Increase)/decrease in interest payable	**19,107**	**160**	**18,947**	(619)	(8,035)	7,416	(8,107)	(3,663)	(4,444)
	(2,559)	**1,107**	**(3,666)**	1,900	250	1,650	3,517	2,249	1,268

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Critical accounting estimates

The Group s accounting policies are set out on pages 167 to 177. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the Group s financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates which are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the Board Audit Committee.

Fair value of financial instruments

Some of the Group s financial instruments are carried at fair value through profit or loss, such as those held for trading, designated by management under the fair value option and non-cash flow hedging derivatives.

Other non-derivative financial assets may be designated as available for sale. Available for sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of equity. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Where a valuation model is used to determine fair value, it makes maximum use of market inputs. The classification of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

Financial instruments with a fair value based on quoted market prices (Level 1) include valuations which are determined by unadjusted quoted prices for identical instruments in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm s length basis.

Financial instruments with a fair value based on observable inputs (Level 2), other than quoted market prices as described for Level 1, but which are observable for the instrument, either directly or indirectly.

Financial instruments with a fair value based on significant unobservable inputs (Level 3), include valuations which incorporate significant inputs for the instrument that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

An analysis of financial instruments carried at fair value by valuation hierarchy, particulars of the valuation techniques used and a sensitivity analysis of valuations using unobservable inputs is included in Note 50. This note also includes a discussion of the more judgemental aspects of valuation in the period, including: credit valuation adjustments on monoline exposures, commercial real estate loans, and private equity investments.

Allowances for loan impairment and other credit risk provisions

Allowances for loan impairment represent management s estimate of the losses incurred in the loan portfolios as at the balance sheet date. Changes to the allowances for loan impairment and changes to the provisions for undrawn contractually committed facilities and guarantees provided are reported in the consolidated income statement as part of the impairment charge. Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in recognition of an asset at an amount less than the amount advanced.

Within the retail and small businesses portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio

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continued

are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for these portfolios is £3,917m (2008: £2,333m) and amounts to 53% (2008: 47%) of the total impairment charge on loans and advances in 2009.

For larger accounts, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example, the business prospects for the customer, the realisable value of collateral, the Group s position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan s original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to larger accounts is £3,441m (2008: £2,580m) and amounts to 47% (2008: 53%) of the total impairment charge on loans and advances. Further information on impairment allowances is set out in Note 7 on page 188.

Goodwill

Management have to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the process requires the identification of independent cash generating units and the allocation of goodwill to these units. This allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. If the fair value of a unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out taking into consideration changes in the market in

which a business operates (e.g. competitive activity, regulatory change). In the absence of readily available market price data this calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management s view of future performance. The most significant amounts of goodwill relate to UK Retail Banking and GRCB Absa, where goodwill impairment testing performed in 2009 indicated that this goodwill was not impaired. An analysis of goodwill by cluster, together with key assumptions underlying the impairment testing, is included in Note 21 on page 199.

Intangible assets

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold and have a finite useful life are amortised over their estimated useful life. Determining the estimated useful life of these finite life intangible assets requires an analysis of circumstances, and judgement by the Group s management. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset s or the cash-generating unit s net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm s length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset s continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. The most significant amounts of intangible assets relate to the GRCB Absa and Lehman Brothers North American businesses.

Retirement benefit obligations

The Group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs. For defined contribution schemes, the pension cost recognised in the profit and loss

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account represents the contributions payable to the scheme. For defined benefit schemes, actuarial valuation of each of the scheme s obligations using the projected unit credit method and the fair valuation of each of the scheme s assets are performed annually in accordance with the requirements of IAS 19.

The actuarial valuation is dependent upon a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group s own experience. The returns on fixed interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on UK and overseas equities are based on the long-term outlook for global equities at the calculation date having regard to current market yields and dividend growth expectations. The inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognised actuarial gains or losses and past service cost, is recognised as a liability in the balance sheet. An asset arising, for example, as a result of past over-funding or the performance of the plan investments, is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions. To the extent that any unrecognised gains or losses at the start of the measurement year in relation to any individual defined benefit scheme exceed 10% of the greater of the fair value of the scheme assets and the defined benefit obligation for that scheme, a proportion of the excess is recognised in the income statement.

The Group s IAS 19 pension deficit across all schemes as at 31st December 2009 was £3,946m (Note 30) (2008: £1,287m). There are net recognised liabilities of £698m (2008: £1,292m) and unrecognised actuarial losses of £3,248m (Note 30) (2008: £5m gains). The net recognised liabilities comprised retirement benefit liabilities of £769m (2008: £1,357m) and assets of £71m (2008: £65m).

The Group s IAS 19 pension deficit in respect of the main UK scheme as at 31st December 2009 was £3,534m (2008: £858m). The most significant reasons for this change were the decrease in AA corporate bond yields which resulted in a lower discount rate of 5.61% (31st December 2008: 6.75%) and an increase in the long-term inflation assumption to 3.76% (31st December 2008: 3.16%). The impact of the change in assumptions was partially offset by a one-off curtailment credit resulting from the closure of the UK final salary pension schemes to existing

members, better than expected asset performance, and contributions paid in excess of the pension expense.

Further information on retirement benefit obligations, including assumptions, is set out in Note 30 to the accounts on page 210.

Derecognition of financial assets

The Group derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired. Derecognition is also appropriate where the rights to further cash flows from the asset have been transferred to a third party and, with them, either:

(i) substantially all the risks and rewards of the asset; or

(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Where significant risks and rewards have been transferred, but the transferee does not have the unconditional ability to sell or pledge the asset, the Group continues to account for the asset to the extent of its continuing involvement (continuing involvement accounting).

To assess the extent to which risks and rewards have been transferred, it is often necessary to perform a quantitative analysis. Such an analysis will compare the Group s exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature typically involves significant judgement. In particular, it is necessary to estimate the asset s expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity or prepayment rates.

Where neither derecognition nor continuing involvement accounting is appropriate, the Group continues to recognise the asset in its entirety and recognises any consideration received as a financial liability.

Taxation

The tax charge in the accounts for amounts due to fiscal authorities in the various territories in which the Group operates includes estimates based on judgement of the application of law and practice to quantify any liability arising after taking into account external advice where appropriate.

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Barclays Overview

Listed in London and New York, Barclays is a major global and financial service provider engaged in retail and commercial banking, credit cards, investment banking, wealth management 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 moves, lend and invests money for 48 million customer and client worldwide. The following section analyses the Group s performance by business.

For management reporting purposes during 2009, Barclays was organised into the following business groupings:

Global Retail and Commercial Banking

UK Retail Banking

Barclays Commercial Bank

Barclaycard

GRCB Western Europe

GRCB Emerging Markets

GRCB Absa

Investment Banking and Investment Management

Barclays Capital

Barclays Global Investors

Barclays Wealth

Head Office Functions and Other Operations

UK Retail Banking

UK Retail Banking comprises Personal Customers, Home Finance, Local Business, Consumer Lending and Barclays Financial Planning. This cluster of businesses aims to build broader and deeper relationships with its Personal and Local Business customers through providing a wide range of products and financial services. Personal Customers and Home Finance provide access to current account and savings products, Woolwich branded mortgages and general insurance.

Consumer Lending provides unsecured loan and protection products and Barclays Financial Planning provides investment advice and products. Local Business provides banking services, including money transmission, to small businesses.

Barclays Commercial Bank

Barclays Commercial Bank provides banking services to organisations with an annual turnover of more than £1m. Customers are served via a network of relationship and industry sector specialists, which provides solutions constructed from a comprehensive suite of banking products, support, expertise and services, including specialist asset financing and leasing facilities. Customers are also offered access to the products and expertise of other businesses in the Group, particularly Barclays Capital, Barclaycard and Barclays Wealth.

Barclaycard

Barclaycard is a multi-brand credit card and consumer lending business which also processes card payments for retailers and merchants and issues credit and charge cards to corporate customers and the UK Government. It is one of Europe s leading credit card businesses and has an increasing presence in the United States and South Africa.

In the UK, Barclaycard comprises Barclaycard UK Cards, Barclaycard Partnerships, Barclays Partner Finance and FirstPlus.

Outside the UK, Barclaycard provides credit cards in the United States, Germany, South Africa (through management of the Absa credit card portfolio) and in the Scandinavian region, where Barclaycard operates through Entercard, a joint venture with Swedbank.

Barclaycard works closely with other parts of the Group, including UK Retail Banking, Barclays Commercial Bank and GRCB Western Europe and GRCB Emerging Markets, to leverage their distribution capabilities.

Global Retail and Commercial Banking Western Europe

GRCB Western Europe encompasses Barclays Global Retail and Commercial Banking, as well as Barclaycard operations, in Spain, Italy, Portugal, France and Russia. GRCB Western Europe serves customers through a variety of distribution channels. GRCB Western Europe provides a variety of products including retail mortgages, current and deposit accounts, commercial lending, unsecured lending, credit cards, investments, and insurance serving the needs of Barclays retail, mass affluent, and corporate customers.

Global Retail and Commercial Banking Emerging Markets

GRCB Emerging Markets serves retail and commercial banking customers in Botswana, Egypt, Ghana, India, Kenya, Mauritius, Pakistan, Seychelles, Tanzania, Uganda, the UAE, Zambia, Indonesia and Zimbabwe. Through a network of more than 683 distribution points and 1,023 ATMs, we provide 3.7 million customers and clients with a full range of products and services. This includes current accounts, savings, investments, mortgages and secured and unsecured lending.

Global Retail and Commercial Banking Absa

GRCB Absa represents Barclays consolidation of Absa, excluding Absa Capital and Absa Card and Absa Wealth which is included as part of Barclays Capital, Barclaycard and Barclays Wealth respectively. Absa Group Limited is a South African financial services organisation serving personal, commercial and corporate customers predominantly in South Africa. GRCB Absa serves retail customers through a variety of distribution channels and offers a full range of banking services, including current and deposit accounts, mortgages, instalment finance, credit cards, bancassurance products and wealth management services. It also offers customised business solutions for commercial and large corporate customers.

Barclays Capital

Barclays Capital is the investment banking division of Barclays that provides large corporate, institutional and government clients with solutions to their financing and risk management needs.

Barclays Capital services a wide variety of client needs, covering strategic advisory and M&A; equity and fixed income capital raising and corporate lending; and risk management across foreign exchange, interest rates, equities and commodities.

Activities are organised into three principal areas: Global Markets, which includes commodities, credit products, equities, foreign exchange, interest rate products; Investment Banking, which includes corporate advisory, Mergers and Acquisitions, equity and fixed-income capital raising and corporate lending; and Private Equity and Principal Investments. Barclays Capital includes Absa Capital, the investment banking business of Absa. Barclays Capital works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Barclays Global Investors

The majority of the BGI business, which was previously reported as a separate business segment, was sold on 1st December 2009 to BlackRock, Inc. and represents the Group s discontinued operations. The continuing operations of BGI disclosed in the segmental analysis represent residual obligations under the cash support arrangements and associated liquidity support charges and, from 1st December 2009, include the Group s 19.9% ongoing economic interest in BlackRock, Inc. This investment is accounted for as an available for sale equity investment, with no dividends being received during 2009.

Barclays Wealth

Barclays Wealth focuses on private and intermediary clients worldwide providing international and private banking, fiduciary services, investment management, and brokerage.

Barclays Wealth works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Head Office Functions and Other Operations

Head Office Functions and Other Operations comprises head office and central support functions, businesses in transition and inter-segment adjustments.

Head office and central support functions comprises the following areas: Executive Management, Finance, Treasury, Corporate Affairs, Human Resources, Strategy and Planning, Internal Audit, Legal, Corporate Secretariat, Property, Tax, Compliance and Risk. Costs incurred wholly on behalf of the businesses are recharged to them.

Businesses in transition principally relate to certain lending portfolios that are centrally managed with the objective of maximising recovery from the assets.

Business segment reorganisation

In November 2009 we regrouped our activities to form:

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

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

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

Barclays Corporate, as part of CIB, focuses on the high end of what we used to call Barclays Commercial, particularly financial institutions, public sector entries and corporate clients. We brought this business alongside Barclays Capital within CIB because we see significant synergy in sharing relationship management and sector expertise across the two. Realisation of the synergy is enabled by the increasing fungibility of client requirements between traditional corporate banking and investment banking product needs within our client base. This is a global opportunity with significant income growth potential for CIB in the years ahead. Our early work has only reinforced that strongly held belief.

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

For management reporting purposes these changes have taken effect from 1st January 2010 and therefore have not been reflected in the analysis provided in this document.

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Business performance Global Retail and Commercial Banking

UK Retail Banking profit before tax decreased 55% to £612m as economic conditions remained challenging. Income was down 11% reflecting the impact of deposit margin compression net of hedges, partially offset by good growth in Home Finance. Total loans and advances to customers increased £4.7bn to £99.1bn. Gross new mortgage lending was £14.2bn during 2009 and net new mortgage lending was £5.7bn. The average loan to value ratio of the mortgage book remained conservative at 43%. Impairment charges increased 55% due to the deteriorating economic environment. Operating expenses continued to be tightly controlled and decreased 3% reflecting a one-off credit from the closure of the UK final salary pension scheme offset by a year on year increase in pension costs and the non-recurrence of gains from the sale of property.

Barclays Commercial Bank profit before tax decreased 41% to £749m. Income was broadly flat on 2008 with good growth in net fees and commissions offset by lower income from principal transactions. Net interest income was broadly flat as margin compression on the deposit book was offset by higher lending and deposit volumes. New term lending extended to UK customers during 2009 was £14bn. Operating expenses were tightly controlled and fell 3% driven by a one-off credit from the closure of the UK final salary pension scheme partially offset by an increase in pensions and share-based payment costs and the non-recurrence of gains from the sale of property. Impairment charges increased to £974m reflecting the impact of the weak business environment with rising default rates and falling asset values across all business segments.

Barclaycard profit before tax decreased 4% to £761m. Income growth of 26% reflected strong growth across the businesses driven by increased lending and improved margins. Average customer assets increased 19% to £28.1bn. Impairment charges increased 64% due to the deteriorating global economic environment, although the rate of growth in the second half of the year was lower than in the first half. Impairment grew across both the international and UK businesses. Cost growth of 5% was largely

driven by appreciation of the average value of the US Dollar and the Euro against Sterling and growth in the card portfolios including acquisitions made in 2008.

Global Retail and Commercial Banking Western Europe profit before tax fell 48% to £130m. Results included Barclays Russia, which incurred a loss of £67m and reflected a gain of £157m on the sale of Barclays life insurance and pensions business in Iberia. Income grew in all countries, improving 18% as the expanded network continued to mature with customer deposits increasing £7.8bn to £23.4bn. Costs increased 16% reflecting the expansion of the Portuguese and Italian networks, the investment in Barclays Russia, restructuring charges of £24m and reduced gains from the sale of property. Impairment charges increased £370m to £667m, largely driven by losses in Spain in commercial property, construction and SME portfolios. However, delinquency trends improved throughout the second half of 2009 in both retail and commercial portfolios.

Global Retail and Commercial Banking Emerging Markets loss before tax of £254m compared to a profit of £141m in 2008. Income increased 5% with significant growth across Africa and the UAE, partially offset by lower

income in India. Impairment charges increased £306m to £471m with significant increases in India and the UAE, reflecting the impact of the economic recession across the business with continued pressure on liquidity, rising default rates and lower asset values. Operating expense growth of 24% reflected continued investment in Indonesia and Pakistan and investment in infrastructure across other markets.

Global Retail and Commercial Banking Absa profit before tax decreased 8% to £506m. Income growth of 16% was driven by solid balance sheet growth, the appreciation in the average value of the Rand against Sterling and higher fees and commissions. Operating expenses increased at a lower rate of 13% which led to an improvement in the cost:income ratio to 58% (2008: 59%). Impairment charges rose £220m to £567m as a result of higher delinquency levels in the retail portfolios reflecting high consumer indebtedness.

Analysis of results by business

	UK Retail Banking £m	Barclays Commercial Bank £m	Barclaycard £m	GRCB Western Europe £m	GRCB Emerging Markets £m	GRCB Absa £m	Barclays Capital £m	Barclays Global Investors [a] £m	Barclays Wealth £m	Head Office Functions and Other Operations £m
Net interest income	2,624	1,741	2,723	1,182	743	1,300	1,598	43	504	(507)
Net fee and commission income	1,225	926	1,271	438	232	943	3,001	1,757	802	(418)
Principal transactions		(26)	22	123	68	123	7,021	98	20	(325)
Net premiums from insurance contracts	198		44	544		294	5			92
Other income	6	112	2	8	2	60		5	7	1,186
Total income	4,053	2,753	4,062	2,295	1,045	2,720	11,625	1,903	1,333	28
Net claims and benefits incurred on insurance contracts	(68)		(20)	(572)		(171)				
Total income, net of insurance claims	3,985	2,753	4,042	1,723	1,045	2,549	11,625	1,903	1,333	28
Impairment charges and other credit provisions	(936)	(974)	(1,798)	(667)	(471)	(567)	(2,591)		(51)	(16)
Net income	3,049	1,779	2,244	1,056	574	1,982	9,034	1,903	1,282	12
Operating expenses	(2,440)	(1,030)	(1,494)	(1,113)	(852)	(1,469)	(6,592)	(1,154)	(1,138)	(570)
Share of post-tax results of associates and joint ventures	3		8	4		(4)	22			1
Profit on disposal of subsidiaries, associates and joint ventures			3	157	24	(3)		(1)	1	7
Profit on disposal of discontinued operations								6,331		
Gain on acquisitions				26						
Profit before tax	612	749	761	130	(254)	506	2,464	7,079	145	(550)
As at 31st December 2009										
Total assets	105,228	75,547	30,220	64,185	11,874	45,824	1,019,120	5,406	15,095	6,430
Total liabilities	102,934	68,108	5,543	48,049	9,836	25,769	951,192	416	41,648	66,848

Business performance **Investment Banking and Investment Management**

Barclays Capital profit before tax increased 89% to £2,464m as a result of very strong performances in the UK, Europe and the US, partially offset by a charge of £1,820m relating to own credit (2008: £1,663m gain). Top-line income increased 81% to £17.9bn reflecting excellent results across the client franchise and a resilient fourth quarter with top-line income of £3.6bn. Fixed Income, Currency and Commodities (FICC) was up £5.6bn to £13.0bn following the expansion of the business and increased client flows. Top-line income in Equities and Prime Services increased 147% and Investment Banking income more than doubled. Total credit market exposures were reduced by £14.1bn to £27.6bn. In addition £5.1bn of credit market assets (and £2.4bn of other assets) were sold to Protium Finance LP. Operating expenses were 75% higher than 2008 given the substantial increase in the overall scale of the business. The cost:income ratio improved to 57% (2008: 72%). Compensation expenses as a proportion of income reduced 38%, down from 44% in 2008. Total assets reduced 37% driven by initiatives to reduce derivative balances.

On 1st December 2009 Barclays completed the sale of Barclays Global Investors to BlackRock. Included in the consideration were 37.567 million new BlackRock shares giving Barclays an economic interest of 19.9% of the enlarged BlackRock group. The profit on disposal before tax was £6,331m. Profit before tax, excluding the profit on disposal, increased 26% to £748m (2008: £595m) following a recovery on liquidity support charges and an 18% appreciation in the average value of the US Dollar against Sterling.

Barclays Wealth profit before tax reduced 78% to £145m principally as a result of the impact of the sale of the closed life business in 2008 and the cost of the integration of Barclays Wealth Americas during 2009. Income was in line with 2008. Excluding the impact of these transactions there was solid growth in income due to growth in the client franchise and the product offering. Operating expenses grew by 22%, reflecting the integration of the US business, partially offset by the disposal of the closed life business. Total client assets increased by 4% (£6bn) to £151bn.

Note

a Continuing and discontinued operations including profit on disposal. For a break-down of the continuing operations and discontinued operations in respect of BGI, including a reconciliation of the results of the continuing operations to the results of the total BGI result shown above, see page 46.

Financial review

Analysis of results by business

continued

Global Retail and Commercial Banking

UK Retail Banking

UK Retail Banking comprises Personal Customers, Home Finance, Local Business, Consumer Lending and Barclays Financial Planning. We have one of the largest branch networks in the UK with around 1,700 branches and an extensive network of cash machines.

What we do

We are transforming Barclays to be the best bank in the UK by designing innovative, simple and transparent propositions, streamlining operating platforms and further leveraging Barclays Group capabilities.

Our cluster of businesses aims to build broader and deeper relationships with customers. Personal Customers and Home Finance provide a wide range of products and services to retail customers, including current accounts, savings and investment products, mortgages branded Woolwich and general insurance. Barclays Financial Planning provides banking, investment products and advice to affluent customers.

Local Business provides banking services to small businesses. UK Retail Banking is also a gateway to more specialised services from other parts of Barclays such as Barclays Stockbrokers.

Our business serves 15 million UK customers.

Performance

2009/08

In the continued challenging economic environment, UK Retail Banking profit before tax decreased 55% (£757m) to £612m (2008: £1,369m), impacted by low interest rates resulting in margin compression on the deposit book and increased impairment charges which together more than offset well controlled costs and an improved assets margin.

The number of Savings Accounts increased 10% to 13.2 million (31st December 2008: 12.0 million) and Mortgage Accounts increased 18,000 to 834,000 (31st December 2008: 816,000). Local Business customer numbers increased 26,000 to 686,000 (31st December 2008: 660,000) with gross new lending of £1,047m. Total loans and advances to customers increased £4.7bn to £99.1bn (31st December 2008: £94.4bn).

Income decreased 11% (£497m) to £3,985m (2008: £4,482m) reflecting the impact of margin compression, which more than offset good income growth in Home Finance.

Net interest income decreased 12% (£372m) to £2,624m (2008: £2,996m) driven by margin compression of £755m on liabilities after taking into account gains on product hedges implemented to protect income on current accounts and managed rate deposits. This was partially offset by increases in asset driven net interest income. Total average customer deposit balances increased 4% to £89.0bn (2008: £85.9bn), reflecting good growth in Personal Customer Current Account balances.

Average mortgage balances grew 10%, reflecting strongly positive net lending. Mortgage balances were £87.9bn at the end of the period (31st December 2008: £82.3bn), a market share of 7% (2008: 7%). Gross advances reduced to £14.2bn (2008: £22.9bn) reflecting a continued conservative approach to lending, with redemptions of £8.5bn (2008: £10.4bn). Net new mortgage lending was £5.7bn (2008: £12.5bn). The average loan to value ratio of the mortgage book (including buy-to-let) on a current valuation basis was 43% (2008: 40%). The average loan to value ratio of new mortgage lending was 48% (2008: 47%).

Net fee and commission income decreased 6% (£74m) to £1,225m (2008: £1,299m) reflecting changing customer usage together with lower mortgage application and redemption fees. Overall sales productivity resulted in fee income growth in investments.

Total impairment charges represented 0.93% (2008: 0.63%) of total gross loans and advances to customers and banks. Impairment charges increased 55% (£334m) to £936m (2008: £602m), reflecting lower expectations for recoveries in line with the current economic environment. Impairment charges within Consumer Lending increased 56% to £573m (2008: £368m) with impairment charges increasing 75% to £183m (2008: £105m) in Personal Customer Current Accounts. Mortgage impairment charges remained low at £26m (2008: £24m).

Operating expenses remained well controlled and decreased 3% (£79m) to £2,440m (2008: £2,519m). This reflected the receipt of a one-off credit of £175m resulting from the closure of the UK final salary pension scheme to existing members, offset by a year on year increase in pension costs of £115m and the non-recurrence of gains of £75m from the sale of property.

2008/07

UK Retail Banking profit before tax increased 7% (£94m) to £1,369m (2007: £1,275m) through solid income growth and continued good control of impairment and costs. The launch of new products and propositions supported a significant increase in customer accounts, with Current Accounts increasing 4% (0.4m) to 11.7m (2007: 11.3m), Savings Accounts increasing 8% (0.9m) to 12.0m (2007: 11.1m) and Mortgage Accounts increasing 8% (62,000) to 816,000 (2007: 754,000).

Income grew 4% (£185m) to £4,482m (2007: £4,297m) reflecting strong growth in Home Finance and solid growth in Consumer Lending and Local Business, partially offset by reduced income from Personal Customer Savings Accounts due to the impact of the reductions in the UK base rates in the second half of 2008.

Net interest income increased 5% (£138m) to £2,996m (2007: £2,858m) driven by strong growth in loans and advances. Total average customer deposit balances increased 5% to £85.9bn (2007: £81.8bn), reflecting solid growth in Personal Customer and Local Business balances. The average liabilities margin declined to 2.01% (2007: 2.15%) reflecting the reductions in UK base rates in the second half of 2008.

Mortgage balances grew 18%, driven by increased share of new lending and higher levels of balance retention. Mortgage balances were £82.3bn at the end of the period (31st December 2007: £69.8bn), a market share

of 7% (2007: 6%). Gross advances were stable at £22.9bn, with redemptions of £10.4bn (2007: £15.0bn). Net new lending was £12.5bn (2007: £8.0bn), a market share[a] of 36% (2007: 8%). The average loan to value ratio of the mortgage book (including buy-to-let) on a current valuation basis was 40% (2007: 34%). The average loan to value ratio of new mortgage lending was 47% (2007: 49%).

Net fee and commission income increased 10% (£116m) to £1,299m (2007: £1,183m) reflecting £116m settlements on overdraft fees in 2007. Excluding this, net fees and commissions were stable.

Impairment charges increased 8% (£43m) to £602m (2007: £559m), reflecting growth in customer assets of 15% and the impact of the current economic environment. Mortgage impairment charges were £24m (2007: release of £3m). Impairment charges within Consumer Lending increased 3%.

Operating expenses increased 2% (£49m) to £2,519m (2007: £2,470m) reflecting reduced gains from the sale of property of £75m (2007: £193m). Continued strong and active management of expense lines, including back-office consolidation and process efficiencies, funded increased investment in product development and distribution channels.

The cost:income ratio improved one percentage point to 56% (2007: 57%).

UK Retail Banking	**2009 £m**	2008 £m	2007 £m
Income statement information			
Net interest income	**2,624**	2,996	2,858
Net fee and commission income	**1,225**	1,299	1,183
Net premiums from insurance contracts	**198**	205	252
Other income	**6**	17	47
Total income	**4,053**	4,517	4,340
Net claims and benefits on insurance contracts	**(68)**	(35)	(43)
Total income net of insurance claims	**3,985**	4,482	4,297
Impairment charges	**(936)**	(602)	(559)

Net income	**3,049**	3,880	3,738
Operating expenses excluding amortisation of intangible assets	**(2,400)**	(2,499)	(2,461)
Amortisation of intangible assets	**(40)**	(20)	(9)
Operating expenses	**(2,440)**	(2,519)	(2,470)
Share of post-tax results of associates and joint ventures	**3**	8	7
Profit before tax	**612**	1,369	1,275
Balance sheet information			
Loans and advances to customers	**£ 99.1bn**	£ 94.4bn	£ 82.0bn
Customer accounts	**£ 92.5bn**	£ 89.6bn	£ 87.1bn
Total assets	**£ 105.2bn**	£ 101.4bn	£ 88.5bn
Risk weighted assets [b]	**£ 32.2bn**	£ 30.5bn	£ 31.5bn
Performance ratios			
Cost:income ratio	**61%**	56%	57%
Cost:net income ratio	**80%**	65%	66%

Notes

a Excludes Housing Associations.

b Risk weighted assets for 2009 and 2008 are calculated under Basel II. 2007 is calculated under Basel I.

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Global Retail and Commercial Banking

Barclays Commercial Bank

Barclays Commercial Bank is one of the UK s leading providers of banking solutions to business customers and clients with an annual turnover of more than £1m.

What we do

Barclays Commercial Bank provides banking services to customers via a network of relationship, regional, industry-sector and product speacialists across the UK.

Working closely with our clients to understand their needs, we deliver financing, risk management, trade and cash management solutions constructed from a comprehensive suite of products, expertise and services. This includes specialist asset financing and leasing facilities.

Performance

2009/08

Barclays Commercial Bank profit before tax decreased 41% (£517m) to £749m (2008: £1,266m), primarily driven by significantly higher impairment charges. Income was flat, with strong performance from net fees and commissions offset by lower principal transactions.

Income totalled £2,753m (2008: £2,745m). Net interest income fell 1% (£16m) to £1,741m (2008: £1,757m) with the benefit of increased average lending balances and higher deposit volumes offset by margin compression in the deposit book. Average lending grew 3% (£1.6bn) to £63.3bn (2008: £61.7bn) reflecting our continuing commitment to lend to viable businesses. Average customer deposits grew 3% (£1.4bn) to £49.0bn (2008: £47.6bn) benefiting from ongoing product initiatives.

Non-interest income comprised 37% of total income (2008: 36%). Net fees and commissions income increased 8% (£65m) to £926m (2008: £861m), driven by strong debt fees, trade guarantees and other fee income.

Principal transactions income decreased £48m to a loss of £26m (2008: gain of £22m) as a result of investment writedowns and fewer opportunities for equity realisation within the current market environment.

Other income grew 7% (£7m) to £112m (2008: £105m) reflecting increased income from the repurchase of securitised debt issued of £85m (2008: £24m), partially offset by lower rental income from operating leases of £21m (2008: £29m). 2008 income included a £39m gain from the restructuring of Barclays interest in a third party finance operation.

Impairment charges rose to £974m (2008: £414m), reflecting the impact of the economic recession across the business with continued pressure on corporate liquidity, rising default rates and lower asset values.

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Impairment as a percentage of period end gross loans and advances to customers and banks increased to 1.58% (2008: 0.60%).

Operating expenses fell 3% to £1,030m (2008: £1,063m), reflecting tightly managed discretionary costs and a £100m one-off credit for the closure of the UK final salary pensions scheme partially offset by an incremental increase in pension costs of £69m and the non-recurrence of property credits.

The number of customers fell 6% primarily as a result of reductions in exposures to high risk sectors within Barclays Asset and Sales Finance.

2008/07

Barclays Commercial Bank profit before tax decreased 7% (£91m) to £1,266m (2007: £1,357m) reflecting a resilient performance in challenging market conditions in 2008. The impact of growth in net fee and commission income and continued strong growth in customer lending was offset by increased impairment charges and higher operating expenses.

Income increased 7% (£181m) to £2,745m (2007: £2,564m).

Net interest income improved 1% (£10m) to £1,757m (2007: £1,747m). There was strong growth in average customer assets, particularly term loans, which increased 14% to £61.7bn (2007: £53.9bn) reflecting the continued commitment to lend to viable businesses. Average customer accounts grew 3% to £47.6bn (2007: £46.4bn).

Non-interest income increased to 36% of total income (2007: 32%) partly reflecting continued focus on cross sales and efficient balance sheet utilisation. Net fee and commission income increased 15% (£111m) to £861m (2007: £750m) due to increased income from foreign exchange, derivative sales and debt fee income.

Income from principal transactions fell to £22m (2007: £56m) due to lower equity realisations.

Other income of £105m (2007: £11m) included a £39m gain arising from the restructuring of Barclays interest in a third party finance operation. This gain was offset by a broadly similar tax charge. Other income also included £29m (2007: £7m) rental income from operating leases.

Impairment charges increased 42% (£122m) to £414m (2007: £292m) primarily reflecting higher impairment losses in Larger Business, particularly in the final quarter of 2008 as the UK corporate credit environment deteriorated. Impairment as a percentage of period-end loans and advances to customers and banks increased to 0.60% (2007: 0.45%).

Operating expenses increased 14% (£134m) to £1,063m (2007: £929m) reflecting lower gains on the sale of property of £10m (2007: £40m), investment in a new payments capability (2008: £69m, 2007: £42m), growth in the operating lease business (2008: £31m, 2007: £7m) and investment in risk and operations infrastructure, sales force capability and product specialists.

Barclays Commercial Bank	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	1,741	1,757	1,747
Net fee and commission income	926	861	750
Net trading income	25	3	9
Net investment income	(51)	19	47

Principal transactions	**(26)**	22	56
Other income	**112**	105	11
Total income	**2,753**	2,745	2,564
Impairment charges and other credit provisions	**(974)**	(414)	(292)
Net income	**1,779**	2,331	2,272
Operating expenses excluding amortisation of intangible assets	**(1,009)**	(1,048)	(924)
Amortisation of intangible assets	**(21)**	(15)	(5)
Operating expenses	**(1,030)**	(1,063)	(929)
Share of post-tax results of associates and joint ventures		(2)	
Profit on disposal of subsidiaries, associates and joint ventures			14
Profit before tax	**749**	1,266	1,357
Balance sheet information			
Loans and advances to customers	**£ 59.6bn**	£ 67.5bn	£ 63.7bn
Loans and advances to customers including those designated at fair value	**£ 72.7bn**	£ 80.5bn	£ 70.7bn
Customer accounts	**£ 62.7bn**	£ 60.6bn	£ 60.8bn
Total assets	**£ 75.5bn**	£ 84.0bn	£ 74.6bn
Risk weighted assets	**£ 60.3bn**	£ 63.1bn	£ 57.0bn
Performance ratios			
Cost: income ratio	**37%**	39%	36%
Cost: net income ratio	**58%**	46%	41%

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Global Retail and Commercial Banking

Barclaycard

Barclaycard is a multi-brand international payment services provider for consumer and business customers including credit cards and consumer lending. Our credit card was the first to be launched in the UK in 1966 and is now one of the leading credit card businesses in Europe, with a fast growing business in the United States and South Africa.

What we do

In the UK our consumer payment services include Barclaycard branded credit cards, partnership cards with leading brands and secured lending.

Barclaycard s international presence continues to grow very strongly, with international consumer customers now exceeding the number in the UK. We currently operate in Germany, the United States and South Africa. In Scandinavia, we operate through Entercard, a joint venture with Swedbank.

Our UK and international payment businesses provide payment acceptance services for 87,000 retailers and merchants, both for face to face transactions and over the internet and provides market-leading acceptance of contactless cards. The business also issues credit and charge cards to corporate customers and the UK Government, and provides sales financing at retailers and auto dealers. Barclaycard is Europe s number one issuer of Visa Commercial Cards with over 145,000 public and private sector corporate customers.

Performance

2009/08

Barclaycard profit before tax decreased 4% (£28m) to £761m (2008: £789m). Strong income growth across the portfolio driven by increased lending, improved margins and foreign exchange gains, was offset by higher impairment charges, driven by the deterioration in the global economy.

International businesses profit before tax decreased 59% to £107m (2008: £261m) driven by the US business. Strong income growth driven by higher average extended credit balances was more than offset by impairment growth, especially in the US and South African businesses, and increased operating expenses. In the UK our businesses benefited from an improvement in margins and growth in average extended balances leading

to income increasing 18% to £2,494m (2008: £2,111m). Income growth was partially offset by the growth in impairment as worsening economic conditions impacted delinquencies.

Income increased 26% (£823m) to £4,042m (2008: £3,219m) reflecting strong growth across the portfolio, especially in the international businesses through higher extended credit balances, lower funding rates and the appreciation of the average values of the US Dollar and the Euro against Sterling.

Net interest income increased 52% (£937m) to £2,723m (2008: £1,786m) driven by strong growth in international average extended credit card balances, up 52% to £7.9bn (2008: £5.2bn), and lower funding rates as margins improved.

Net fee and commission income decreased 2% (£28m) to £1,271m (2008: £1,299m) through lower volumes in FirstPlus due to the decision taken to stop writing new business in 2008 and lower volumes in the UK card portfolios partially offset by growth in the international businesses.

Principal transactions of £22m (2008: £82m) included a £20m gain from the sale of MasterCard shares (2008: £16m). Investment income in 2008 included a £64m gain from the Visa IPO.

Other income in 2008 included an £18m gain on the sale of a portfolio in the US.

Impairment charges increased £701m (64%) to £1,798m (2008: £1,097m). The rate of growth in the second half of the year was lower than that in the first half. Impairment charges in the international businesses increased £444m, driven by higher delinquencies due to deteriorating economic conditions, growth in average receivables and the appreciation of the average values of the US Dollar and the Euro against Sterling. UK portfolio charges were higher as a result of rising delinquencies due to the economic deterioration, especially in the loan portfolios, and the inclusion of Goldfish in UK Cards.

Operating expenses increased 5% (£72m) to £1,494m (2008: £1,422m), due to the appreciation in the average value of the US Dollar and the Euro against Sterling and growth in the portfolios including the acquisitions made in the UK, US and South Africa in 2008.

The purchase of Goldfish resulted in a gain on acquisition of £92m in 2008.

Note

a The number of customers at 31st December 2009 is, after a reduction of 1.5 million, due to the closure of dormant accounts.

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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.

Net fee and commission income increased 14% (£156m) to £1,299m (2007: £1,143m), driven by growth in Barclaycard International.

Income from principal transactions increased £71m to £82m (2007: £11m), reflecting a £64m gain from the Visa IPO and a £16m gain from the sale of shares in MasterCard.

Other income increased £44m to £19m (2007: £25m loss), reflecting a gain from a portfolio sale in the United States. 2007 results reflected a £27m loss on disposal of part of the Monument card portfolio.

Impairment charges increased 33% (£270m) to £1,097m (2007:

£827m), reflecting £252m growth in charges in the international businesses and £68m from the inclusion of Goldfish. These factors were partially offset by £50m lower impairment in the other UK businesses with reduced flows into delinquency and lower levels of arrears.

Operating expenses increased 30% (£329m) to £1,422m (2007: £1,093m), reflecting continued international growth and increased marketing investment. Operating expenses reflected Goldfish expenses of £140m, including restructuring costs of £64m.

The acquisition of Goldfish resulted in a gain on acquisition of £92m.

Barclaycard International maintained its strong growth momentum, delivering a 71% (£108m) increase in profit before tax to £260m (2007: £152m). Barclaycard US profit before tax was US$249m which exceeded delivery of the financial plan of US$150m set out at the time of acquisition. Strong balance sheet growth in Barclaycard US included US$1.9bn of credit card receivables acquired from FIA Card Services in August 2008, furthering the existing partnership agreement with US Airways. The acquisition of a majority stake in Woolworths Financial Services in October 2008, added 1.6 million customers to the existing Absa credit card business in South Africa. The Entercard joint venture with Swedbank continued to build presence in Norway, Sweden and Denmark.

Barclaycard

	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**2,723**	1,786	1,374
Net fee and commission income	**1,271**	1,299	1,143

Net trading income	**(1)**	2	
Net investment income	**23**	80	11
Principal transactions	**22**	82	11
Net premiums from insurance contracts	**44**	44	40
Other income	**2**	19	(25)
Total income	**4,062**	3,230	2,543
Net claims and benefits incurred on insurance contracts	**(20)**	(11)	(13)
Total income net of insurance claims	**4,042**	3,219	2,530
Impairment charges and other credit provisions	**(1,798)**	(1,097)	(827)
Net income	**2,244**	2,122	1,703
Operating expenses excluding amortisation of intangible assets	**(1,412)**	(1,361)	(1,057)
Amortisation of intangible assets	**(82)**	(61)	(36)
Operating expenses	**(1,494)**	(1,422)	(1,093)
Profit on disposal of subsidiaries, associates and joint ventures	**8**	(3)	(7)
Share of post-tax results of associates and joint ventures	**3**		
Gain on acquisition		92	
Profit before tax	**761**	789	603
Balance sheet information			
Loans and advances to customers	**£ 26.5bn**	£ 27.4bn	£ 19.7bn
Total assets	**£ 30.2bn**	£ 30.9bn	£ 22.1bn
Risk weighted assets	**£ 30.6bn**	£ 27.3bn	£ 20.2bn
Performance ratios			
Cost: income ratio	**37%**	44%	43%
Cost: net income ratio	**67%**	67%	64%

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Global Retail and Commercial Banking

Western Europe

GRCB Western Europe comprises our retail and commercial banking operations, as well as our Barclaycard businesses, in Spain, Portugal, France, Italy and Russia.

What we do

GRCB Western Europe serves approximately 2.8m retail and commercial banking customers in France, Italy, Portugal, Spain and Russia through a variety of distribution channels including 1,128 branches, 190 sales centres and 1,481 ATMs.

GRCB Western Europe provides a variety of products and services including retail mortgages, current and deposit accounts, commercial lending, unsecured lending, credit cards, investments and insurance products, serving the needs of Barclays retail, mass affluent and corporate customers.

Performance

2009/08

Global Retail and Commercial Banking Western Europe profit before tax fell 48% (£120m) to £130m (2008: £250m) against the backdrop of a very challenging macroeconomic environment across all key markets, particularly Spain. The results included a gain of £157m on the sale of Barclays Vida y Pensiones Compañía de Seguros, Barclays Iberian life insurance and pensions business, a restructuring charge of £24m largely concentrated in Spain and an operating loss before tax of £67m (2008: loss before tax of £7m) related to Barclays Russia driven by increased impairment due to the economic environment and increased expenses incurred in positioning the business for future growth. Excluding Russia, all businesses traded profitably although Spain s net profit fell significantly due to high impairment charges, particularly in the commercial property portfolio. Profit before tax was favourably

impacted by the 13% appreciation in the average value of the Euro against Sterling.

Income increased across all countries, improving 18% (£268m) to £1,723m (2008: £1,455m) driven by the appreciation of the Euro and the significant expansion in the distribution network in 2007 and 2008. The number of distribution points increased by 137 to 1,318 (31st December 2008: 1,181) reflecting further selected organic growth and development of the franchise.

Net interest income increased 35% (£307m) to £1,182m (2008: £875m). The increase was principally driven by strong growth in customer deposits of 50% to £23.4bn (2008: £15.6bn), an improvement in the customer assets margin and an increase in treasury interest income. This was partially offset by competitive pressures on liability margin compression.

Net fee and commission income increased 13% (£49m) to £438m (2008: £389m), generated from asset management and insurance product lines.

Principal transactions fell 20% (£31m) to £123m (2008: £154m), mainly due to the non-recurrence of the gains from both the Visa IPO (2008: £65m) and the sale of shares in MasterCard (2008: £17m), partially offset by profit on the sale of Government backed bonds.

Net premiums from insurance contracts increased £192m to £544m (2008: £352m) reflecting growth in the life assurance business. Net claims and benefits incurred increased correspondingly by £207m.

Impairment charges increased £370m to £667m (2008: £297m), principally due to higher impairment in Spain on the commercial property, construction and SME portfolios and, to a lesser extent, on the retail portfolio. The impairment charge for Spain increased 107% (£235m) to £455m (2008: £220m) of which £270m related to the corporate and SME portfolios.

Operating expenses increased 16% (£153m) to £1,113m (2008: £960m) due to the continued expansion of the Italian and Portuguese networks, investment in Barclays Russia, restructuring charges of £24m and reduced gains from the sale of property of £25m (2008: £55m). Underlying costs were tightly controlled.

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In September 2009, Barclays established a long-term life insurance joint venture in Spain, Portugal and Italy with CNP Assurances SA (CNP). As part of this transaction Barclays sold a 50 per cent stake in Barclays Vida y Pensiones Compañía de Seguros to CNP. The transaction gave rise to a gain of £157m. Barclays share of the results of the joint venture with CNP are reported within share of post-tax results of associates and joint ventures.

Barclays acquired the Citigroup cards business in Portugal in December 2009. This resulted in the acquisition of approximately 400,000 customers and loans and advances to customers of £550m. The transaction generated a gain on acquisition of £26m.

2008/07

GRCB Western Europe profit before tax grew 28% (£54m) to £250m (2007: £196m), despite challenging market conditions in Spain in 2008 and accelerated investment in the expansion of the franchise. Distribution points increased 383 to 1,181 (2007: 798), including 149 in Italy. Strong income growth including gains of £82m from the Visa IPO and the sale of shares in MasterCard was partially offset by increased impairment and higher operating costs. Profit before tax was favourably impacted by the 16% appreciation in the average value of the Euro against Sterling.

Income increased 55% (£518m) to £1,455m (2007: £937m), reflecting growth in both net interest income and net fee and commission income.

Net interest income increased 66% (£348m) to £875m (2007: £527m), driven by a 66% increase in customer liabilities to £15.6bn (2007: £9.4bn) and a 54% increase in customer assets to £53.9bn (2007: £35.0bn).

Net fee and commission income increased 21% (£67m) to £389m (2007: £322m). Increased fees in retail and in the life insurance businesses were offset by lower market-related investment revenue.

Principal transactions grew £48m to £154m (2007: £106m) including gains from the Visa IPO (£65m) and the sale of shares in MasterCard (£17m) which enabled GRCB Western Europe to invest in the expansion of the business.

Impairment charges increased £221m to £297m (2007: £76m). This increase was principally due to higher charges in Spanish commercial property (£82m) and deterioration of the Spanish credit card portfolio (£66m) as a consequence of the rapid slowdown in the Spanish economy.

Operating expenses increased 43% (£287m) to £960m (2007: £673m), reflecting the rapid expansion of the retail distribution network and the strengthening of the Premier segment. Operating expenses also included £55m (2007: £22m) gains from the sale of property.

Gain on acquisition of £52m (2007: £nil) arose from the purchase of the Italian residential mortgage business of Macquarie Bank Limited in November 2008.

GRCB Western Europe

	2009	2008 [a]	2007 [a]
	£m	£m	£m
Income statement information			
Net interest income	**1,182**	875	527
Net fee and commission income	**438**	389	322

Net trading income		(7)	13
Net investment income	**123**	161	93
Principal transactions	**123**	154	106
Net premiums from insurance contracts	**544**	352	145
Other income	**8**	50	7
Total income	**2,295**	1,820	1,107
Net claims and benefits incurred under insurance contracts	**(572)**	(365)	(170)
Total income net of insurance claims	**1,723**	1,455	937
Impairment charges	**(667)**	(297)	(76)
Net income	**1,056**	1,158	861
Operating expenses excluding amortisation of intangible assets	**(1,075)**	(941)	(665)
Amortisation of intangible assets	**(38)**	(19)	(8)
Operating expenses	**(1,113)**	(960)	(673)
Share of post-tax results of associates and joint ventures	**4**		
Profit on disposal of subsidiaries, associates and joint ventures	**157**		8
Gain on acquisition	**26**	52	
Profit before tax	**130**	250	196
Balance sheet information			
Loans and advances to customers	**£ 52.7bn**	£ 53.9bn	£ 35.0bn
Customer accounts	**£ 23.4bn**	£ 15.6bn	£ 9.4bn
Total assets	**£ 64.2bn**	£ 65.5bn	£ 43.7bn
Risk weighted assets	**£ 32.4bn**	£ 37.0bn	£ 25.0bn
Performance ratios			
Cost: income ratio	**65%**	66%	72%
Cost: net income ratio	**105%**	83%	78%

Note

a Figures have been restated to include Barclays Russia, which was transferred from GRCB Emerging Markets to GRCB Western Europe during 2009.

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Global Retail and Commercial Banking

Emerging Markets

GRCB Emerging Markets comprises our retail and commercial banking operations, as well as our Barclaycard businesses, in 14 countries across Africa, the Middle East and South East Asia.

What we do

GRCB Emerging Markets serves retail and commercial banking customers in Botswana, Egypt, Ghana, India, Kenya, Mauritius, Pakistan, Seychelles, Tanzania, Uganda, the UAE, Zambia, Indonesia and Zimbabwe.

Through a network of more than 683 distribution points and 1,023 ATMs, we provide 3.7m customers and clients with a full range of products and services. This includes current accounts, savings, investments, mortgages and secured and unsecured lending.

Performance

2009/08

Global Retail and Commercial Banking Emerging Markets made a loss before tax of £254m in 2009 versus a profit before tax of £141m in 2008. Good income growth across Emerging Markets was offset by significantly increased impairment in India and UAE and continued investment across

new and existing markets. Profit before tax in the established markets in Africa and the Indian Ocean decreased to £109m (2008: £182m) primarily due to the allocation of gains from the Visa IPO and sale of shares in MasterCard during 2008.

Income increased 5% to £1,045m (2008: £994m) driven by strong growth in UAE, Africa and the Indian Ocean, partially offset by lower income in India.

Net interest income increased 24% (£146m) to £743m (2008: £597m), driven by retail and commercial balance sheet growth with average customer assets up 19% to £8.3bn (2008: £7.0bn) and customer deposits up 11% to £8.2bn (2008: £7.4bn).

Net fee and commission income increased 7% (£15m) to £232m (2008:£217m) primarily driven by growth in retail fee income.

Principal transactions decreased £111m to £68m (2008: £179m). 2008 included a gain of £82m from the sale of shares in MasterCard and Visa. Excluding this gain, principal transactions decreased £29m driven by lower fees from foreign exchange income transactions.

Impairment charges increased to £471m (2008: £165m) including an increase of £255m across India and UAE due to the deterioration in the credit environment in 2009 reflecting the impact of the economic recession

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across the business with continued pressure on liquidity, rising default rates and lower asset values.

Operating expenses increased 24% (£164m) to £852m (2008: £688m) reflecting continued investment in Indonesia and Pakistan and investment in infrastructure across other markets.

Profit on disposal of subsidiaries, associates and joint ventures of £24m represented the sale of a 7% stake in the GRCB Emerging Markets Botswana business. The residual holding of Barclays in Barclays Bank of Botswana Limited following the sale is 68%.

2008/07

GRCB Emerging Markets profit before tax increased 41% (£41m) to £141m (2007: £100m). Very strong income growth, including £82m from the Visa IPO and the sale of shares in MasterCard, absorbed the increased investment across existing and new markets and higher impairment charges. The number of distribution points increased 250 to 800 (2007: 550). New market entries in 2008 comprised the launch of a new business in Pakistan and the acquisition of Bank Akita in Indonesia which was completed in 2009.

Income increased 86% (£461m) to £994m (2007: £533m), reflecting growth in lending, deposit taking and fee-driven transactional revenues.

Net interest income increased 87% (£278m) to £597m (2007: £319m), loans and advances to customers increased 90% to £9.7bn (2007: £5.1bn). Customer accounts increased 50% to £9.3bn (2007: £6.2bn).

Net fee and commission income increased 55% (£77m) to £217m (2007: £140m), primarily driven by very strong growth in commercial banking and treasury fee income.

Principal transactions increased £107m to £179m (2007: £72m), reflecting higher foreign exchange income, a gain of £82m relating to the Visa IPO and the sale of shares in MasterCard.

Impairment charges increased £126m to £165m (2007: £39m), reflecting higher assets and delinquencies, particularly in India and increased wholesale impairment in Africa.

Operating expenses increased 74% (£293m) to £688m (2007: £395m), reflecting continued investment in new markets and expansion of the business in existing markets, with investment in infrastructure and the roll-out of global platforms.

GRCB Emerging Markets

	2009 £m	2008 [a] £m	2007 [a] £m
Income statement information			

Net interest income	**743**	597	319
Net fee and commission income	**232**	217	140
Net trading income	**61**	88	56
Net investment income	**7**	91	16
Principal transactions	**68**	179	72
Other income	**2**	1	2
Total income	**1,045**	994	533
Impairment charges	**(471)**	(165)	(39)
Net income	**574**	829	494
Operating expenses excluding amortisation of intangible assets	**(846)**	(685)	(391)
Amortisation of intangible assets	**(6)**	(3)	(4)
Operating expenses	**(852)**	(688)	(395)
Share of post-tax results of associates and joint ventures			1
Profit on disposal of subsidiaries, associates and joint ventures	**24**		
Profit before tax	**(254)**	141	100
Balance sheet information			
Loans and advances to customers	**£ 7.3bn**	£ 9.7bn	£ 5.1bn
Customer accounts	**£ 8.5bn**	£ 9.3bn	£ 6.2bn
Total assets	**£ 11.9bn**	£ 13.9bn	£ 9.2bn
Risk weighted assets	**£ 12.4bn**	£ 14.6bn	£ 10.5bn
Performance ratios			
Cost: income ratio	**82%**	69%	74%
Cost: net income ratio	**148%**	83%	80%

Note

a Figures have been restated to exclude Barclays Russia, which was transferred from GRCB Emerging Markets to GRCB Western Europe during 2009.

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Analysis of results by business

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Global Retail and Commercial Banking

Absa

GRCB Absa comprises three operating divisions: Retail Banking, Commercial Banking and a Bancassurance division. The Absa Group s other businesses are Absa Capital, Absa Card and Absa Wealth, which are included in Barclays Capital, Barclaycard and Barclays Wealth respectively.

What we do

GRCB Absa forms part of Absa Group Limited, one of South Africa s largest financial services groups, listed on the Johannesburg Stock Exchange Limited. GRCB Absa offers a complete range of banking products and services, including current accounts, savings products, bancassurance, mortgages, instalment finance and wealth management. It also offers customised business solutions for commercial and large corporate customers.

Absa s business is conducted primarily in South Africa. In addition to this, the Group has equity holdings in banks in Mozambique and Tanzania.

Absa serves more than 11 million customers through a range of physical channels that include 1,062 distribution points and 8,560 ATMs, as well as electronic channels such as telephone and online banking.

Performance

2009/08

Profit before tax decreased 8% (£46m) to £506m (2008: £552m) owing to challenging market conditions. Modest Rand income growth and tight cost control were offset by increased impairment.

Income increased 16% (£351m) to £2,549m (2008: £2,198m) predominantly reflecting the impact of exchange rate movements.

Net interest income improved 18% (£196m) to £1,300m (2008: £1,104m) reflecting the appreciation in the average value of the Rand against Sterling and modest balance sheet growth. Average customer assets increased 17% to £32.5bn (2008: £27.7bn) driven by appreciation of the Rand against Sterling and modest growth in loans and advances. Retail and commercial mortgages remained relatively flat in 2009 while instalment finance showed a slight decline with the run-off outweighing new sales. Average customer deposits increased 29% to £17.4bn (2008: £13.5bn), primarily driven by the appreciation of the Rand and the increase in the number of customers. Retail and commercial deposits increased 3.9% and 4.6% respectively.

Net fee and commission increased 24% (£181m) to £943m (2008: £762m), reflecting pricing increases, volume growth and the impact of exchange rate movements.

Principal transactions increased £12m to £123m (2008: £111m) reflecting the impact of exchange rate movements and gains of £17m from the sale of shares in MasterCard, slightly offset by lower gains on economic hedges.

Net premiums from insurance contracts increased 26% (£60m) to £294m (2008: £234m) reflecting volume growth in short-term insurance contracts and the impact of exchange rate movements.

Other income decreased £53m to £60m (2008: £113m) reflecting the non-recurrence of the gain of £46m recorded on the Visa IPO in 2008.

Impairment charges increased £220m to £567m (2008: £347m) due to high delinquency levels in the retail portfolios as a result of continued consumer indebtedness, despite the decline in interest and inflation rates during the first half of the year. There was a slight improvement in impairment ratios in the second half of 2009.

Operating expenses increased 13% (£164m) to £1,469m (2008: £1,305m) reflecting the impact of exchange rate movements. Costs were tightly controlled in Rand.

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2008/07

GRCB Absa profit before tax decreased 8% (£45m) to £552m (2007: £597m), owing to challenging market conditions and the 7% depreciation in the average value of the Rand against Sterling. Profit before tax included a gain of £46m relating to the Visa IPO. Very strong Rand income growth was partially offset by increased impairment and investment in the expansion of the franchise by 176 distribution points to 1,177 (2007: 1,001).

Total income increased 10% (£211m) to £2,324m (2007: £2,113m).

Net interest income improved 5% (£49m) to £1,104m (2007: £1,055m) reflecting strong balance sheet growth. Average customer assets increased 9% to £27.7bn (2007: £25.3bn), primarily driven by retail and commercial mortgages and commercial cheque accounts. Average customer liabilities increased 17% to £13.5bn (2007: £11.5bn), primarily driven by retail savings.

Net fee and commission income increased 11% (£78m) to £762m (2007: £684m), underpinned by retail transaction volume growth.

Principal transactions increased £41m to £111m (2007: £70m) reflecting gains on economic hedges relating to the commercial property finance and liquid asset portfolios.

Other income increased £36m to £113m (2007: £77m), reflecting a gain of £46m from the Visa IPO.

Impairment charges increased £201m to £347m (2007: £146m) as a result of rising delinquency levels in the retail portfolios, which have been impacted by rising interest and inflation rates and increasing consumer indebtedness.

Operating expenses increased 3% (£38m) to £1,305m (2007: £1,267m). The cost:income ratio improved from 63% to 59%.

GRCB Absa

	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**1,300**	1,104	1,055
Net fee and commission income	**943**	762	684
Net trading income/(expense)	**(5)**	6	
Net investment income	**128**	105	70
Principal transactions	**123**	111	70
Net premiums from insurance contracts	**294**	234	227
Other income	**60**	113	77
Total income	**2,720**	2,324	2,113
Net claims and benefits incurred under insurance contracts	**(171)**	(126)	(114)
Total income net of insurance claims	**2,549**	2,198	1,999
Impairment charges	**(567)**	(347)	(146)
Net income	**1,982**	1,851	1,853
Operating expenses excluding amortisation of intangible assets	**(1,418)**	(1,255)	(1,212)
Amortisation of intangible assets	**(51)**	(50)	(55)
Operating expenses	**(1,469)**	(1,305)	(1,267)
Share of post-tax results of associates and joint ventures	**(4)**	5	6
Profit on disposal of subsidiaries, associates and joint ventures	**(3)**	1	5
Profit before tax	**506**	552	597

Balance sheet information			
Loans and advances to customers	**£ 36.4bn**	£ 32.7bn	£ 29.9bn
Customer accounts	**£ 19.7bn**	£ 17.0bn	£ 13.0bn
Total assets	**£ 45.8bn**	£ 40.4bn	£ 36.4bn
Risk weighted assets	**£ 21.4bn**	£ 18.8bn	£ 17.8bn
Performance ratios			
Cost:income ratio	**58%**	59%	63%
Cost:net income ratio	**74%**	71%	68%

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Financial review

Analysis of results by business

continued

Investment Banking and Investment Management

Barclays Capital

Barclays Capital is a leading global investment bank providing large corporate, government and institutional clients with a full spectrum of solutions to their strategic advisory, financing and risk management needs.

What we do

Barclays Capital is a global investment bank, which offers clients the full range of services covering strategic advisory and M&A; equity and fixed income capital raising and corporate lending; and risk management across foreign exchange, interest rates, equities and commodities.

Activities are organised into three principal areas: Global Markets, which includes commodities, credit products, equities, foreign exchange, interest rate products; Investment Banking, which includes corporate advisory, Mergers and Acquisitions, equity and fixed-income capital raising and corporate lending; and Private Equity and Principal Investments. Barclays Capital includes Absa Capital, the investment banking business of Absa.

Barclays Capital works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Performance

2009/08

Barclays Capital profit before tax increased 89% to £2,464m (2008: £1,302m). The substantial increase in income and profit reflected very strong performances in the UK and Europe, and a transformation in the scale and service offering in the US through the integration of the Lehman Brothers North American businesses acquired in September 2008. Profit before tax was struck after credit market writedowns of £6,086m (2008: £8,053m), including £4,417m credit market losses (2008: £6,290m) and £1,669m of impairment (2008: £1,763m). The loss on own credit was £1,820m (2008: £1,663m gain). For more information on credit market losses, see page 82 and for more information on own credit losses, see Note 24 to the financial statements.

Income of £11,625m was up 122% (2008: £5,231m), reflecting excellent growth across the client franchise. Top-line income[a] increased 81% to £17,862m (2008: £9,858m). Top-line income in Fixed Income, Currency and Commodities increased 76% and drove the strong increase in trading income following the expansion of the business and the associated increase in client flows. Top-line income in Equities and Prime Services increased 147% driven by the acquisition of the Lehman Brothers North American businesses with particularly strong performances in cash equities and equity derivatives.

Investment Banking, which comprises advisory businesses and equity and debt underwriting, more than doubled to £2,195m (2008: £1,053m) driven by origination and advisory activity. The cash equity business, along with Investment Banking, drove a significant rise in fee and commission income.

Losses in Principal Investments of £143m (2008: income of £299m) contributed to the overall net investment loss of £164m (2008: income of £559m).

Impairment charges of £2,591m (2008: £2,423m) included credit market impairment of £1,669m (2008: £1,763m) as discussed on page 81. Non credit market related impairment of £922m (2008: £660m) principally related to charges in the portfolio management, global loans and principal investment businesses. Impairment charges declined significantly in the second half of 2009.

Operating expenses increased 75% to £6,592m (2008: £3,774m), reflecting the inclusion of the acquired Lehman business. Compensation costs represented 38% of income, a reduction of 6 percentage points on the prior year.

2008/07

In an exceptionally challenging market environment in 2008, Barclays Capital profit before tax decreased 44% (£1,033m) to £1,302m (2007: £2,335m). Profit before tax included a gain on the acquisition of Lehman Brothers North American businesses of £2,262m. Absa Capital profit before tax grew 13% to £175m (2007: £155m).

Net income included gross losses of £8,053m (2007: £2,999m) due to continuing dislocation in the credit markets. These losses were partially offset by income and hedges of £1,433m (2007: £706m), and gains of £1,663m (2007: £658m) from the general widening of credit spreads on structured notes issued by Barclays Capital. The gross losses, comprised £6,290m (2007: £2,217m) against income and £1,763m (2007: £782m) in impairment charges.

The integration of the Lehman Brothers North American businesses was completed in the fourth quarter of 2008 and the acquired businesses made a positive contribution in the period following completion, with good results in equities, fixed income and advisory. There was a gain on acquisition of £2,262m. Not included in this gain is expenditure relating to integration of the acquired business.

Analysis of Total Income

	Year ended 31st December		
	2009	2008	2007
	£m	£m	£m
Fixed Income, Currency and Commodities	**12,964**	7,353	5,722
Equities and Prime Services	**2,846**	1,153	1,631
Investment Banking	**2,195**	1,053	921
Principal Investments	**(143)**	299	404
Top-line income[a]	**17,862**	9,858	8,678
Credit market losses in income	**(4,417)**	(6,290)	(2,217)
Own credit	**(1,820)**	1,663	658
Total Income	**11,625**	5,231	7,119

Note

a Top-line income is a non-IFRS measure that represents income before own credit gains/losses and credit market write-downs. This measure has been presented as it provides for a consistent basis for comparing the business performance between financial periods. For a reconciliation of top-line income to total income for Barclays Capital, see the Analysis of Total Income table on this page.

Income was down 27% at £5,231m (2007: £7,119m) driven by the impact of the market dislocation. There was very strong underlying growth in the US driven by fixed income, prime services and the acquired businesses. In other regions income fell driven by the challenging environment.

Net trading income decreased 60% (£2,233m) to £1,506m (2007: £3,739m) reflecting losses from the credit market dislocation and weaker performance in credit products and equities. This was partially offset by significant growth in interest rates, foreign exchange, emerging markets and prime services. Average DVaR at 95% increased by 64% to £53.4m driven by higher credit spread and interest rate risk.

Net investment income decreased 41% (£394m) to £559m reflecting the market conditions. Net interest income increased 46% (£545m) to £1,724m (2007: £1,179m), driven by strong results in global loans and money markets. Net fee and commission income from advisory and origination activities increased 16% (£194m) to £1,429m. The corporate lending portfolio, including leveraged finance, increased 46% to £76.6bn (31st December 2007: £52.3bn) driven by the decline in the value of Sterling relative to other currencies as well as draw downs on existing

loan facilities and the extension of new loans at current terms to financial and manufacturing institutions.

Impairment charges and other credit provisions of £2,423m (2007: £846m) included £1,763m (2007: £782m) due to the credit market dislocation. Other impairment charges of £660m (2007: £64m) principally related to private equity, prime services and the loan book.

Operating expenses fell 5% (£199m) to £3,774m (2007: £3,973m) due to lower performance related pay, partially offset by operating costs of the acquired businesses. The cost:income ratio increased to 72% (2007: 56%) and the compensation cost:income ratio increased to 44% (2007: 42%). Amortisation of intangible assets increased £38m to £92m (2007: £54m).

Total headcount increased 6,900 to 23,100 (31st December 2007: 16,200). Prior to the acquisition of Lehman Brothers North American businesses, headcount during 2008 was materially unchanged except for hiring associated with the annual global graduate programme. The acquisition initially added 10,000 to the headcount but there were reductions in the fourth quarter of 2008 as the US businesses were integrated.

Barclays Capital

	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**1,598**	1,724	1,179
Net fee and commission income	**3,001**	1,429	1,235
Net trading income	**7,185**	1,506	3,739
Net investment (loss)/income	**(164)**	559	953
Principal transactions	**7,021**	2,065	4,692
Other income	**5**	13	13
Total income	**11,625**	5,231	7,119
Impairment charges and other credit provisions	**(2,591)**	(2,423)	(846)
Net income	**9,034**	2,808	6,273
Operating expenses excluding amortisation of intangible assets	**(6,406)**	(3,682)	(3,919)
Amortisation of intangible assets	**(186)**	(92)	(54)
Operating expenses	**(6,592)**	(3,774)	(3,973)
Share of post-tax results of associates and joint ventures	**22**	6	35

Gain on acquisition		2,262	
Profit before tax	**2,464**	1,302	2,335
Balance sheet information			
Loans and advances to banks and customers at amortised cost	**£ 162.6bn**	£ 206.8bn	£ 135.6bn
Total assets	**£ 1,019.1bn**	£ 1,629.1bn	£ 839.9bn
Risk weighted assets	**£ 181.1bn**	£ 227.4bn	£ 178.2bn
Performance ratios			
Cost: income ratio	**57%**	72%	56%
Cost: net income ratio	**73%**	134%	63%
Compensation:income ratio	**38%**	44%	42%
Average total income per employee (000)	**£ 515**	£ 281	£ 465
Other financial measures			
Average DVaR (95%) [a]	**£ 77.0m**	£ 53.4m	£ 32.5m

Note

a Average DVaR for 2008 and 2007 are calculated with a 98% confidence level.

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Investment Banking and Investment Management

Barclays Global Investors

Barclays Global Investors (BGI) was sold to BlackRock, Inc. (BlackRock) on 1st December 2009. As a result of the transaction we retain a 19.9% economic interest in the enlarged BlackRock Group.

Performance[a]

2009/08

Barclays Global Investors total profit before tax increased £6,484m to £7,079m (2008: £595m), including the profit arising from the sale of Barclays Global Investors to BlackRock. Consideration of £9,501m included 37.567 million new BlackRock shares valued at £5,294m as at 1st December 2009.

The profit on disposal before tax was £6,331m after deducting amounts relating to non-controlling interests, transaction costs and a break fee relating to the termination of CVC Capital Partners proposed purchase of the iShares business. Further information on the disposal is set out below. For more information on the sale of BGI and Barclays on-going relationship with BlackRock, see Note 38 to the financial statements.

Profit before tax excluding the profit on disposal increased 26% to £748m (2008: £595m) reflecting a recovery on liquidity support of £25m

during 2009 (2008: charge of £263m) and an 18% appreciation in the average value of the US Dollar against Sterling. The 2009 results included 11 months of discontinued operations compared to 12 months for 2008. Total income grew 3% (£59m) to £1,903m (2008: £1,844m).

Net fee and commission income declined 8% (£160m) to £1,757m (2008: £1,917m) largely reflecting 11 months activity in the year.

Principal transactions increased £141m to a gain of £98m (2008: £43m loss) driven by sales of assets excluded from the disposal to BlackRock.

Operating expenses decreased 8% (£95m) to £1,154m (2008: £1,249m), benefiting from a recovery on liquidity support of £24m during 2009 (2008: charge of £263m), partially offset by exchange rate movements.

The continuing operations of BGI represent residual obligations under the cash support arrangements and associated liquidity support charges and, from 1st December 2009, included the Group s 19.9% ongoing interest in BlackRock. This investment is accounted for as an available for sale equity investment, with no dividends being received during 2009. Profit before tax on continuing operations for 2009 increased by £368m to £22m (2008: £346m loss) primarily due to lower liquidity support charges.

Total assets as at 31st December 2009 reflect shares to the value of £5,386m held in BlackRock, with assets from continuing operations as at 31st December 2008 representing residual assets excluded from the disposal to BlackRock.

Profit on disposal information	**As at 1st December 2009 £m**
Consideration including hedging gains	
Cash	**4,207**
BlackRock shares	**5,294**
Total consideration	**9,501**
Net assets disposed	**(2,051)**
CVC fee	**(106)**
Transaction costs	**(433)**
Amounts relating to non-controlling interests	**(580)**
Profit on disposal before tax	**6,331**

Note

a Certain BGI total information may be considered non-IFRS measures because they present BGI results that combine continuing operations and discontinuing operations. See Certain non-IFRS Measures on page i for more information with respect to including BGI results within Group totals. For a reconciliation of the results of the continuing operations in respect of BGI to total BGI results which include both discontinued and continuing operations, see table on page 46.

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2008/07

Barclays Global Investors profit before tax decreased 19% (£139m) to £595m (2007: £734m). Profit was impacted by the cost of provision of selective support of liquidity products of £263m (2007: £80m) and an 8% appreciation in the average value of the US Dollar against Sterling.

Income declined 4% (£82m) to £1,844m (2007: £1,926m).

Net fee and commission income declined 1% (£19m) to £1,917m (2007: £1,936m). This was primarily attributable to reduced incentive fees of £49m (2007: £198m), partially offset by increased securities lending revenue.

Operating expenses increased 5% (£57m) to £1,249m (2007: £1,192m). Operating expenses included charges of £263m (2007: £80m) related to selective support of liquidity products, partially offset by a reduction in performance related costs. The cost:income ratio increased to 68% (2007: 62%).

The loss before tax on continuing operations increased to £346m (2007: £119m) principally reflecting the liquidity support charge recognised during the year.

	2009			2008			2007		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Income statement information									
Net interest income/(expense)	**10**	**33**	**43**	(38)		(38)	(20)	12	(8)
Net fee and commission income	**(2)**	**1,759**	**1,757**	1	1,916	1,917	(1)	1,937	1,936
Net trading income/(loss)	**20**	**1**	**21**	(4)	(10)	(14)		5	5
Net investment income/(loss)	**11**	**66**	**77**	(29)		(29)	(9)		(9)
Principal transactions	**31**	**67**	**98**	(33)	(10)	(43)	(9)	5	(4)
Other income	**1**	**4**	**5**	(2)	10	8		2	2
Total income	**40**	**1,863**	**1,903**	(72)	1,916	1,844	(30)	1,956	1,926
Operating expenses excluding amortisation of intangible assets	**(17)**	**(1,123)**	**(1,140)**	(274)	(960)	(1,234)	(89)	(1,095)	(1,184)
Amortisation of intangible assets		**(14)**	**(14)**		(15)	(15)		(8)	(8)
Operating expenses	**(17)**	**(1,137)**	**(1,154)**	(274)	(975)	(1,249)	(89)	(1,103)	(1,192)
Profit on disposal of associates and joint ventures	**(1)**		**(1)**						
Profit/(loss) before tax and disposal of discontinued operations	**22**	**726**	**748**	(346)	941	595	(119)	853	734
Profit on disposal of discontinued operations		**6,331**	**6,331**						
Profit/(loss) before tax	**22**	**7,057**	**7,079**	(346)	941	595	(119)	853	734
Balance sheet information									
Total assets	**£ 5.4bn**		**£ 5.4bn**	£ 0.7bn	£ 70.6bn	£ 71.3bn	£ 0.5bn	£ 88.7bn	£ 89.2bn

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Analysis of results by business

continued

Investment Banking and Investment Management

Barclays Wealth

Barclays Wealth focuses on private and intermediary clients worldwide. We are the UK s leading wealth manager by client assets. We have 7,400 staff and manage total client assets of £151bn. We have 101 offices in 25 countries across EMEA, Asia and the Americas.

What we do

Barclays Wealth provides international and private banking, fiduciary services, investment management, and brokerage.

Barclays Wealth works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities, for example, offering world-class investment solutions with institutional quality products and services from Barclays Capital and Barclays Commercial Bank.

Performance

2009/08

Barclays Wealth profit before tax reduced 78% (£526m) to £145m (2008: £671m). The reduction in profit was principally due to the sale of the closed life assurance business in 2008 (2008: profit before tax of £104m and profit on disposal of £326m). Results were also affected by the integration of Lehman Brothers North American businesses (Barclays Wealth Americas), which made a loss of £39m.

Total income net of insurance claims increased 1% (£9m) to £1,333m (2008: £1,324m). Excluding the impact of the sale of the closed life business and the integration of Barclays Wealth Americas, income grew 3% as growth in the client franchise and the product offering offset the impact of adverse economic conditions.

Net interest income increased 4% (£18m) to £504m (2008: £486m) reflecting growth in customer lending. Average lending grew 27% to £12.3bn (2008: £9.7bn). Average 2009 deposits were in line with the prior year (2008: £37.2bn).

Net fee and commission income increased by 11% (£82m) to £802m (2008: £720m) driven by Barclays Wealth Americas.

The movements in principal transactions, net premiums from insurance contracts and net claims and benefits incurred under insurance contracts were due to the sale of the closed life assurance business in October 2008.

Impairment charges increased 16% (£7m) to £51m (2008: £44m). This increase reflected the impact of the current economic environment on client liquidity and collateral values and the substantial increase in the loan book over the last four years.

Operating expenses increased 22% to £1,138m (2008: £935m) principally reflecting the impact of the acquisition of Barclays Wealth Americas partially offset by the impact of the disposal of the closed life business in 2008.

Total client assets, comprising customer accounts and client investments were £151.3bn (31st December 2008: £145.1bn) with underlying net new asset inflows of £3bn.

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2008/07

Barclays Wealth profit before tax grew 119% (£364m) to £671m (2007: £307m). Profit before gains on disposal increased 12% (£38m) driven by solid income growth and tight cost control, offset by an increase in impairment charges. The closed life assurance business contributed profit before tax of £104m (2007: £110m) prior to its sale in October 2008, which generated a profit on disposal of £326m.

Income increased 3% (£37m) to £1,324m (2007: £1,287m). Net interest income increased 13% (£55m) to £486m (2007: £431m) reflecting strong growth in both customer deposits and lending. Average deposits grew 19% to £37.2bn (2007: £31.2bn). Average lending grew 31% to £9.7bn (2007: £7.4bn).

Net fee and commission income decreased 3% (£19m) to £720m (2007: £739m) driven by falling equity markets partially offset by increased client assets.

Net investment income, net premiums from insurance contracts and net claims and benefits paid on insurance contracts related wholly to the closed life assurance business. Their overall net impact on income

increased marginally to £103m (2007: £95m). The decrease in net investment income, driven by a fall in the value of unit linked contracts and reduced premium income, were offset by reduced net claims and benefits as a result of a fall in the value of linked and non-linked liabilities.

Impairment charges increased £37m to £44m (2007: £7m) from a very low base. This increase reflected both the substantial increase in the loan book over the three years from 2006 to 2008 and the impact of the current economic environment on client liquidity and collateral values.

Operating expenses decreased 4% to £935m (2007: £973m) with significant cost savings including a reduction in performance related costs partially offset by increased expenditure in upgrading technology and operating platforms and continued hiring of client-facing staff.

Total client assets, comprising customer deposits and client investments, increased 10% (£12.6bn) to £145.1bn (2007: £132.5bn) with underlying net new asset inflows of £3.2bn and the acquisition of the Lehman Brothers North American businesses offsetting the impact of market and foreign exchange movements and the sale of the closed life assurance book.

Barclays Wealth

	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**504**	486	431
Net fee and commission income	**802**	720	739
Net trading income	**7**	(11)	3
Net investment income	**13**	(333)	52
Principal transactions	**20**	(344)	55
Net premiums from insurance contracts		136	195
Other income	**7**	26	19
Total income	**1,333**	1,024	1,439
Net claims and benefits incurred on insurance contracts		300	(152)
Total income net of insurance claims	**1,333**	1,324	1,287
Impairment charges	**(51)**	(44)	(7)
Net income	**1,282**	1,280	1,280
Operating expenses excluding amortisation of intangible assets	**(1,114)**	(919)	(967)

Amortisation of intangible assets	**(24)**	(16)	(6)
Operating expenses	**(1,138)**	(935)	(973)
Profit on disposal of associates and joint ventures	**1**	326	
Profit before tax	**145**	671	307
Balance sheet information			
Loans and advances to customers	**£ 13.1bn**	£ 11.4bn	£ 9.0bn
Customer accounts	**£ 38.5bn**	£ 42.4bn	£ 34.4bn
Total assets	**£ 15.1bn**	£ 13.3bn	£ 18.2bn
Risk weighted assets	**£ 11.4bn**	£ 10.3bn	£ 8.2bn
Performance ratios			
Cost:income ratio	**85%**	71%	76%
Average net income generated per member of staff (000)	**£169**	£176	£188

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Analysis of results by business

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Head Office Functions and Other Operations

Head office functions and other operations comprises:

Head office and central support functions

Businesses in transition

Inter-segment adjustments

What we do

Head office functions and other operations comprises the following areas: Executive Management, Finance, Treasury, Corporate Affairs, Human Resources, Strategy and Planning, Internal Audit, Legal, Corporate Secretariat, Property, Tax, Compliance and Risk. Costs incurred wholly on behalf of the businesses are recharged to them. Businesses in transition principally relate to certain lending portfolios that are centrally managed with the objective of maximising recovery from the assets.

Performance

2009/08

Head Office Functions and Other Operations loss before tax reduced £308m to £550m (2008: loss of £858m).

Total income increased £405m to £28m (2008: loss of £377m).

Group segmental reporting is performed in accordance with Group accounting policies. This means that inter-segment transactions are recorded in each segment as if undertaken on an arm s length basis. Adjustments necessary to eliminate inter-segment transactions are included in Head Office Functions and Other Operations.

Net interest income decreased £689m to a loss of £507m (2008: profit of £182m) primarily due to an increase in costs in central funding activity due to the money market dislocation, increased liquidity requirements and lower income on shareholders funds due to the lower interest rate environment. This was partially offset by a £170m gain from a reclassification on consolidation for hedging derivatives with the corresponding expense being recorded in principal transactions.

Net fees and commission expense decreased £68m to £418m (2008: £486m) reflecting adjustments to eliminate inter-segmental transactions, offset by increases in fees for structured capital market activities to £191m (2008: £141m) and in fees paid to Barclays Capital for debt and equity raising and risk management advice to £174m (2008: £151m).

Losses associated with principal transactions increased £107m to £325m (2008: loss of £218m) predominantly due to a £170m increase in the consolidation reclassification adjustment on hedging derivatives.

Other income increased £1,160m to £1,186m (2008: £26m). During 2009, certain upper Tier 2 perpetual debt was exchanged for new issuances

of lower Tier 2 dated loan stock resulting in a net gain of £1,164m. £1,170m of this gain was reflected in other income.

Operating expenses increased £119m to £570m (2008: £451m) reflecting a UK bank payroll tax charge of £190m (2008: £nil) in respect of 2009 cash compensation and £35m in respect of certain prior years awards which may fall within the proposed legislation, partially offset by a reduction of £55m in the costs relating to an internal review of Barclays compliance with US economic sanctions to £33m (2008: £88m).

2008/07

Head Office Functions and Other Operations loss before tax increased £430m to £858m (2007: £428m).

Total income decreased £185m to a loss of £377m (2007: loss of £192m).

Group segmental reporting is performed in accordance with Group accounting policies. This means that inter-segment transactions are recorded in each segment as if undertaken on an arm s length basis. Adjustments necessary to eliminate inter-segment transactions are included in Head Office Functions and Other Operations. The impact of such inter-segment adjustments increased £32m to £265m (2007: £233m). These adjustments included internal fees for structured capital market activities of £141m (2007: £169m) and fees paid to Barclays Capital for debt and equity raising and risk management advice of £151m (2007: £65m), both of which reduce net fees and commission income.

Net interest income increased £54m to £182m (2007: £128m) primarily due to a consolidation adjustment between net interest income and trading income required to match the booking of certain derivative hedging transactions between different segments in the Group. This resulted in a £111m increase in net interest income to £143m (2007: £32m) with an equal and opposite decrease in principal transactions. This was partially offset by an increase in costs in central funding activity due to the money market dislocation, in particular LIBOR resets.

Principal transactions loss increased £135m to £218m (2007: £83m) reflecting the £111m increase in consolidation reclassification adjustment on derivative hedging transactions.

Impairment charges increased £27m to £30m (2007: £3m) mainly reflecting losses on Floating Rate Notes held for hedging purposes.

Operating expenses increased £217m to £451m (2007: £234m). The main drivers of this increase were: a £101m charge for the Group s share of levies that will be raised by the UK Financial Services Compensation Scheme; £64m increase in costs relating to an internal review of Barclays compliance with US economic sanctions; the non-recurrence of a £58m break fee relating to the ABN Amro transaction; lower rental income and lower proceeds on property sales.

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Head office functions and other operations

	2009 £m	2008 £m	2007 £m
Income statement information			
Net interest income	**(507)**	182	128
Net fee and commission income	**(418)**	(486)	(424)
Net trading (loss)/income	**(291)**	(245)	(66)
Net investment income/(expense)	**(34)**	27	(17)
Principal transactions	**(325)**	(218)	(83)
Net premiums from insurance contracts	**92**	119	152
Other income	**1,186**	26	35
Total income	**28**	(377)	(192)
Impairment (charges)/releases	**(16)**	(30)	(3)
Net income	**12**	(407)	(195)
Operating expenses excluding amortisation of intangible assets	**(570)**	(451)	(233)
Amortisation of intangible assets			(1)
Operating expenses	**(570)**	(451)	(234)
Share of post-tax results of associates and joint ventures	**1**		
Profit on disposal of associates and joint ventures	**7**		1
Loss before tax	**(550)**	(858)	(428)
Balance sheet information			
Total assets	**£ 6.4bn**	£ 3.1bn	£ 5.7bn
Risk weighted assets	**£ 0.9bn**	£ 0.4bn	£ 1.1bn

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Our people

Global minimum standards

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

Performance management and compensation

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

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

Employee relations

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

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

Diversity and inclusion

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

Health and safety

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

Training

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

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Corporate sustainability

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

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

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

The Group Executive Committee is responsible for our overall sustainability strategy, and works to support the Chief Executive in its implementation. This Committee, along with the Board, reviews progress against sustainability objectives twice a year, using a robust reporting framework that includes over 100 performance indicators.

Environment

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

Barclays Climate Action Programme continues to focus on greater energy efficiency, as well as working with suppliers to reduce the CO2 emissions and developing products and services that will help our customers to do the same.

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

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

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

Risk management and governance

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Risk management

Risk factors

The following information sets forth the risk factors which the Group believes could cause its future results to differ materially from expected results. However, other factors could also adversely affect the Group s results and so the factors discussed in this report should not be considered to be a complete set of all potential risks and uncertainties.

The Group s approach to identifying, assessing, managing and reporting risks is formalised in its Principal Risk framework, and definitions of the 13 Principal Risks are given below. A description of the Principal Risk framework is provided on page 62.

This summary of risk factors also includes a discussion of the impact of business conditions and the general economy, which are not Principal Risks but can impact risk factors such as credit and market risk and so influence the Group s results.

Business conditions and general economy

Barclays operates a universal banking business model and its services range from current accounts for personal customers to inflation-risk hedging for governments and institutions. The Group also has significant activities in a large number of countries. There are, therefore, many ways in which changes in business conditions and the general economy can adversely impact Barclays profitability, be they at the level of the Group, the individual business units or the specific countries in which we operate.

The Group s stress testing framework helps it understand the impact of changes in business conditions and the general economy, as well as the sensitivity of its business goals to such changes and the scope of management actions to mitigate their impact.

As the current downturn has shown, higher unemployment in the UK, US, Spain and South Africa has led to increased arrears in our credit card portfolios, while falls in GDP have reduced the credit quality of the Group s corporate portfolios. In both cases, there is an increased risk that a higher proportion of the Group s customers and counterparties may be unable to meet their obligations. In addition, declines in residential and commercial property prices have reduced the value of collateral and caused mark to market losses in some of the Group s trading portfolios.

The business conditions facing the Group in 2010 are subject to significant uncertainties, most notably:

- the extent and sustainability of economic recovery and asset prices in the UK, US, Spain and South Africa as governments consider how and when to withdraw stimulus packages;

- the dynamics of unemployment in those markets and the impact on delinquency and charge-off rates;

- the speed and extent of possible rises in interest rates in the UK, US and eurozone;

- the possibility of further falls in residential property prices in the UK, South Africa and Spain;
- the potential for single name risk and for idiosyncratic losses in different sectors and geographies where credit positions are sensitive to economic downturn;
- possible additional deterioration in our remaining credit market exposures, including commercial real estate and leveraged finance;
- the potential impact of deteriorating sovereign credit quality;
- changes in the value of Sterling relative to other currencies, which could increase risk weighted assets and therefore raise the capital requirements of the Group; and
- the liquidity and volatility of capital markets and investors appetite for risk, which could lead to a decline in the income that the Group receives from fees and commissions.

Principal Risk Factors

Retail and Wholesale Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group s customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances. However, credit risk may also arise where the downgrading of an entity s credit rating causes a fall in the fair value of the Group s investment in that entity s financial instruments.

In a recessionary environment, such as that recently seen in the United Kingdom, the United States and other economies, credit risk increases.

Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the assets, or where the counterparty may be the country itself.

Another form of credit risk is settlement risk, which is the possibility that the Group may pay funds away to a counterparty but fail to receive the corresponding settlement in return. The Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include broker dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of these

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relationships expose the Group to credit risk in the event of default of a counterparty and to systemic risk affecting its counterparties. Where the Group holds collateral against counterparty exposures, it may not be able to realise it or liquidate it at prices sufficient to cover the full exposures. Many of the hedging and other risk management strategies utilised by the Group also involve transactions with financial services counterparties. The failure of these counterparties to settle, or the perceived weakness of these counterparties, may impair the effectiveness of the Group s hedging and other risk management strategies.

The Group s credit risk governance structure, management and measurement methodologies, together with an analysis of exposures to credit risk is detailed in the Credit risk management section on page 66 and Note 47 to the financial statements on page 243.

An analysis of Barclays Capital s credit market exposures is detailed on pages 81 to 89.

Market risk

Market risk is the risk that the Group s earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The majority of market risk exposure resides in Barclays Capital. Barclays is also exposed to market risk through non-traded interest rate risk and the pension fund.

The Group s future earnings could be affected by depressed asset valuations resulting from deterioration in market conditions. Financial markets are sometimes subject to stress conditions where steep falls in asset values can occur, as demonstrated by events in 2007 and 2008 affecting asset backed CDOs and the US sub-prime residential mortgage market and which may occur in other asset classes during an economic downturn. Severe market events are difficult to predict and, if they continue to occur, could result in the Group incurring additional losses.

From the second half of 2007, the Group recorded material net losses on certain credit market exposures, including ABS CDO Super Senior exposures. As market conditions change, the fair value of these exposures could fall further and result in additional losses or impairment charges, which could have a material adverse effect on the Group s earnings. Such losses or impairment charges could derive from: a decline in the value of exposures; a decline in the ability of counterparties, including monoline insurers, to meet their obligations as they fall due; or the ineffectiveness of hedging and other risk management strategies in circumstances of severe stress.

The Group s market risk governance structure, management and measurement methodologies, together with an analysis of exposures to both traded and non-traded market risk is detailed in the Market risk management section on page 94 and Note 48 to the financial statements on page 257. Further details relating to the Group s pension risk is included in Note 30 on page 210.

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

- meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources;

support its credit rating. A weaker credit rating would increase the Group s cost of funds; and

support its growth and strategic options.

Regulators assess the Group s capital position and target levels of capital resources on an ongoing basis. Targets may increase in the future, and rules dictating the measurement of capital may be adversely changed, which would constrain the Group s planned activities and contribute to adverse impacts on the Group s earnings. During periods of market dislocation, increasing the Group s capital resources in order to meet targets may prove more difficult or costly.

In December 2009 the Basel Committee on Banking Supervision issued a consultative document that outlined proposed changes to the definition of regulatory capital. These proposals are going through a period of consultation and are expected to be introduced by the beginning of 2013, with substantial transitional arrangements. While the proposals may significantly impact the capital resources and requirements of the Group, the Group maintains sufficient Balance Sheet flexibility to adapt accordingly.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. This risk is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events.

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Risk management

Risk factors

continued

During periods of market dislocation the Group s ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding may have a material effect on the earnings of the Group.

In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group s ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The FSA issued its policy document on strengthening liquidity standards on 5th October 2009 detailing the requirements for liquidity governance to be in place by 1st December 2009, and the quantitative requirements for liquidity buffers, which will be in place from 1st June 2010, although with an extended transition period of several years to meet the expected standards.

In addition, the Basel Committee on Banking Supervision released a consultative document International framework for liquidity risk measurement, standards and monitoring in December 2009. This included two new key liquidity metrics. A liquidity coverage ratio aimed at ensuring banks have sufficient unencumbered high quality assets to meet cash outflows in an acute short-term stress and a net stable funding ratio to promote longer-term structural funding of bank s balance sheet and capital market activities.

The Group s liquidity risk management and measurement methodologies are detailed in the Liquidity Risk Management section on page 102 and the Liquidity Risk note to the financial statements on page 261.

Operations risk

Operations risk is the risk of losses from inadequate or failed internal processes and systems, caused by human error or external events. Operations risk has a broad scope and for that reason, the Group s Risk Control Frameworks are defined at a more granular level within the overall Operations Principal Risk. These risks are transaction operations, new product development, premises, external suppliers, payments process and the management of information, data quality and records.

Financial crime risk

Financial crime risk is the risk that the Group suffers losses as a result of internal and external fraud or intentional damage, loss or harm to people, premises or moveable assets.

Technology risk

Technology is a key business enabler and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed. Such risks include the non-availability of IT systems, inadequate design and testing of new and changed IT solutions and inadequate IT system security. Data privacy issues are covered under Regulatory Risk and external supplier issues relating to technology are covered under Operations Risk.

People risk

People risk arises from failures of the Group to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements.

Regulatory risk

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

In addition, the Group s businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the United Kingdom, the European Union (EU), the United States, South Africa and elsewhere. All these are subject to change, particularly in an environment where recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective banking sectors, including by imposing enhanced capital and liquidity requirements. Any future regulatory changes may potentially restrict the Group s operations, mandate certain lending activity and impose other compliance costs.

Areas where changes could have an impact include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions, in particular markets in which the Group operates;
- general changes in regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- changes in competition and pricing environments;
- further developments in the financial reporting environment;
- differentiation amongst financial institutions by governments with respect to the extension of guarantees to customer deposits and the terms attaching to those guarantees; and
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes.

Further details of specific matters that impact the Group are included in the Supervision and Regulation section on page 117 and Note 36 to the financial statements on page 222.

Financial reporting risk

Financial reporting risk arises from a failure or inability to comply fully with the laws, regulations or codes in relation to the disclosure of financial information. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. Further details of the Group s internal controls over financial reporting are included in the Accountability and Audit Section on page 162.

Legal risk

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- the Group s business may not be conducted in accordance with applicable laws around the world;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the intellectual property of the Group (such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss.

Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. Although the Group has processes and controls to manage legal risks, failure to manage these risks could impact the Group adversely, both financially and by reputation.

Further details of the Group s legal proceedings are included in Note 35 to the financial statements on page 221.

Taxation risk

The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at an EU level. A number of double taxation agreements entered between two countries also impact on the taxation of the Group. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk, specifically:

tax risks are assessed as part of the Group s formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;

the tax charge is also reviewed by the Board Audit Committee;

the tax risks of proposed transactions or new areas of business are fully considered before proceeding;

the Group takes appropriate advice from reputable professional firms;

the Group employs high-quality tax professionals and provides ongoing technical training;

the tax professionals understand and work closely with the different areas of the business;

the Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and

where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

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Risk management

Risk factors

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Other Risk Factors

In addition to the 13 Principal Risks, the Group s high-level risk classification includes four other Level 1 risks. These risks are in general less amenable to formal quantification than the Principal Risks in terms of risk measurement or setting risk appetite. However, they retain the potential to impact the Group s performance.

Strategic Risk

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans are not delivered as anticipated, the Group s earnings could grow more slowly or decline. In addition, the Group s strategy could be impacted by revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

Change risk

Change risk arises when the Group needs to make extensive changes to its operations. The cost of implementation projects may overrun, or they may fail to achieve their objectives. Examples of situations in which change risk arises include the integration of acquired businesses, significant business unit restructuring, changes in target operating models, the roll-out of new and potentially disruptive technologies, the introduction of a single currency such as the euro, and Group-wide projects to implement significant new regulation such as Basel II.

Corporate sustainability risk

Corporate sustainability risk arises from the failure to identify and manage the impact of business decisions and activities on the community and the environment, covering the following themes: customers and clients, inclusive banking, the environment, diversity and responsible global citizenship. For more information, see page 52.

Brand management risk

Barclays defines brand risk as the failure to manage the visual identity of Barclays brands in an effective manner. This is distinct from reputational impact (damage to the general brand/reputation of Barclays), which is a potential by-product of financial, strategic or operational risks.

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Risk management

Barclays risk management strategy

Barclays has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes.

At a strategic level, our risk management objectives are:

- To identify the Group s material risks.
- To formulate the Group s Risk Appetite and ensure that business profile and plans are consistent with it.
- To optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To help executives improve the control and co-ordination of risk taking across the business.

The Group s strategy is to break down risk management into five discrete processes: direct, assess, control, report, and manage/challenge. Each of these processes is broken down further, to establish end to end activities within the risk management process and the infrastructure needed to support it (see panel below).

Assigning responsibilities

Responsibility for risk management resides at all levels within the Group, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. Barclays distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge. The responsibilities for effective review and challenges reside with senior managers, risk oversight committees, Barclays Internal Audit, the independent Group Risk function, the Board Risk Committee and ultimately, the Board.

The *Board* is responsible for approving Risk Appetite, which is the level of risk the Group chooses to take in pursuit of its business objectives. At most of the Board s scheduled meetings, the Chief Risk Officer presents a report summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework. It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive Management responsibilities relating to this are set via the Group s Principal Risks Policy.

The *Board Risk Committee (BRC)* monitors the Group s risk profile against the agreed appetite. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the BRC is comfortable with them. After each meeting, the Chair of the BRC prepares a report for the next meeting of the Board. Barclays first established a separate Board Risk Committee in 1999 and all members are non-executive directors. The Finance Director and the Chief Risk Officer attend each meeting as a matter of course and the Chief Risk Officer has a dotted reporting line to the Chair. The BRC receives regular and comprehensive reports on the Group s risk profile, the key issues affecting each business portfolio, risk measurement methodologies and forward risk trends. The Committee also commissions in-depth analyses of significant risk topics, which are presented by the Chief Risk Officer or senior risk managers in the businesses. The Chair of the Committee prepares a statement each year on its activities (see page 141).

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Risk management

Barclays risk management strategy

continued

The *Board Audit Committee* receives quarterly reports on control issues of significance and a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, the Group s policies and methodologies and the performance trends of peer banks. The Chair of the Board Audit Committee also sits on the Board Risk Committee. See page 136 for additional details on the membership and activities of the Board Audit Committee.

The *Board HR and Remuneration Committee* receives advice from the Board Risk Committee on the management of remuneration risk, including advice on the setting of performance objectives in the context of incentive packages.

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are given on pages 119 and 121. The terms of reference for each of the principal Board Committees are available from the Corporate Governance section at: *www.aboutbarclays.com.*

The Chief Risk Officer is a member of the *Executive Committee* and has overall day to day accountability for risk management under delegated authority from the Finance Director. The Finance Director must consult the Chairman of the Board Risk Committee in respect of the Chief Risk Officer s performance appraisal and compensation as well as all appointments to or departures from the role.

Note

The governance structure will not change following the restructure of the Group announced in November 2009.

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The Chief Risk Officer manages the independent Group Risk function and chairs the *Group Risk Oversight Committee,* which monitors the Group s risk profile relative to established risk appetite. Reporting to the Chief Risk Officer, and working in the Group Risk function, are risk-type heads for: retail credit risk, wholesale credit risk, market risk, operational risk, financial crime risk and capital analytics. Along with their teams, the risk-type heads are responsible for establishing a Group-wide framework for risk control framework and oversight. These risk-type teams liaise with each business as part of the monitoring and management processes.

In addition, each business unit has an embedded risk management function, headed by a business risk director. Business risk directors and their teams are responsible for assisting business heads in the

identification and management of their business risk profiles and for implementing appropriate controls. These teams also assist Group Risk in the formulation of Group policies and their implementation across the businesses. The business risk directors report jointly to their respective business heads and to the Chief Risk Officer.

The risk type heads within the central Group Risk function and the business risk directors within the business units report to the Chief Risk Officer and are members of the Group Risk Oversight Committee.

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Risk management

Barclays risk management strategy

continued

Internal Audit is responsible for the independent review of risk management and the control environment. Its objective is to provide reliable, valued and timely assurance to the Board and Executive Management over the effectiveness of controls, mitigating current and evolving high risks and in so doing enhancing the controls culture within the Group. The Board Audit Committee reviews and approves Internal Audit s plans and resources, and evaluates the effectiveness of Internal Audit.

An assessment by external advisers is also carried out periodically. In addition to the Committees shown in the chart, there is a Brand and Reputation Committee reviewing emerging issues with potentially significant reputational impact.

Risk management responsibilities are laid out in the *Principal Risks Policy,* which covers the categories of risk in which the Group has its most significant actual or potential risk exposures.

The Principal Risks Framework:

- creates clear ownership and accountability;
- ensures the Group s risk exposures are understood and managed in accordance with agreed risk appetite (for financial risks) and risk tolerances (for non-financial risks); and
- ensures regular reporting of both risk exposures and the operating effectiveness of controls.

Each Principal Risk is owned by a senior individual within Barclays, known as the Principal Risk Owner (PRO) who is required to document, communicate and maintain a risk control framework which makes clear the mandated control requirements in managing that Principal Risk, for every business across the firm.

These control requirements are given further specification, according to the business unit or risk type, to provide a complete and appropriate system of internal control.

Business unit and Group centre heads are responsible for obtaining ongoing assurance that the controls they have put in place to manage the risks to their business objectives are operating effectively. Six-monthly reviews support the regulatory requirement for the Group to make a statement about its system of internal controls (the Turnbull statement), in the Annual Report and Accounts.

PROs report their assessments of the risk exposure and control effectiveness to Group-level oversight committees. Their assessments form the basis of the reports that go to the Board Risk Committee.

Setting and using Risk Appetite

Risk Appetite is the level of risk the Group chooses to take in pursuit of its business objectives.

As part of the yearly planning process, we add up our estimated bad debts charges and ask ourselves if that potential level of credit loss is consistent with our strategy, with our business position, and with our capital.

The starting point is the total expected credit loss, assuming the base case economic forecast. To gain a more rounded understanding of the risk, the Group estimates credit losses based on the kind of stressed conditions that can be expected to occur approximately once every seven years (moderate stress) and once every 25 years (severe stress). These potentially larger but increasingly less likely levels of loss are illustrated in the Risk Appetite concepts chart below.

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Risk Appetite is prepared for the Board, as part of the formal planning process. The Board requires credible plans that show the Executive is aware of risk sensitivities and potential downside cases, and is investing capital into sustainable businesses over an economic cycle. The Chief Risk Officer leads the discussion at the Executive and Board levels. If the projections entail too high a level of risk, management will challenge each area to find new ways to rebalance the business mix to incur less overall risk. Performance against Risk Appetite is measured and reported to the Executive and Board regularly throughout the year.

As well as credit risk, the Risk Appetite framework also considers market and operational risks.

Barclays uses Risk Appetite to:

- improve management confidence and debate regarding our risk profile;
- give executives greater control and co-ordination of risk-taking across businesses;
- re-balance the risk profile of the medium-term plan to achieve a superior risk-return profile; and
- identify unused risk capacity.

There is a second element to Risk Appetite setting in Barclays: the extensive system of *Mandate and Scale* limits, which are set by the independent Group Risk function, formally monitored each month and subject to Board-level oversight.

The framework operates through limits and triggers, which work in tandem with clearly defined lending criteria for specific sectors, industries and products, in order to maintain asset quality.

For example, in the UK mortgage business a series of explicit mandate and scale limits have kept the average loan to value of the portfolio at conservative levels, set an upper boundary on the proportion of buy-to-let customers, and set at zero our appetite to offer self-certified mortgages.

In our commercial property finance portfolios, a comprehensive series of limits are in place to control exposure within each business and geographic market. To ensure that limits are aligned to the underlying risk characteristics, the Mandate and Scale limits differentiate between types of exposure. There are, for example, individual limits for property investment and property development and for senior and subordinated lending. Since the onset of the global economic downturn, these limits have been reduced significantly and the frequency of review has been increased.

Barclays uses the Mandate and Scale framework to:

- limit concentration risk;

keep business activities within Group and individual business mandate;

ensure activities remain of an appropriate scale relative to the underlying risk and reward; and

ensure risk-taking is supported by appropriate expertise and capabilities.

As well as Group-level Mandate and Scale limits, further limits are set by risk managers within each business unit, covering particular portfolios. Taken as a whole, the Risk Appetite framework provides a basis for the allocation of risk capacity across the Barclays Group.

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Risk management

Barclays risk management strategy

continued

Modelling risk

Risk taking on any meaningful scale requires quantification. Barclays uses risk models in an extensive range of decisions, from credit grading, pricing and approval to portfolio management, risk appetite setting, economic capital allocation and regulatory capital calculations.

The key inputs into the models used to quantify credit risk are:

- Probability of default (PD).
- Exposure at default (EAD).
- Loss given default (LGD).

These models are used in a range of applications that measure credit risk across the Group. For example, Barclays can assign an expected loss over the next 12 months to each customer by multiplying these three factors. We calculate *probability of default* (PD) by assessing the credit quality of borrowers and other counterparties. For the sake of illustration, suppose a customer has a 0.5% probability of defaulting over a 12-month period. The *exposure at default* (EAD) is our estimate of what the outstanding balance will be, if the customer does default. Supposing the current balance is £1,000, our models might predict a rise to £1,200 by then. Should customers default, some part of the exposure is usually recovered. The part that is not recovered, together with the economic costs associated with the recovery process, comprise the *loss given default* (LGD), which is expressed as a percentage of EAD. Supposing the LGD in this case is estimated to be 30%, the expected loss for this customer is: 0.5% x £1,200 x 30% or £1.80.

The Group has an extensive range of models in use, covering estimations of PD, EAD, LGD as well as many other types of risk besides credit risk. The models are developed and owned by each business unit and used to measure risk in their portfolios. To minimise the risk of loss through model failure, the Group Model Risk Policy (GMRP) was developed. It is managed by the independent Group Risk function and was reviewed and expanded during 2009.

The GMRP helps reduce the potential for model failure by setting Group-wide minimum standards for the model development and implementation process. The GMRP also sets the Group governance processes for all models, which allows model performance and risk to be monitored, and seeks to identify and escalate any potential problems at an early stage.

To ensure that the governance process is effective, and that management time is focused on the more material models, each model is provided with a materiality rating. The GMRP defines the materiality ranges for all model types, based on an assessment of the impact to the Group in the event of a model error. The final level of model sign-off is based on materiality, with all of a business unit s models initially being approved in business unit committees. The more material models are also approved at the Group-level Material Models Technical Committee, and the most material models require further approval by the Executive Models

Committee, a sub-committee of Group Executive Committee.

This process ensures that the most significant models are subject to the most rigorous review, and that senior management have a good understanding of the most material models in the Group. Although the final level of model sign-off will vary, depending on model materiality, the standards required by the GMRP do not change with the materiality level.

The GMRP also sets detailed standards that a model must meet during development and subsequent use. For new models, documentation must be sufficiently detailed to allow an expert to understand all aspects of model development such that they could reproduce the model. It must include a description of the data used for model development, the methodology used (and the rationale for choosing such a methodology), a description of any assumptions made, as well as details of the strengths and weaknesses of the model.

All new models are subject to validation and independent review before they can be signed off for implementation. The model validation exercise must demonstrate that the model is fit for purpose and provides accurate estimates. The independent review ensures that the model development has followed a robust process and that the standards of the GMRP have been met, as well as ensuring that the model satisfies business and regulatory requirements. In addition, the most material models are subject to independent review by Group Risk. Once implemented, all models are subject to post-implementation review. This confirms that the model has been implemented correctly and behaves as predicted.

The GMRP also sets the requirements for ongoing performance monitoring and the annual review process. Once implemented, all models within the Group are subject to ongoing performance monitoring to ensure that any deficiencies are identified early, and that remedial action can be taken before the decision-making process is affected. As part of this process, model owners set performance triggers and define appropriate actions for their models in the event that a trigger level is breached.

In addition to regular monitoring, models are subject to an annual validation process to ensure that they will continue to perform as expected, and that assumptions used in model development are still appropriate. In line with initial sign-off requirements, annual validations are also formally reviewed at the appropriate technical committee.

Within Barclays Capital, where models are used to value positions within the trading book, the positions are subject to regular independent price testing which covers all trading positions. Prices are compared with direct external market data where possible. When this is not possible, more analytic techniques are used, such as industry consensus pricing services. These services enable peer banks to compare structured products and model-input parameters on an anonymous basis. The conclusions and any exceptions to this exercise are communicated to senior levels of business management.

Externally developed models are subject to the same governance standards as internal models, and must be approved for use following the validation and independent review process. External models are also subject to the same standards for ongoing monitoring and annual validation requirements.

Stress testing

A fundamental duty of risk management is to ensure that organisations do not neglect to prepare for the worst event as they plan for success. Stress testing helps Barclays to understand how its portfolios would react if business conditions became significantly more challenging. We generate specific forward-looking scenarios and analyse how well our profitability would hold up, whether our levels of capital would be adequate and what managers could do ahead of time to mitigate the risk.

Stress tests capture a wide range of macroeconomic variables that are relevant to the current environment, such as:

- GDP;
- unemployment;
- asset prices; and
- interest rates.

The Board Risk Committee agrees the range of scenarios to be tested and the independent Group Risk function co-ordinates the process, using bottom-up analysis performed by the businesses. The results of the stress tests are presented to the Executive Committee, the Board Risk Committee, the Strategy Board and the UK Financial Services Authority (FSA).

In 2009, the range of stress scenarios included the stress test set out by the FSA as part of its assessment of the Group s resilience to stressed credit risk, market risk and economic conditions over a five-year period. This stress scenario took into account a wide range of factors, including:

- the Group s revenue generation potential given stressed GDP and interest rates assumptions;
- the probability of default and possible losses given default within its loan book; and
- possible declines in the market value of assets held in the trading books.

Following this work and discussion with the FSA, the Group was able to confirm that its capital position and resources, after exposure to the stress, were expected to continue to meet the FSA s capital requirements.

Barclays uses stress testing techniques at Group, portfolio and product level and across a range of risk types. For example, portfolio management in the US cards business employs stressed assumptions of unemployment to determine profitability hurdles for new accounts. And in the UK mortgage business, affordability thresholds incorporate stressed estimates of interest rates.

In the Investment Banking division, global scenario testing is used to gauge potential losses that could arise in conditions of extreme market stress. Stress testing is also conducted on our positions in particular asset classes, including interest rates, commodities, equities, credit and foreign exchange.

Further details of the Group s stress testing relating to liquidity risk is set out on page 102.

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Risk management

Credit risk management

Credit risk is the risk of suffering financial loss should any of the Group s customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

The granting of credit is one of the Group s major sources of income and, as the most significant risk, the Group dedicates considerable resources to controlling it.

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with our clients.

Barclays is also exposed to other credit risks arising from its trading activities, including debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

In managing credit risk, the Group applies the five-step risk management process. Credit risk management objectives are:

- To establish a framework of controls to ensure credit risk-taking is based on sound credit risk management principles.
- To identify, assess and measure credit risk clearly and accurately across the Group and within each separate business, from the level of individual facilities up to the total portfolio.
- To control and plan credit risk-taking in line with external stakeholder expectations and avoiding undesirable concentrations.
- To monitor credit risk and adherence to agreed controls.
- To ensure that risk-reward objectives are met.

In the review of Barclays credit risk management that follows, we first explain how the Group meets its credit risk management objectives through its organisation, structure and governance, measurement, reporting and system of internal ratings.

We then provide a summary of the Group s total assets, including the asset types which give rise to credit risk and counterparty credit risk, namely: loans and advances, debt securities and derivatives.

On pages 68 to 79, we set out a detailed analysis of the Group s loans and advances across a number of asset classes and businesses referencing significant portfolios and including summary measures of asset quality.

We provide disclosures and analyses of the credit risk profiles of these asset categories, beginning with Barclays Capital s credit market exposures by asset class, covering current exposures, losses during 2009, sales and paydowns, foreign exchange movements and, where appropriate, details of collateral held, geographic spread, vintage and credit quality. These are given on pages 81 to 90.

Finally, additional analysis of debt securities and derivatives is provided on pages 91 to 93.

Organisation and structure

Barclays has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring robust review and challenge of performance, risk infrastructure and strategic plans.

The credit risk management teams in each business are accountable to the business risk directors in those businesses who, in turn, report to the heads of their businesses and also to the Chief Risk Officer.

The role of the Group Risk function is to provide Group-wide direction, oversight and challenge of credit risk-taking. Group Risk sets the Credit Risk Control Framework, which provides a structure within which credit risk is managed together with supporting Group Credit Risk Policies.

Group Credit Risk Policies currently in force include:

- Maximum Exposure Guidelines to limit the exposures to an individual customer or counterparty;
- Country risk policies to specify Risk Appetite by country and avoid excessive concentration of credit risk in individual countries;
- Aggregation policy to set out the circumstances in which counterparties should be grouped together for credit risk purposes;
- Expected loss policies to set out the Group approaches for the calculation of expected loss, i.e. Group measure of anticipated loss for exposures;
- Repayment plans policy for setting the standards for repayment plans and restructures within retail portfolios; and
- Impairment and provisioning policies to ensure that measurement of impairment accurately reflects incurred losses and that clear governance procedures are in place for the calculation and approval of impairment allowances.

The largest credit exposures are approved at the Group Credit Committee which is managed by Group Risk. Group Risk also manages and approves the Mandate and Scale limits and triggers which mitigate concentration risk and define appetite in risk sensitive areas of the portfolio such as commercial property finance (see page 63).

Group Risk also provides technical support, review and validation of credit risk measurement models across the Group.

The principal Committees that review credit risk management, approve overall Group credit policy and resolve all significant credit policy issues are the Board Risk Committee, the Group Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee. Senior Group and business risk management are represented on the Group Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee.

On a semi-annual basis, the Credit Risk Impairment Committee (CRIC) obtains assurance on behalf of the Group that all businesses are recognising impairment in their portfolios accurately, promptly and in accordance with policy, accounting standards and established governance.

CRIC is chaired by the Credit Risk Director and reviews the movements to impairment in the businesses, including those already agreed at Credit Committee, as well as potential credit risk loans, loan loss rates, asset quality metrics and impairment coverage ratios.

CRIC makes twice-yearly recommendations to the Board Audit

Committee on the adequacy of Group impairment allowances. Impairment allowances are reviewed relative to the risk in the portfolio, business and economic trends, current policies and methodologies, and our position relative to peer banks.

Measurement and internal ratings

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Group is exposed, from the level of individual facilities up to the total portfolio. Integral to this is the calculation of internal ratings, which are used in numerous aspects of credit risk management and in the calculation of regulatory and economic capital. The key building blocks of this process are:

- Probability of default (PD).
- Exposure at default (EAD).
- Loss given default (LGD).

To calculate probability of default (PD), Barclays assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating. Multiple rating methodologies may be used to inform the overall rating decision on individual large credits, such as internal and external models, rating agency ratings, and, for wholesale assets, market information such as credit spreads. For smaller credits, a single source may suffice such as the result from an internal rating model. Barclays recognises the need for two different expressions of PD depending on the purpose for which it is used. For the purposes of calculating regulatory and economic capital, long-run average through-the-cycle (TTC) PDs are required. However, for the purposes of pricing, PDs should represent the best estimate of probability of default given the current position in the credit cycle. Hence, point-in-time (PIT) PDs are also required.

Each PD model outputs an estimate of default probability that is PIT, TTC or a hybrid (e.g. a 50:50 blend). Bespoke conversion techniques, appropriate to the portfolio in question, are then applied to convert the model output to pure PIT and TTC PD estimates. In deriving the appropriate conversion, industry and location of the counterparty and an understanding of the current and long-term credit conditions are considered. Both PIT and the TTC PD estimates are recorded for each client.

Within Barclays, the calculation of internal ratings differs between wholesale and retail customers. For wholesale portfolios, the rating system is constructed to ensure that a client receives the same rating regardless of the part of the business with which it is dealing. To achieve this, a model hierarchy is adopted which requires users to adopt a specific approach to rating each counterparty depending upon the nature of the business and its location. A range of methods are utilised for estimating wholesale counterparty PDs. These include bespoke grading models developed within the Group (internal models), vendor models such as MKMV Credit Edge and RiskCalc, and a conversion of external alphabet ratings from either S&P, Moody s or Fitch. Retail models, especially those used for capital purposes, are almost exclusively built internally using Barclays data. In many cases bureau data is used to complement internal data and in rare cases models developed by the credit bureau themselves are used in conjunction with internal models. In addition, in some low data/low default environments, external developments may also be utilised.

A key element of the Barclays wholesale framework is the PD Masterscale (see below). This scale has been developed to distinguish meaningful differences in the probability of default risk throughout the risk range. In contrast to wholesale businesses, retail areas rarely bucket exposures into generic grades for account management purposes (although they may be used for reporting purposes). Instead, accounts are managed at a more granular and bespoke level.

Exposure at default (EAD) represents the expected level of usage of the credit facility should default occur. At the point of default, the customer exposure can vary from the current position due to the combined effects of additional drawings, repayment of principal and interest and fees. EAD parameters are all derived from internal estimates and are determined from internal historical behaviour. The lower bound of EAD for regulatory capital purposes is the current balance at calculation of EAD. For derivative instruments, exposure in the event of default is the estimated cost of replacing contracts with a positive value should counterparties fail to perform their obligations.

Should a customer default, some part of the exposure is usually recovered. The part that is not recovered, the actual loss, together with the economic costs associated with the recovery process, comprise the loss given default (LGD), which is expressed as a percentage of EAD. The Group estimates an average LGD for each type of exposure using historical information. The level of LGD depends principally on: the type of collateral (if any); the seniority or subordination of the exposure; the industry in which the customer operates (if a business); the length of time taken for the recovery process and the timing of all associated cash flows; and the jurisdiction applicable and work-out expenses. The outcome is also dependent on economic conditions that may determine, for example, the prices that can be realised for assets, whether a business can readily be refinanced or the availability of a repayment source for personal customers. For the purposes of regulatory capital an adjustment is made to the modelled LGD to account for the increased losses experienced under downturn conditions, giving a downturn LGD .

Barclays PD Masterscale

Default grade/	Default Probability		
TTC Band	>=Min	Mid	<Max
1	0.00%	0.010%	0.02%
2	0.02%	0.025%	0.03%
3	0.03%	0.040%	0.05%
4	0.05%	0.075%	0.10%
5	0.10%	0.125%	0.15%
6	0.15%	0.175%	0.20%
7	0.20%	0.225%	0.25%
8	0.25%	0.275%	0.30%
9	0.30%	0.350%	0.40%
10	0.40%	0.450%	0.50%
11	0.50%	0.550%	0.60%
12	0.60%	0.900%	1.20%
13	1.20%	1.375%	1.55%
14	1.55%	1.850%	2.15%
15	2.15%	2.600%	3.05%
16	3.05%	3.750%	4.45%
17	4.45%	5.400%	6.35%
18	6.35%	7.500%	8.65%
19	8.65%	10.000%	11.35%
20	11.35%	15.000%	18.65%
21	18.65%	30.000%	100.00%

Risk management

Credit risk management

continued

Reporting

The Group dedicates considerable resources to gaining a clear and accurate understanding of credit risk across the business and ensuring that its balance sheet correctly reflects the value of the assets in accordance with applicable accounting principles. This process can be summarised in five broad stages:

- measuring exposures and concentrations;
- monitoring weaknesses in portfolios;
- identifying potential problem loans and credit risk loans (collectively known as potential credit risk loans or PCRLs);
- raising allowances for impaired loans; and
- writing off assets when the whole or part of a debt is considered irrecoverable.

Measuring exposures and concentrations

Loans and advances to customers provide the principal source of credit risk to the Group although Barclays can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities.

Barclays risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data.

One area of particular review is concentration risk. A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

As a result, Barclays constantly reviews its concentration in a number of areas including, for example, geography, maturity, industry and investment grade (see below).

Diversification is achieved through setting maximum exposure guidelines to individual counterparties. Excesses are reported to the Group Risk Oversight Committee and the Board Risk Committee. Mandate and Scale limits are used to limit the stock of current exposures in a loan portfolio and the flow of new exposures into a loan portfolio. Limits are typically based on the nature of the lending and the amount of the portfolio meeting certain standards of underwriting criteria.

Note

a Total comprises all limits to cross-border counterparties (non-UK) where limits are greater than £10m.

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Monitoring weaknesses in portfolios

Whilst the basic principles for monitoring weaknesses in wholesale and retail exposures are broadly similar, they will reflect the differing nature of the assets.

As a matter of policy all facilities granted to corporate or wholesale customers are subject to a review on, at least, an annual basis, even when they are performing satisfactorily.

Corporate accounts that are deemed to contain heightened levels of risk are recorded on graded early warning lists or watchlists comprising three categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default. These are updated monthly and circulated to the relevant risk control points. Once an account has been placed on watchlist (WL) or early warning list (EWL), the exposure is carefully monitored and, where appropriate, exposure reductions are effected.

Should an account become impaired, it will normally have passed through each of the three categories, which reflect the need for increasing caution and control. Where an obligor s financial health gives grounds for concern, it is immediately placed into the appropriate category. While all obligors, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis, more frequent interim reviews may be undertaken should circumstances dictate.

Specialist recovery functions deal with clients in default, collection or insolvency. Their mandate is to maximise shareholder value via the orderly and timely recovery of impaired debts. Accounts can stay in Recoveries for up to two years unless a longer-term strategy has been agreed.

Within the *retail* portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow potential weaknesses to be monitored on a portfolio basis. The approach is consistent with the Group s policy of raising a collective impairment allowance as soon as objective evidence of impairment is identified.

Retail accounts can be classified according to specified categories of arrears status (or cycle), which reflects the level of contractual payments which are overdue on a loan.

The probability of default increases with the number of contractual payments missed, thus raising the associated impairment requirement. Once a loan has passed through all six cycles it will enter recovery status, having been charged off. In most cases, charge-off will result in the account moving to a legal recovery function or debt sale. This will typically occur after an account has been treated by a collections function. However, in certain cases, an account may be charged off directly from a performing (up to date) status, such as in the case of insolvency or death.

As a general principle, charge-off marks the point at which it becomes more economically efficient to treat an account through a recovery function or debt sale rather than a collections function. Economic efficiency includes the (discounted) expected amount recovered and operational and legal costs. Whilst charge-off is considered an irreversible state, in certain cases, it may be acceptable for mortgage and vehicle finance accounts to move back from charge-off to performing or delinquent states. This is only considered acceptable where local legislation requirements are in place, or where it is deemed that the customer has a renewed willingness to pay and there is a

Risk management

Credit risk management

continued

strong chance that they will be able to meet their contractual obligations in the foreseeable future.

For the majority of products, the standard period for charging off accounts is 180 days past due of contractual obligation. However, in the case of customer bankruptcy or insolvency, the associated accounts will be charged off within 60 days.

Within UKRB Local Business, accounts that are deemed to have a heightened level of risk, or that exhibit some unsatisfactory features which could affect viability in the short to medium term, are transferred to a separate caution stream. Accounts on the caution stream are reviewed on at least a quarterly basis, at which time consideration is given to continuing with the agreed strategy, returning the customer to a lower risk refer stream, or instigating recovery/exit action.

Identifying potential credit risk loans

In line with disclosure requirements from the Securities Exchange Commission (SEC) in the US, the Group reports potentially and actually impaired loans as Potential Credit Risk Loans (PCRLs). PCRLs comprise two categories of loans: Potential Problem Loans (PPLs) and Credit Risk Loans (CRLs).

PPLs are loans that are currently complying with repayment terms but where serious doubt exists as to the ability of the borrower to continue to comply with such terms in the near future. If the credit quality of a loan on an early warning or watch list deteriorates to the highest category (wholesale) or deteriorates to delinquency cycle 2 (retail), consideration is given to including it within the PPL category.

Should further evidence of deterioration be observed, a loan may move to the *CRL* category. Events that would trigger the transfer of a loan from the PPL to the CRL category include a missed payment or a breach of covenant. CRLs comprise three classes of loans:

Impaired loans comprise loans where individual identified impairment allowance has been raised and also include loans which are fully collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

The category accruing past due 90 days or more comprises loans that are 90 days or more past due with respect to principal or interest. An impairment allowance will be raised against these loans if the expected cash flows discounted at the effective interest rate are less than the carrying value.

The category impaired and restructured loans comprises loans not included above where, for economic or legal reasons related to the debtor s financial difficulties, a concession has been granted to the debtor that would not otherwise be considered. Where the concession results in the expected cash flows discounted at the effective interest rate being less than the loan s carrying value, an impairment allowance will be raised.

Allowances for impairment and other credit provisions

Barclays establishes, through charges against profit, impairment allowances and other credit provisions for the incurred loss inherent in the lending book.

Under IFRS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition, and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset s original effective interest rate. If the carrying amount is less than the discounted cash flows, then no further allowance is necessary.

Impairment allowances are measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available.

In terms of individual assessment, the trigger point for impairment is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure. Two key inputs to the cash flow calculation are the valuation of all security and collateral, as well as the timing of all asset realisations, after allowing for all attendant costs. This method applies mainly in the corporate portfolios.

For collective assessment, the trigger point for impairment is the missing of a contractual payment. While the impairment allowance is calculated per individual account, the calculation methodology relies on the historical experience of pools of similar assets; hence the impairment allowance is collective. The impairment calculation is based on a roll-rate approach, where the percentage of assets that move from the initial delinquency to default are derived from statistical probabilities based on historical experience. Recovery amounts and contractual interest rates are calculated using a weighted average for the relevant portfolio. This method applies mainly to the Group s retail portfolios and is consistent with Barclays policy of raising an allowance as soon as impairment is identified.

Unidentified impairment allowances are also raised to cover losses which are judged to be incurred but not yet specifically identified in customer exposures at the balance sheet date, and which, therefore, have not been specifically reported.

The incurred but not yet reported calculation is based on the asset s probability of moving from the performing portfolio to being specifically identified as impaired within the given emergence period and then on to default within a specified period. This is calculated on the present value of estimated future cash flows discounted at the financial asset s original effective interest rate.

The emergence periods vary across businesses and are based on actual experience and are reviewed on an annual basis. This methodology ensures that the Group captures the loss incurred at the correct balance sheet date.

These impairment allowances are reviewed and adjusted at least

Note

Loan loss rate for the years prior to 2005 does not reflect the application of IAS 32, IAS 39 and IFRS 4.

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quarterly by an appropriate charge or release of the stock of impairment allowances based on statistical analysis and management judgement.

Where appropriate, the accuracy of this analysis is periodically assessed against actual losses (see Modelling Risk on page 64).

As one of the controls to ensure that adequate impairment allowances are held, movements in impairment allowances to individual names with total impairment of more than £10m are presented to the Credit Committee for agreement.

Monitoring the loan loss rate (LLR) provides Barclays with one way of measuring the trends in the quality of the loan portfolio at the Group, business and product levels. At Barclays, the LLR represents the annualised impairment charges on loans and advances to customers and banks and other credit provisions as a percentage of the total, period-end loans and advances to customers and banks, gross of impairment allowances.

The impairment allowance is the aggregate of the identified and unidentified impairment balances. Impairment allowance coverage, or the coverage ratio, is reported at two levels:

Credit risk loans coverage ratio (Impairment allowances as a percentage of CRL balances).

Potential credit risk loans coverage ratio (Impairment allowances as a percentage of total CRL & PPL balances).

Appropriate coverage ratios will vary according to the type of product but can be broadly bracketed under three categories: secured retail home loans; unsecured and other retail products; and corporate facilities. Analysis and experience has indicated that, in general, the severity rates for these types of products are typically within the following ranges:

Secured retail home loans: 5%-20%.

Unsecured and other retail products: 65%-75%.

Corporate facilities: 30%-50%.

CRL coverage ratios would therefore be expected to be at or around these levels over a defined period of time. In principal, a number of factors may affect the Group s coverage ratios, including:

The mix of products within total CRL balances. Coverage ratios will tend to be lower when there is a high proportion of secured retail and corporate balances within total CRLs. This is due to the fact that the recovery outlook on these types of exposures is typically higher than retail unsecured products with the result that they will have lower impairment requirements.

The stage in the economic cycle. Coverage ratios will tend to be lower in the earlier stages of deterioration in credit conditions. At this stage, retail delinquent balances will be predominantly in the early delinquency cycles and corporate names will have only recently moved to CRL categories. As such balances attract a lower impairment requirement, the CRL coverage ratio will be lower.

The balance of PPLs to CRLs. The impairment requirements for PPLs are lower than for CRLs, so the greater the proportion of PPLs, the lower the PCRL coverage ratio.

Write-off policies. The speed with which defaulted assets are written off will affect coverage ratios. The more quickly assets are written off, the lower the ratios will be, since stock with 100% coverage will tend to roll out of PCRL categories more quickly.

Writing-off of assets

After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-off will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery. In any event, the position of impaired loans is reviewed at least quarterly to ensure that irrecoverable advances are being written off in a prompt and orderly manner and in compliance with any local regulations.

Such assets are only written off once all the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are written back and hence decrease the amount of the reported loan impairment charge in the income statement. In 2009 total write-offs of impaired financial assets increased by £461m to £3,380m (2008: £2,919m).

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Risk management

Credit risk management

continued

Total assets and Barclays Capital credit market assets

Analysis of Total Assets		Accounting basis				Analysis of total assets				Sub analysis
Assets as at 31.12.09	Total assets £m	Fair value £m	Cost based measure £m	Derivatives £m	Loans and advances [a] £m	Debt securities and other bills [b] £m	Reverse repurchase agreements [c] £m	Equity securities [d] £m	Other £m	Credit market assets [e] £m
Cash and balances at central banks	**81,483**		81,483						81,483	
Items in the course of collection from other banks	**1,593**		1,593						1,593	
Treasury and other eligible bills	**9,926**	9,926				9,926				
Debt securities	**116,594**	116,594				116,594				1,186
Equity securities	**19,602**	19,602						19,602		
Traded loans	**2,962**	2,962			2,962					
Commodities[f]	**2,260**	2,260							2,260	
Trading portfolio assets	**151,344**	151,344			2,962	126,520		19,602	2,260	1,186
Financial assets designated at fair value										
Loans and advances	**22,390**	22,390			22,390					6,941
Debt securities	**4,007**	4,007				4,007				
Equity securities	**6,256**	6,256						6,256		
Other financial assets[g]	**8,658**	8,658			557		7,757		344	
Held for own account	**41,311**									