CORNING INC /NY
Form 4
April 29, 2015

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Musser Eric S
(Last) (First) (Middle)
ONE RIVERFRONT PLAZA
(Street)
CORNING, NY 14831
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CORNING INC /NY [GLW]

3. Date of Earliest Transaction (Month/Day/Year)
04/27/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Exec VP, Corning Tech. & Intl.

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/27/2015		F		15,471	D	$ 22.38	14,529	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Musser Eric S ONE RIVERFRONT PLAZA CORNING, NY 14831			Exec VP, Corning Tech. & Intl.	

Signatures

Linda E. Jolly, Power of Attorney	04/29/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Barclays Commercial Bank

£1,371m

Larger Business

Medium Business

Asset and Sales Finance

18 %

Barclaycard

£540m

UK Cards and Loans

Barclaycard Business

Barclaycard International

7 %

International Retail and Commercial Banking

£935m

Absa

Western Europe

Emerging Markets

13 %

Investment Banking and Investment Management

Barclays Capital

(Profit before tax)£2,335m

Rates

Credit

Private Equity

Absa Capital

Contribution to group profit(a)

31 %

Barclays Global Investors

£734m

Index asset management

Active asset management iShares

10 %

Barclays Wealth

£307m

Private Banking

Offshore Banking

Brokerage

Wealth Structuring

Closed Life Assurance

4 %

Note a Head office functions and other operations segment has been excluded.

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Financial and operating highlights

UK Banking

Delivers banking products and services to 15 million retail customers and 724,000 businesses in the UK.

11.3m 724,000

UK Current accounts Business customers

Barclaycard

Is one of the leading credit card businesses in Europe with an extensive international presence.

10.1m 8.8m

UK customers International cards in issue

International Retail and Commercial Banking

Has operations with 13 million clients, in geographies which currently include Africa, France, Spain, Portugal, Italy, India and the Middle East.

2,349

International distribution points

Barclays Capital

The investment banking division, provides corporate, institutional and government clients with solutions to their financing and risk management needs.

US$441.5bn

Value of debt issued globally

Barclays Global Investors

Is one of the world s largest asset managers and a leading provider of investment management products and services.

US$2.1trn

Assets under management

Barclays Wealth

Serves high net worth, affluent and intermediary clients worldwide, providing private banking, asset management, stockbroking, offshore banking, wealth structuring and financial planning services.

£133bn

Total client assets

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1

Business review

Organisational overview

Marcus Agius

Group Chairman

John Varley

Group Chief Executive

Frits Seegers Chris Lucas Gary Hoffman Paul Idzik Robert E Diamond Jr

Chief Executive, Group Finance Group Vice Chairman Chief Operating Officer President, Barclays PLC, Global Retail and Director Chief Executive, Commercial Banking Investment Banking and Investment Management

Global Retail and Commercial Banking (GRCB) Investment Banking and Investment Management (IBIM)

UK Banking Barclaycard International Barclays Capital Barclays Global Barclays Wealth

UK Cards and Loans Retail and Investors

Rates Private Banking

Commercial

Barclaycard Business Credit Index asset Offshore Banking

Banking (IRCB) management

Barclaycard Private Equity

Brokerage International Active asset

Absa Capital Wealth Structuring management iShares Closed Life Assurance

UK Retail Banking IRCB Absa

Personal Customers

Home Finance

Local Business

Consumer Lending

Barclays Financial Planning

Barclays IRCB

Commercial Bank Excluding Absa

Larger Business Western Europe

Medium Business Emerging Markets

Asset and Sales Finance

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Board and Executive management

Date appointed

The Board as Director

Marcus Agius Group Chairman 2006

David Booth Non-executive Director 2007

Sir Richard Broadbent Senior Independent Director 2003

Leigh Clifford AO Non-executive Director 2004

Fulvio Conti Non-executive Director 2006

Dr Danie Cronjé Non-executive Director 2005

Professor Dame Sandra Dawson Non-executive Director 2003

Sir Andrew Likierman Non-executive Director 2004

Sir Michael Rake Non-executive Director 2008

Sir Nigel Rudd DL Deputy Chairman 1996

Stephen Russell Non-executive Director 2000

Sir John Sunderland Non-executive Director 2005

Patience Wheatcroft Non-executive Director 2008

John Varley Group Chief Executive 1998

Robert E Diamond Jr President, Barclays PLC and

Chief Executive, Investment

Banking and Investment

Management 2005

Gary Hoffman Group Vice Chairman 2004

Chris Lucas Group Finance Director 2007

Frits Seegers Chief Executive, Global Retail

and Commercial Banking 2006

The Executive Committee Date appointed

John Varley Group Chief Executive 1996

Robert E Diamond Jr President, Barclays PLC and

Chief Executive, Investment

Banking and Investment

Management 1997

Paul Idzik Chief Operating Officer 2004

Chris Lucas Group Finance Director 2007

Frits Seegers Chief Executive, Global Retail

and Commercial Banking 2006

Other officers Date appointed

Jonathan Britton Financial Controller 2006

Lawrence Dickinson Company Secretary 2002

Patrick Gonsalves Joint Secretary,

Barclays Bank PLC 2002

Mark Harding General Counsel 2003

Robert Le Blanc Risk Director 2004

The Executive Committee Date appointed

John Varley Group Chief Executive 1996

Robert E Diamond Jr President, Barclays PLC and

Chief Executive, Investment

Banking and Investment

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Group Chairman s statement

2007 was an eventful year for Barclays and the financial services industry

Barclays performed well during 2007, despite the difficult market conditions. Although profit before tax fell 1%, profit before business disposals rose 3%. The Investment Banking and Investment Management businesses (Barclays Capital, Barclays Global Investors and Barclays Wealth) all achieved profits ahead of 2006. In Global Retail and Commercial Banking, there were good performances from the UK businesses and continued investment in and development of the international business, where income rose sharply.

2007 was an eventful year for Barclays and the financial services industry. We announced in March that we were in merger discussions with ABN AMRO, although we subsequently withdrew our primarily share-based offer in light of a higher cash-based offer from a consortium of banks. We also announced, in July, that two new major investors had joined our share register, China Development Bank and Temasek Holdings of Singapore. The second half of the year saw extremely testing market conditions as rising default rates on sub-prime mortgages in the US severely affected confidence in the global credit and money markets.

The Group s diversified portfolio of businesses served shareholders well in 2007, enabling us to deliver another year of substantial profits. We have declared a final dividend for the year of 22.5p per share, making a total payment for the year of 34p, an increase of 10%. Share prices across the banking sector globally were badly affected during 2007 by market concerns over the impact of conditions in the credit and money markets on economic growth prospects. We remain committed to delivering top quartile returns to our shareholders over time.

The potential merger with ABN AMRO represented a significant opportunity for us to accelerate the implementation of our strategy. It was for that reason that we pursued it vigorously. But we see no distinction between strategy and economics: we apply stringent financial tests to all mergers and acquisitions and we were clear throughout the period of the bid that we were not prepared to overpay. Walking away from the opportunity, as we did for this reason, has not caused us to change strategy, and we remain confident in our ability to grow and deliver value for shareholders through time. Meanwhile, the investments made by China Development Bank and Temasek are a signal of their belief in the strong future prospects of our Group. We re already seeing the benefits of the strategic partnership with China Development Bank that we announced in July.

Corporate Governance

David Booth joined the Board on 1st May 2007 as a non-Executive Director. He brings to the Board extensive investment banking and US market knowledge and experience. As previously reported, Chris Lucas joined the Group and the Board on 1st April 2007 as Group Finance Director.

We also announced in December the appointment of Sir Michael Rake and Patience Wheatcroft to the Board with effect from 1st January 2008. Sir Michael is a former Chairman of KPMG International and is Chairman of BT Group plc. Patience is a former editor of the Sunday Telegraph and was Business and City Editor of The Times between 1997 and 2006. Dr Danie Cronjé has advised us that he does not intend to seek re-election at the 2008 Annual General Meeting. I would like to thank him for his considerable contribution to the Board and wish him well for the future.

Responsible Banking

During the year we redefined our corporate responsibility strategy in support of corporate sustainability. The sustainability strategy we are developing encompasses several themes: customer centricity; inclusiveness; respect for diversity; environmental sustainability and responsible global citizenship.

Over the year we made significant progress in a number of important areas. We have continued to lead the market in inclusive banking in the UK and overseas. Our engagement with UK consumer groups has led to improvements in Barclays basic bank account (which is designed to help those who have been outside the banking system gain access via a simple account) and we plan a significant deepening of banking services in emerging markets. We are supporting over a quarter of a million entrepreneurs in emerging markets with a range of financial options. In the area of the environment, we made our UK operations carbon neutral and this will be extended to cover all our businesses around the world by 2009. We launched Barclaycard Breathe, the UK s first credit card aimed at helping retail customers to address their own carbon impact. Barclays remains the largest trader of allowances in the EU Emissions Trading Scheme. We have developed environmental risk guidance for lending which we have issued via the United Nations Environment Programme to 170 small international banks.

Management Team

2007 was my first year as Chairman and it has been a pleasure to get to know the people of Barclays. We are fortunate to have a forward-looking, ambitious management team which is energetic in its pursuit of new products and services to help meet the changing needs of customers and clients. Let me extend on behalf of our shareholders a vote of thanks to all of our people around the world who have worked so hard for the Group s customers in very difficult market and competitive conditions.

Marcus Agius Group Chairman

Barclays PLC

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Group Chief Executive s review

Barclays delivered a resilient performance in 2007, with profits broadly in line with the record prior year results. The strength of our diversified businesses gives us confidence for the period ahead

Barclays delivered a resilient financial performance in 2007 in a year of contrasting market conditions. The excellent results of the first half were achieved in a relatively benign environment; in the second half we were not immune from the impact of the credit market turbulence, but profit before business disposals for the year still increased 3%. I am pleased to report profits again above £7bn, which is well ahead of the average level of the previous three years.

At a time of significant market turbulence, it is important to be clear and confident about strategy. The strategy of Barclays is to achieve superior growth through time by diversifying our profit base. The precondition of successful growth is relevance to customers. We seek to maximise the alignment between the sources of growth in the financial services industry (in particular anticipating what customers want and need) with what we have in Barclays (in terms of brand, capability and physical footprint). We recommit to our strategy following our bid for ABN AMRO, and in the light of the market volatility and because of our confidence that our strategy offers the best route to strong growth in the years ahead.

The structure of the Group, which comprises two business groupings, Global Retail and Commercial Banking (GRCB) and Investment Banking and Investment Management (IBIM), is designed both to enable us to be well positioned for the significant growth which we anticipate in the global financial services industry and to help us serve customers and clients well. We continued to invest heavily across the Group in 2007, increasing the number of employees who serve customers and clients and developing our distribution networks.

In IBIM I believe that we handled well the stress test of market turbulence in the second half of 2007. Both Barclays Capital and Barclays Global Investors ended 2007 with profits ahead of 2006, which was a year of rapid growth and record profitability for both. We have benefited significantly from the business diversification that we have pursued in recent years: the development of capabilities by Barclays Capital in commodities, foreign exchange and equity products enabled us to deliver excellent income growth in those areas. The cost flexibility that we have built into the business model here has also served shareholders well, enabling us to reduce expenses year on year, and improve the cost: net income and compensation ratios. In Barclays Global Investors, iShares assets under management grew over $100bn to $408bn, and this growth illustrates the significant diversification of Barclays Global Investors earnings base that we have engineered in recent years. Meanwhile Barclays Wealth is making good progress towards the achievement of its profit goal of £500m in the medium term, benefiting as it is from proximity to the structuring and manufacturing capabilities of Barclays Capital and Barclays Global Investors.

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We are building significant momentum in GRCB. In particular, we have been growing distribution to create a much broader business base for the years ahead. During 2007, we opened over 600 new branches and sales centres outside the United Kingdom, increasing by over one third the number of distribution points across these parts of our GRCB business. This growth is feeding through powerfully into activity levels. Income increased 28% in International Retail and Commercial Banking excluding Absa in 2007. Absa performed well, including delivering on its synergy target 18 months ahead of schedule.

In UK Banking, we delivered a further two percentage points improvement in our cost: income ratio, excluding the impact of the settlement on overdraft fees, bringing the total to eight percentage points improvement over three years compared with our target of six percentage points. The turnaround of UK Retail Banking continued during 2007, with strong income growth in core product areas, including mortgages. We have announced our intention to reduce UK Retail Banking s cost: income ratio by a further three percentage points over the next three years. In Barclaycard, we have made excellent progress towards our goal of re-establishing a leadership position in the United Kingdom and in the aggressive expansion of our International Cards business. Profits in Barclaycard grew strongly in 2007 as we reduced the impairment charge in the UK, and moved Barclaycard International, including Barclaycard US, into profit. In reviewing our use of capital and assets, our principal focus has been on the risk weighted balance sheet rather than the nominal balance sheet. Whilst we monitor internally a range of different ratios, our publicly expressed target has been to maintain a ratio of Tier 1 capital to risk weighted assets of 7.25%. At the end of 2007 we were comfortably ahead of that target under both Basel I and Basel II measurement bases. Risk weighted asset growth in 2007 was 19%, a brisker rate than in recent years reflecting in part the syndication constraints of the second half of the year. We expect the rate of growth in risk weighted assets in 2008 to be slower than that of 2007.

We have increased the dividend by 10% to 34p (2006: 31p), which includes a final dividend of 22.5p (2006: 20.5p). The maintenance of our policy of growing dividends broadly in line with the rate of underlying earnings over time reflects the Board s confidence in the future. Our dividend remains more than twice covered by earnings, which we believe is consistent with the funding requirements of our organic growth plans. We have announced new multi-year performance goals. These are designed to stretch us, and we see them as reflective of the potential that exists within our businesses and our people. As in 2003, when we last set new goals, we aim to achieve significant growth in economic profit over the next four years and thereby to deliver top quartile Total Shareholder Return (TSR) relative to our competitor peer group.

Over the last four years Barclays achieved a cumulative total of £8.3bn of economic profit, against a target range of £6.5bn to £7.0bn. Despite exceeding our economic profit goal by some way, we ranked in the third quartile of our peer group in terms of TSR which was a disappointing outcome.

Our new goal is to generate a cumulative total of between £9.3bn and £10.6bn of economic profit between 2008 and 2011. This represents an annual growth rate in economic profit of 5% to 10%. We estimate that if we achieve the upper end of the range, we will also achieve our goal of top quartile TSR relative to our peer group.

I am pleased to report that our strategic collaboration with China Development Bank is off to a good start. This is an important part of our long term plans to develop a more significant presence in emerging markets, particularly Asia where group profits more than doubled in 2007, and I look forward to reporting to shareholders on the growing returns that we will generate from this relationship in the coming years.

This has been a challenging year for our staff, and we have them to thank for delivering the results we have achieved despite multiple distractions in difficult market circumstances. I am proud of their commitment to putting our customers first and I am confident that we enter our new goal period with a team as good as any in the banking industry.

What is the outlook for 2008? We see another year in which global economic growth will be 4%, or something close to that. The emerging economies account for about a third of global GDP, but they account for two thirds of global GDP growth and they continue to perform strongly. However, in many economies of the developed world, there will be a slowdown, and in particular we expect economic growth in the UK and the US to be below the trend of recent years. In an environment such as this we will have to be disciplined in our risk management and rigorous in our approach to lending. But our experience of 2007 gives us confidence, and we enter 2008 with a strong capital base, a consistent strategic direction, a well diversified set of businesses and significant opportunities for growth in the medium term.

John Varley

Group Chief Executive

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Key performance indicators

Barclays strategic priorities are to:

Build the best bank in the UK

Accelerate growth of global businesses

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

Enhance operational excellence

A range of financial and non-financial key performance indicators (KPIs) are monitored at both a Group and business level to assess progress against these strategic goals. Group KPIs are detailed here, business specific performance indicators are detailed within the analysis of results by business. Further non-financial performance indicators are detailed within the Corporate sustainability section.

Total Shareholder Return

Total Shareholder Return (TSR) is defined as the value created for shareholders through share price appreciation, plus reinvested dividend payments.

At the end of 2003, Barclays established a set of four year performance goals for the period 2004 to 2007 inclusive. The primary goal was to achieve top quartile TSR relative to a peer group of financial services companies. The TSR peer group is regularly reviewed to ensure that it remains aligned to our business mix and the direction and scale of our ambition. The peer group for 2007 was: Banco Santander, BBVA, BNP Paribas, Citigroup, Deutsche Bank, HBOS, HSBC, JP Morgan Chase, Lloyds TSB, Royal Bank of Scotland and UBS. Banco Santander replaced ABN AMRO in this peer group during 2007. Barclays delivered TSR of 20.4% for the goal period and was positioned 8th within its peer group (third quartile) for the goal period commencing 1st January 2004.

Economic Profit

Economic profit (EP) is the measurement used to support the pursuit of the top quartile TSR goal. EP is profit after tax and minorities less a capital charge (average shareholder s equity and goodwill excluding minority interests multiplied by the Group cost of capital). Barclays uses EP, a non-IFRS measure, as a key indicator of performance because it believes that it provides important discipline in decision making. Barclays believes that EP encourages both profitable growth and the efficient use of capital. At the time of setting the TSR goal, we estimated that achieving top quartile TSR would require the achievement of compound annual growth in economic profit in the range of 10% to 13% per annum (£6.5bn to £7.0bn of cumulative economic profit) over the 2004 to 2007 goal period. Economic profit for 2007 was £2.3bn, which, added to the £6.0bn generated in 2004, 2005 and 2006, delivered a cumulative total of £8.3bn for the goal period. Therefore Barclays has delivered 128% of the minimum range and 119% of the upper range of the cumulative economic profit goal in the goal period.

Total Shareholder Return £

Year ended 31st December Barclays PLC

FTSE 100 Index

226

195 181 167 181 136 158 163 100 131 118 100

02 03 04 05 06 07

Economic Profit

Actual Target range

8,313

6,024

3,320

1,568

04 05 06 07

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2008 to 2011 goal period

Barclays has established a new set of four year performance goals for the period from 2008 to 2011 inclusive. The primary goal is to achieve compound annual growth in economic profit in the range of 5% to 10% (£9.3bn to £10.6bn of cumulative economic profit) over the 2008 to 2011 goal period We believe that if we achieve the upper end of the economic profit range, we will also achieve our goal of top quartile TSR relative to our peer group of financial services companies.

Profit before tax

Profit before tax is a key indicator of financial performance to the majority of our stakeholders.

From 2005 to 2007 profit before tax grew at a compound rate of 16% per annum. 2006 included £323m of profit relating to business disposals; profit before disposals increased 3% in 2007.

Earnings per share

Earnings per share (EPS) is a key indicator of performance for our shareholders. EPS is measured as the profit attributable to shareholders after tax and minority interests divided by the weighted average number of shares.

In 2007, basic EPS decreased to 68.9p. Over the three years to 2007 the compound annual growth rate was 13% per annum.

Dividends per share

We aim to grow our dividend broadly in line with the rate of growth in underlying earnings over time.

The 2007 dividend of 34p per share represents an increase of 10% on 2006. Over the three years to 2007 we have increased our dividend by a compound annual rate of 13% per annum.

Return on average shareholder equity

This ratio shows the return we are making on the money our shareholders have invested in us and is calculated as the profit after tax and minority interests divided by the average shareholders funds. Investment decisions are made within strict return criteria in the knowledge that investors have a choice of where to invest.

In 2007 our return on average shareholders equity was 20.3% compared to 24.7% in 2006. Over the past three years the average return has been 22%.

Profit diversification

The diversification of profit both by geography and by business line are strategic priorities for Barclays with the aim of increasing the proportion of our business conducted outside our UK Banking franchise. In 2007 two thirds of profits were made outside UK Banking businesses which is a result of the transformation of the Group over recent years.

Return on average shareholders Profit before tax £m Earnings per share pence Dividend per share pence equity %

7,136 7,076 71.9 68.9 34.0 24.7 31.0 21.1

5,280 54.4 26.6 20.3

05 06 07 05 06 07 05 06 07 05 06 07

Profit diversification by geographic region %

40% 60% 50% 50% 43% 57%

Non Non Non UK UK UK

UK

UK UK

05 06 07

Profit diversification by business %(a)

60% 40% 66% 34% 65% 35%

UK UK UK Banking Banking Banking Other Other Other

05 06 07

Note

a Head office functions and other operations segment has been excluded.

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Key performance indicators

Revenue Mix

The mix of income is an important indicator of financial health, being a demonstration of the diversification of business lines and of the dependency on the balance sheet to drive income growth. It is measured as the proportion of non-net interest income within total income. Over time we aim to increase this proportion.

The percentage of non-net interest income within total income has increased from 55% to 59% over the three years of review.

Cost: income Ratio

Cost: income ratio is defined as operating expenses compared to total income net of insurance claims and is a measure management use to assess the productivity of the business operations.

We target a top quartile cost: income ratio for each of our businesses relative to their peers.

In 2005 we set a specific cost: income ratio target for UK Banking; to improve the cost: income ratio by two percentage points in each of 2005, 2006 and 2007. We have exceeded this over the period with the cost: income ratio improving by eight percentage points over the period to 48%, excluding the impact of settlements on overdraft fees in relation to prior years.

Revenue mix %

45% 55% 41% 59% 41% 59%

Non Non Non NII NII NII NII NII NII

05 06 07

Cost: income Ratio UK Banking % Tier 1 Capital Ratio %

53 (a) 7.8

50 7.7 48

7.25% target 7.0

05 06 07 05 06 07

Cost: income Ratio by business %

Peer Group Top Quartile cost: income ratio(b) Barclays CIR Barclays CIR

76 79 76 74

63 61 63 64 63 63 62

58 57 57 59

48 54

44 46

42 39

33 36 36

07 06 07 07 06 07 07 06 07 07 06 07 07 06 07 07 06 07 07 06 07 07 06 07

UK Retail Barclays Barclaycard International International Barclays Barclays Barclays Banking(c) Commercial Retail and Retail and Capital(e) Global Wealth Bank Commercial Commercial Investors Banking Banking d

Notes

a Excludes the impact of settlements on overdraft fees in relation to prior years.

b Peer group data has been extracted as at 30th June 2007.

c UK Retail Banking peer group includes related credit card businesses.

d IRCB Absa excludes Absa Capital, but peers are total Group numbers.

e Barclays Capital and Peer group ratios are cost: net income.

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Tier 1 Capital Ratio

Capital requirements are part of the regulatory framework governing how banks and depository institutions are managed. Capital ratios measure the percentage of a bank s capital to its risk weighted assets. Tier 1 capital is defined by the FSA and consists largely of shareholders funds.

Barclays operates a centralised capital management model, considering both regulatory and economic capital. Decisions on the allocation of capital resources, conducted as part of the strategic planning review, are based on a number of factors including returns on economic and regulatory capital.

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

Support the Group s AA credit rating.

Maintain sufficient capital resources to support the Group s risk appetite and economic capital requirements.

Maintain sufficient capital resources to meet the FSA s minimum regulatory capital requirements and the US Federal Reserve Bank s requirements that a financial holding company be well capitalised.

Ensure locally regulated subsidiaries can meet their minimum capital requirements.

The key measure the Group uses to assess its capital strength is the Tier 1 capital ratio which represents Tier 1 capital compared to risk weighted assets. The Group targets a Tier 1 capital ratio of 7.25%.

Employee engagement

Employee opinion surveys are used extensively across the Group to provide leaders with valuable insight to employee views. This is important because research has consistently shown that committed people are a crucial factor in achieving great customer service and excellent business performance.

The participation levels in the surveys conducted in 2007 were the highest we have achieved.

2007 Employee opinion surveys response rates %

90 89 82

72 74

Global Barclays Barclays Barclays Head Retail and Capital a Global Wealth office Commercial Investors functions Banking and other operations

Note a Barclays Capital runs a survey biennially. The participation level in the most recent survey (2006) is shown.

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Business

review

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Financial review

Business review

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Financial review

Group Finance Director s review

We delivered profits of over £7 billion in 2007 showing the benefits of our business diversification in recent years

Group Performance

Barclays financial performance in 2007 demonstrated the benefits of the successful execution of our strategic priorities in recent years. We delivered profit before tax of £7,076m, broadly in line with the record results of 2006 and up 3% excluding gains from business disposals. Earnings per share were 68.9p and we increased the full year dividend payout to 34p, a rise of 10%.

Income grew 7% to £23,000m, well ahead of expense growth. Growth was well spread by business, with strong contributions from International Retail and Commercial Banking, Barclays Global Investors and Barclays Wealth. Net income, after impairment charges, grew 4% and included net losses of £1,635m relating to credit market turbulence, net of £658m of gains arising from the fair valuation of notes issued by Barclays Capital and settlements on overdraft fees in relation to prior years of £116m in UK Retail Banking.

Impairment charges and other credit provisions rose 30% to £2,795m. Impairment charges relating to US sub-prime mortgages and other credit market exposures were £782m. Excluding these sub-prime related charges, impairment charges improved 7% to £2,013m. In UK Retail Banking and Barclaycard, impairment charges improved significantly, as a consequence of reductions in flows into delinquency and arrears balances in UK cards and unsecured loans. UK mortgage impairment charges remained negligible, with low levels of defaults, and the wholesale and corporate sector remained stable. The significant increase in impairment charges in International Retail and Commercial Banking was driven by very strong book growth.

Operating expenses increased 4% to £13,199m. We invested in growing the branch network and distribution channels in International Retail and Commercial Banking and in infrastructure development in Barclays Global Investors. Costs were lower in UK Banking and broadly flat in Barclays Capital. Gains from property disposals were £267m (2006: £432m). The Group cost: income ratio improved two percentage points to 57%.

Business Performance Global Retail and Commercial Banking

In UK Banking we improved the cost: income ratio a further two percentage points to 48%, excluding settlements on overdraft fees in relation to prior years. On this basis we have delivered a cumulative eight percentage point improvement in the past three years, well ahead of our target of six percentage points.

UK Retail Banking profit before tax grew 9% to £1,282m. Income grew 2% excluding settlements on overdraft fees in relation to prior years, reflecting a very strong performance in Personal Customer Retail Savings and good performances in Current Accounts, Local Business and Home Finance, partially offset by lower income from loan protection insurance. Enhancements in product offering and continued improvements in processing capacity enabled a strong performance in mortgage origination, with a share of net new lending of 8%. Operating expenses were well controlled and improved 3%. Impairment charges improved 12% reflecting lower charges in unsecured consumer lending and Local Business. This was driven by improvements in the collection process which led to reduced flows into delinquency, lower levels of arrears and stable charge-offs. Mortgage impairment charges remained negligible.

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Barclays Commercial Bank delivered profit before tax of £1,371m. Profit before business disposals improved 5%. Income improved 7% driven by very strong growth in fees and commissions and steady growth in net interest income. Non-interest income increased to 32% of total income reflecting continuing focus on cross sales and efficient balance sheet utilisation. Operating expenses rose 6%, reflecting increased investment in product development and support, sales force capability and operational efficiency. Impairment charges increased £38m as a result of asset growth and higher charges in Larger Business.

Barclaycard profit before tax increased to £540m, 18% ahead of the prior year. Steady income relative to 2006 reflected strong growth in Barclaycard International offset by a reduction in UK card extended credit balances as we re-positioned the UK business and reduced lower credit quality exposures including the sale of the Monument card portfolio. As a result, impairment charges improved 21%, reflecting more selective customer recruitment, client management and improved collections. Operating expenses increased 12%, driven by continued investment in Barclaycard International and the non-recurrence of a property gain included in the 2006 results. Barclaycard US continued to make good progress, and for the first time made a profit for the year.

International Retail and Commercial Banking profits declined 23% to £935m. Results in 2006 included a £247m profit on disposals and £41m post tax profit share from FirstCaribbean International Bank. 2007 results reflected a 12% decline in the average value of the Rand.

International Retail and Commercial Banking excluding Absa delivered a profit before tax of £246m. Income rose 28% as we significantly increased the pace of organic growth across the business, with especially strong growth in Emerging Markets and Spain. Operating expenses grew 32% as we expanded the distribution footprint, opening 324 new branches and 157 new sales centres and also invested in rolling out a common technology platform and processes across the business. Impairment increased to £79m including very strong balance sheet growth and lower releases.

International Retail and Commercial Banking Absa Sterling profit fell £9m to £689m after absorbing the 12% decline in the average value of the Rand. Absa Group Limited profit before tax grew 23% in Rand terms, reflecting very strong growth in retail banking, corporate banking and Absa Capital (reported in Barclays Capital). Retail loans and advances grew 22% and retail deposits grew 20%. We delivered synergies of R1,428m, achieving our synergy target 18 months ahead of schedule.

Business Performance Investment Banking and Investment Management

Barclays Capital improved on the record performance of 2006 delivering a 5% increase in profit before tax to £2,335m. Net income was ahead of last year, reflecting very strong performances in most asset classes including interest rates, currencies, equity products and commodities. Results also included net losses arising from credit market turbulence of £1,635m net of gains from the fair valuation of issued notes of £658m. All geographies outside the US enjoyed significant growth in income and profits. Strong cost control led to operating expenses declining slightly year on year. The cost: net income ratio improved by 1% to 63%.

Barclays Global Investors (BGI) profit before tax increased 3% to £734m. Income grew 16%, driven by very strong growth in management fees and in securities lending revenues. Profit and income growth were both affected by the 8% depreciation in the average value of the US Dollar. BGI costs increased 25% as we continued to build our infrastructure across multiple products and platforms to support future growth.

The cost: income ratio rose to 62%. Assets under management grew US$265bn to US$2.1 trillion, including net new assets of US$86bn. Barclays Wealth profit before tax rose 25% to £307m. Income growth of 11% was driven by increased client funds and greater transaction volumes. Costs were well controlled as business volumes rose and the cost: income ratio improved three percentage points to 76%. We continued to invest in client facing staff and infrastructure. Redress costs declined. Total client assets increased 14% to £133bn.

Head office functions and other operations

Head Office functions and other operations loss before tax increased 65% to £428m reflecting higher inter-segment adjustments and lower gains from hedging activities.

Capital management

At 31st December 2007, our Basel I Tier 1 Capital ratio was 7.8% (2006: 7.7%). We started managing capital ratios under Basel II from 1st January 2008. Our Basel II Tier 1 Capital ratio was 7.6%. Our Equity Tier 1 ratio was 5.0% under Basel I (2006: 5.3%) and 5.1% under Basel II. We have increased the proposed dividend payable to shareholders in respect of 2007 by 10%. We maintain our progressive approach to dividends, expecting dividend growth broadly to match earnings growth over time.

Chris Lucas

Group Finance Director

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Financial data

Consolidated income statement summary

For the year ended 31st December

2007 2006 2005 2004

£m £m £m £m a

Net interest income 9,610 9,143 8,075 6,833

Net fee and commission income 7,708 7,177 5,705 4,847

Principal transactions 4,975 4,576 3,179 2,514

Net premiums from insurance contracts 1,011 1,060 872 1,042

Other income 188 214 147 131

Total income 23,492 22,170 17,978 15,367

Net claims and benefits incurred on insurance contracts(492)(575)(645)(1,259)

Total income net of insurance claims 23,000 21,595 17,333 14,108

Impairment charges and other credit provisions(2,795)(2,154)(1,571)(1,093)

Net income 20,205 19,441 15,762 13,015

Operating expenses(13,199)(12,674)(10,527)(8,536)

Share of post-tax results of associates and joint ventures 42 46 45 56

Profit before business disposals 7,048 6,813 5,280 4,535

Profit on disposal of subsidiaries, associates and joint ventures 28 323 45

Profit before tax 7,076 7,136 5,280 4,580

Tax(1,981)(1,941)(1,439)(1,279)

Profit after tax 5,095 5,195 3,841 3,301

Profit attributable to minority interests 678 624 394 47

Profit attributable to equity holders of the parent 4,417 4,571 3,447 3,254

5,095 5,195 3,841 3,301

Selected financial statistics

Basic earnings per share 68.9p 71.9p 54.4p 51.0p

Diluted earnings per share 66.7p 69.8p 52.6p 49.8p

Dividends per ordinary share 34.0p 31.0p 26.6p 24.0p

Dividend payout ratio 49.3% 43.1% 48.9% 47.1%

Profit attributable to the equity holders of the parent as a percentage of:

average shareholders equity 20.3% 24.7% 21.1% 21.7%

average total assets 0.3% 0.4% 0.4% 0.5%

Cost: income ratio 57% 59% 61% 61%

Cost: net income ratio 65% 65% 67% 66%

Average United States Dollar exchange rate used in preparing the accounts 2.00 1.84 1.82 1.83

Average Euro exchange rate used in preparing the accounts 1.46 1.47 1.46 1.47

Average Rand exchange rate used in preparing the accounts 14.11 12.47 11.57 11.83

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

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

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1 Business review

Consolidated profit and loss account summary UK GAAP

For the year ended 31st December

2003

£m

Net interest income 6,604

Net fee and commision income 4,263

Dealing profits 1,054

Other operating income 490

Operating income 12,411

Operating expenses(7,253)

Operating profit before provisions 5,158

Provisions(1,346)

Operating profit 3,812

Profit from joint ventures and associates 29

Exceptional items 4

Profit on ordinary activities before tax 3,845

Tax on profit on ordinary activities(1,076)

Profit on ordinary activities after tax 2,769

Minority interests (including non-equity interests)(25)

Profit for the financial year attributable to the members of Barclays PLC 2,744

Selected financial statistics

Basic earnings per share 42.3p

Diluted earnings per share 42.1p

Dividends per ordinary share 20.50p

Dividend payout ratio 48.5%

Attributable profit as a percentage of:

average shareholders funds 17.0%

average total assets 0.6%

Average United States Dollar exchange rate used in preparing the accounts 1.64

Average Euro exchange rate used in preparing the accounts 1.45

The financial information shown here is extracted from the published UK GAAP accounts for 2003.

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Financial data

Consolidated balance sheet summary

As at 31st December

2007 2006 2005 2004

£m £m £m £m a

Assets

Cash and other short-term funds 7,637 9,753 5,807 3,525

Treasury bills and other eligible bills n/a n/a n/a 6,658

Trading portfolio and financial assets designated at fair value 341,171 292,464 251,820 n/a

Derivative financial instruments 248,088 138,353 136,823 n/a

Debt securities and equity shares n/a n/a n/a 141,710

Loans and advances to banks 40,120 30,926 31,105 80,632

Loans and advances to customers 345,398 282,300 268,896 262,409

Available for sale financial investments 43,072 51,703 53,497 n/a

Reverse repurchase agreements and cash collateral on securities borrowed 183,075 174,090 160,398 n/a

Other assets 18,800 17,198 16,011 43,247

Total assets 1,227,361 996,787 924,357 538,181

Liabilities

Deposits and items in the course of collection due to banks 92,338 81,783 77,468 112,229

Customer accounts 294,987 256,754 238,684 217,492

Trading portfolio and financial liabilities designated at fair value 139,891 125,861 104,949 n/a

Liabilities to customers under investment contracts 92,639 84,637 85,201 n/a

Derivative financial instruments 248,288 140,697 137,971 n/a

Debt securities in issue 120,228 111,137 103,328 83,842

Repurchase agreements and cash collateral on securities lent 169,429 136,956 121,178 n/a

Insurance contract liabilities, including unit-linked liabilities 3,903 3,878 3,767 8,377

Subordinated liabilities 18,150 13,786 12,463 12,277

Other liabilities 15,032 13,908 14,918 87,200

Total liabilities 1,194,885 969,397 899,927 521,417

Shareholders equity

Shareholders equity excluding minority interests 23,291 19,799 17,426 15,870

Minority interests 9,185 7,591 7,004 894

Total shareholders equity 32,476 27,390 24,430 16,764

Total liabilities and shareholders equity 1,227,361 996,787 924,357 538,181

Risk weighted assets and capital ratios b

Risk weighted assets 353,476 297,833 269,148 218,601

Tier 1 ratio 7.8% 7.7% 7.0% 7.6%

Risk asset ratio 12.1% 11.7% 11.3% 11.5%

Selected financial statistics

Net asset value per ordinary share 353p 303p 269p 246p

Year-end United States Dollar exchange rate used in preparing the accounts 2.00 1.96 1.72 1.92

Year-end Euro exchange rate used in preparing the accounts 1.36 1.49 1.46 1.41

Year-end Rand exchange rate used in preparing the accounts 13.64 13.71 10.87 10.86

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

Notes

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

b Risk weighted assets and capital ratios are calculated on a Basel I basis. Capital ratios for 2004 are based on UK GAAP and have not been restated as these remain as reported to the Financial Services Authority (FSA). As at 1st January 2005 the tier 1 ratio was 7.1% and the risk asset ratio was 11.8% reflecting the impact of IFRS including the adoption of IAS 32, IAS 39 and IFRS 4. 20 Barclays PLC Annual Report 2007

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Consolidated balance sheet summary UK GAAP

As at 31st December

2003

£m

Assets

Loans and advances to banks and customers 288,743

Other assets 139,818

428,561

Infrastructure 6,624

435,185

Retail life-fund assets attributable to policyholders 8,077

Total assets 443,262

Liabilities

Deposits by banks, customer accounts and debt securities in issue 328,529

Other liabilities 77,660

406,189

Capital resources

Undated loan capital 6,310

Dated loan capital 6,029

Total subordinated liabilities 12,339

Minority interests 283

Shareholders equity excluding minority interests 16,374

Total shareholders equity 16,657

Total capital resources 28,996

435,185

Retail life-fund liabilities attributable to policyholders 8,077

Total liabilities and shareholders equity 443,262

Risk weighted assets and capital ratios

Risk weighted assets 188,997

Tier 1 ratio 7.9%

Risk asset ratio 12.8%

Selected financial statistics

Net asset value per ordinary share 250p

Year-end United States Dollar exchange rate used in preparing the accounts 1.78

Year-end Euro exchange rate used in preparing the accounts 1.41

The financial information shown here is extracted from the UK GAAP published accounts for 2003.

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1 Business review

Financial review

Analysis of results by business

Analysis of results by business

For the year ended 31st December 2007

International Head office

Retail and Barclays functions

UK Commercial Barclays Global Barclays and other

Banking Barclaycard Banking Capital Investors Wealth operations Group

£m £m £m £m £m £m £m £m

Net interest income 4,596 1,394 1,890 1,179(8) 431 128 9,610

Net fee and commission income 1,932 1,080 1,210 1,235 1,936 739(424) 7,708

Principal transactions (a) 56 11 248 4,692(4) 55(83) 4,975

Net premiums from insurance contracts 252 40 372 195 152 1,011

Other income 58(26) 87 13 2 19 35 188

Total income 6,894 2,499 3,807 7,119 1,926 1,439(192) 23,492

Net claims and benefits incurred

on insurance contracts(43)(13)(284) (152) (492)

Total income, net of insurance claims 6,851 2,486 3,523 7,119 1,926 1,287(192) 23,000

Impairment charges(849)(838)(252)(846) (7)(3)(2,795)

Net income 6,002 1,648 3,271 6,273 1,926 1,280(195) 20,205

Operating expenses(3,370)(1,101)(2,356)(3,973)(1,192)(973)(234)(13,199)

Share of post-tax results of associates

and joint ventures 7(7) 7 35 42

Profit before business disposals 2,639 540 922 2,335 734 307(429) 7,048

Profit on disposal of subsidiaries,

associates and joint ventures 14 13 1 28

Profit before tax 2,653 540 935 2,335 734 307(428) 7,076

As at 31st December 2007

Total assets 161,777 22,164 89,457 839,662 89,224 18,024 7,053 1,227,361

Total liabilities 166,988 1,559 48,809 811,516 87,101 43,988 34,924 1,194,885

Note a Principal transactions comprise net trading income and net investment income.

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Financial review

Analysis of results by business

Global Retail and Commercial Banking UK Banking

Who we are

UK Banking comprises UK Retail Banking and Barclays Commercial Bank (formerly UK Business Banking).

What we do

UK Banking delivers banking solutions to Barclays retail and business banking customers in the United Kingdom. We offer a range of integrated products and services and access to the expertise of other Group businesses. Customers are served through a variety of channels comprising the branch network, automated teller machines, telephone banking, online banking and relationship managers.

Highlights

£6,851m £2,653m

Income Profit before tax

Key facts 2007 2006 2005

Number of UK branches 1,733 2,014 2,029

Performance

2007/06

UK Banking profit before tax increased 4%(£107m) to £2,653m (2006:

£2,546m) driven principally by solid income growth. Results included

gains from the sale and leaseback of properties and property sales of

£232m (2006: £313m).

The cost: income ratio improved one percentage point to 49%. Excluding

the impact of settlements on overdraft fees in relation to prior years, the

cost: income ratio improved two percentage points to 48%, making eight

percentage points of improvement from 2004 to 2007 compared to the

target of six percentage points.

2006/05

UK Banking profit before tax increased 14% (£310m) to £2,546m

(2005: £2,236m) driven principally by good income growth. Profit before business disposals grew 10% (£234m) to £2,470m (2005: £2,236m).

In 2006 the cost: income ratio improved three percentage points to 50%

(2005: 53%) excluding gains from property sales not reinvested; this brings

the cumulative improvement to six percentage points in two years.

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 4,596 4,467 4,213

Net fee and commission income 1,932 1,874 1,728

Net trading income 9 2

Net investment income 47 28 26

Principal transactions 56 30 26

Net premiums from insurance contracts 252 342 298

Other income 58 63 32

Total income 6,894 6,776 6,297

Net claims and benefits incurred on insurance contracts(43)(35)(61)

Total income, net of insurance claims 6,851 6,741 6,236

Impairment charges(849)(887)(671)

Net income 6,002 5,854 5,565

Operating expenses excluding amortisation of intangible assets(3,358)(3,387)(3,323)

Amortisation of intangible assets(12)(2)(3)

Operating expenses(3,370)(3,389)(3,326)

Share of post-tax results of associates and joint ventures 7 5(3)

Profit on disposal of subsidiaries, associates and joint ventures 14 76

Profit before tax 2,653 2,546 2,236

Balance sheet information

Loans and advances to customers £145.3bn £131.0bn £125.5bn

Customer accounts £147.9bn £139.7bn £127.2bn

Total assets £161.8bn £147.6bn £138.0bn

Performance ratios

Return on average economic capital 29% 32% 21%

Cost: income ratio 49% 50% 53%

Cost: net income ratio 56% 58% 60%

Other financial measures

Risk Tendency £775m £790m £665m

Economic profit £1,272m £1,327m £1,069m

Risk weighted assets £99.8bn £93.0bn £87.9bn

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Financial review

Analysis of results by business

Global Retail and Commercial Banking UK Retail Banking

Who we are

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.

Key facts 2007 2006 2005 Personal Customers

Number of UK current accounts a 11.3m 11.5m 11.1m Number of UK savings accounts 11.1m 11.0m 10.8m Total UK mortgage balances £69.8bn £61.7bn £59.6bn

Local Business

Number of Local Business customers 643,000 630,000 630,000

Highlights

£4,297 m £1,282 m

Income Profit before tax

Performance indicators

Mortgages

Customer deposits £bn Net lending market share %

82.3 87.1 7.7 76.3

2.2 (2.8)

05 06 07 05 06 07

Note a Decrease reflects the consolidation of Woolwich and Barclays current accounts.

Performance 2007/06

UK Retail Banking profit before tax increased 9% (£101m) to £1,282m (2006: £1,181m) due to reduced costs and a strong improvement in impairment.

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

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

Mortgage volumes increased significantly, driven by an improved mix of longer term value products for customers, higher levels of retention and continuing improvements in processing capability. Mortgage balances were £69.8bn at the end of the period (2006: £61.7bn), an approximate market share of 6% (2006: 6%). Gross advances were 25% higher at £23.0bn (2006: £18.4bn). Net lending was £8.0bn (2006: £2.4bn), representing market share of 8% (2006: 2%). The average loan to value ratio of the residential mortgage book on a current valuation basis was 33%. The average loan to value ratio of new residential mortgage lending in 2007 was 54%. Consumer Lending balances decreased 4% to £7.9bn (2006: £8.2bn), reflecting the impact of tighter lending criteria.

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

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

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

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

Operating expenses reduced 3% (£69m) to £2,463m (2006: £2,532m), reflecting strong and active management of all expense lines, targeted processing improvements and back office consolidation. Gains from the sale of property were £193m (2006: £253m). Increased investment was focused on improving the overall customer experience through converting and improving the branch network; revitalising the product offering; increasing operational and process efficiency; and meeting regulatory requirements.

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

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 2,858 2,765 2,677

Net fee and commission income 1,183 1,232 1,065

Net premiums from insurance contracts 252 342 372

Other income 47 42 24

Total income 4,340 4,381 4,138

Net claims and benefits on insurance contracts(43)(35)(61)

Total income net of insurance claims 4,297 4,346 4,077

Impairment charges(559)(635)(494)

Net income 3,738 3,711 3,583

Operating expenses excluding amortisation of intangible assets(2,455)(2,531)(2,501)

Amortisation of intangible assets(8)(1)

Operating expenses(2,463)(2,532)(2,501)

Share of post-tax results of associates and joint ventures 7 2(6)

Profit before tax 1,282 1,181 1,076

Balance sheet information

Loans and advances to customers £82.0bn £74.7bn £72.1bn

Customer accounts £87.1bn £82.3bn £76.3bn

Total assets £87.8bn £81.7bn £78.1bn

Performance ratios

Return on average economic capital 28% 28% 26%

Cost: income ratio 57% 58% 61%

Cost: net income ratio 66% 68% 70%

Other financial measures

Risk tendency £470m £500m £415m

Economic profit £622m £589m £525m

Risk weighted assets £46.0bn £43.0bn £40.8bn

2006/05

UK Retail Banking profit before tax increased 10% (£105m) to £1,181m (2005: £1,076m), driven by good income growth and well controlled costs. There has been substantial additional investment to transform the business. Income increased 7% (£269m) to £4,346m (2005: £4,077m), continuing the momentum reported at the half year. Income growth was broadly based. There was strong income growth in Personal Customers retail savings, Local Business and UK Premier and good growth in Personal Customers current account income. Sales volumes increased, with a particularly strong performance from direct channels.

Net interest income increased 3% (£88m) to £2,765m (2005: £2,677m). Growth was driven by a higher contribution from deposits, through a combination of good balance sheet growth and a stable liability margin. Total average customer deposit balances increased 8% to £76.5bn (2005: £71.0bn), supported by new products. Growth of personal savings was above that of the market.

Mortgage volumes improved significantly, driven by a focus on improving capacity, customer service, value and promotion. UK residential mortgage balances ended the year at £61.7bn (2005: £59.6bn). Gross advances were 60% higher at £18.4bn (2005: £11.5bn), with a market share of 5% (2005: 4%). Net lending was £2.4bn, with performance improving during the year, leading to a market share of 4% in the second half of the year. The mortgage margin was reduced by changed assumptions used in the calculation of effective interest rates, a higher proportion of new mortgages and base rate changes. The new business spread was in line with the industry. The loan to value ratio within the residential mortgage book on a current valuation basis was 34% (2005: 35%).

There was good balance growth in non-mortgage loans, where Local Business average balances increased 9% and UK Premier average balances increased 25%.

Net fee and commission income increased 16% (£167m) to £1,232m (2005: £1,065m). There was strong current account income growth in Personal Customers and Local Business. UK Premier delivered strong growth reflecting higher income from banking services, mortgage sales and investment advice.

Net premiums from insurance underwriting activities decreased 8% (£30m) to £342m (2005: £372m). There continued to be lower customer take-up of loan protection insurance. Net claims and benefits on insurance contracts improved to £35m (2005: £61m).

Impairment charges increased 29% (£141m) to £635m (2005: £494m). The increase principally reflected balance growth and some deterioration in delinquency rates in the Local Business loan book. Losses from the mortgage portfolio remained negligible, with arrears at low levels.

Operating expenses were steady at £2,532m (2005: £2,501m). Gains from the sale and leaseback of property amounted to £253m (2005: nil). Investment in the business to improve customer service and deliver sustainable performance improvements was directed at upgrading distribution capabilities, including restructuring and improving the branch network. Further investment was focused on upgrading the contact centres, transforming the performance of the mortgage business, revitalising the retail product range to meet customers needs, improving core operations and processes and rationalising the number of operating sites. The level of investment reflected in operating expenses in 2006 was approximately double the level of 2005.

The cost: income ratio improved three percentage points to 58% (2005: 61%).

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Financial review

Analysis of results by business

Global Retail and Commercial Banking Barclays Commercial Bank

Who we are

Barclays Commercial Bank comprises 8,400 colleagues who serve 81,000 customers.

Earlier this year, we launched our new brand Barclays Commercial Bank to replace UK Business Banking. This new identity is much more than just a name change. Instead, it more accurately reflects our current capabilities and future aspirations, and it is scalable across markets. To complement the new identity, we also launched a clear customer proposition. It comprises three elements: relationship specialisation innovation These encapsulate our capability to deliver distinctive service and solutions that meet our customers needs.

What we do

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.

We are a key component of the Barclays universal banking model, delivering income in partnership with all the constituent business units of the Barclays Group.

Highlights

£2,554m £1,371m

Income Profit before tax

Performance indicators

Impairment as % Interest income: of Loans and advances non interest income £bn to customers

Interest income Non interest income 0.45 0.46 1.7 1.7 1.5 0.33

0.7 0.8 0.6

05 06 07 05 06 07

Key facts 2007 2006 2005

Number of customers 81,000 77,000 a 86,500 Number of colleagues 8,400 8,100 7,800

Performance 2007/06

Barclays Commercial Bank profit before tax increased £6m to £1,371m (2006: £1,365m) due to continued good income growth partially offset by lower gains from business disposals. Profit before business disposals increased 5% to £1,357m (2006: £1,289m).

Income increased 7% (£159m) to £2,554m (2006: £2,395m). Non-interest income increased to 32% of total income (2006: £29%), reflecting continuing focus on cross sales and efficient balance sheet utilisation. There was very strong growth in net fee and commission income, which increased 17% (£107m) to £749m (2006: £642m) due to very strong performance in lending fees. There was also good growth in transaction related income, foreign exchange and derivatives transactions undertaken on behalf of clients.

Net interest income improved 2% (£36m) to £1,738m (2006: £1,702m). Average customer lendings increased 3% to £53.6bn (2006: £52.0bn) and 5%, excluding the impact of the vehicle leasing and European vendor finance businesses sold in 2006. Average customer accounts grew 4% to £46.4bn (2006: £44.8bn). The asset margin decreased by twelve basis points to 1.80%, reflecting an increased focus on higher quality lending and competitive market conditions. The liabilities margin remained broadly stable at 1.49%.

Income from principal transactions primarily reflecting venture capital and other equity realisations increased 87% (£26m) to £56m (2006: £30m). Impairment charges increased 15% (£38m)

to £290m (2006: £252m), mainly due to a higher level of impairment losses in Larger Business as impairment trended towards risk tendency. There was a reduction in impairment levels in Medium Business due to a tightening of the lending criteria.

Operating expenses increased 6% (£50m) to £907m (2006: £857m). Operating expenses are net of gains of £39m (2006: £60m) on the sale of property. Growth in operating expenses was focused on continuing investment in operations, infrastructure, and new initiatives in product development and sales capability.

Notes a Reduction in 2006 relates to customers transferred to Barclays Capital.

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 1,738 1,702 1,536 Net fee and commission income 749 642 589 Net trading income 9 2 Net investment income 47 28 17 Principal transactions 56 30 17 Other income 11 21 17 Total income 2,554 2,395 2,159 Impairment charges (290) (252) (177) Net income 2,264 2,143 1,982 Operating expenses excluding amortisation of intangible assets (903) (856) (822) Amortisation of intangible assets (4) (1) (3) Operating expenses (907) (857) (825) Share of post-tax results of associates and joint ventures 3 3 Profit on disposal of subsidiaries, associates and joint ventures 14 76 Profit before tax 1,371 1,365 1,160

Balance sheet information

Loans and advances to customers £63.3bn £56.3bn £53.4bn Customer accounts £60.8bn £57.4bn £50.9bn Total assets £73.9bn £65.9bn £59.9bn

Performance ratios

Return on average economic capital 30% 37% 31% Cost: income ratio 36% 36% 38% Cost: net income ratio 40% 40% 42%

Other financial measures

Risk Tendency £305m £290m £250m Economic profit £650m £738m £544m Risk weighted assets £53.8bn £50.0bn £47.1bn

2006/05

Barclays Commercial Bank profit before tax increased 18% (£205m) to £1,365m (2005: £1,160m), driven by continued strong income growth. Barclays Commercial Bank maintained its market share of primary customer relationships. The 2006 result included a £23m (2005: £13m) contribution from the full year consolidation of Iveco Finance, in which a 51% stake was acquired on 1st June 2005. Profit before business disposals increased 11% to £1,289m (2005: £1,160m).

Income increased 11% (£236m) to £2,395m (2005: £2,159m), driven by strong balance sheet growth. The uplift in income was broadly based across income categories.

Net interest income increased 11% (£166m) to £1,702m (2005: £1,536m) driven by strong balance sheet growth. There was strong growth in all business areas and in particular Larger Business. The lending margin improved slightly. Average customer accounts increased 11% to £44.8bn (2005: £40.5bn) with good growth across product categories. The deposit margin was stable.

Net fee and commission income increased 9% (£53m) to £642m (2005: £589m). There was a strong rise in income from foreign exchange and derivatives business transacted through Barclays Capital on behalf of Barclays Commercial Bank customers.

Income from principal transactions was £30m (2005: £17m), primarily reflecting the profit realised on a number of equity investments.

As expected, impairment rates trended upwards during the year towards a more normalised level. Impairment increased 42% (£75m) to £252m (2005: £177m), with the increase mainly reflecting higher charges from Medium Business and balance growth. Impairment charges in Larger Business were stable.

Operating expenses increased 4% (£32m) to £857m (2005: £825m). Cost growth reflected higher volumes, increased expenditure on front line staff and the costs of Iveco Finance for a full year. Operating expenses included a credit of £60m on the sale and leaseback of property. Increased investment was focused on the acceleration of the rationalisation of operating sites and technology infrastructure.

The cost: income ratio improved two percentage points to 36% (2005: 38%).

Profit on disposals of subsidiaries, associates and joint ventures of £76m (2005: £nil) arose from the sales of interests in vehicle leasing and European vendor finance businesses.

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Analysis of results by business

Global Retail and Commercial Banking Barclaycard

Who we are

We are a multi-brand international credit card and consumer lending business. Our credit card was the first to be launched in the UK in 1966 and is now one of the leading credit card businesses in Europe, with a fast growing business in the US.

What we do UK

Our activities include all Barclaycard branded credit cards, the FirstPlus secured lending business and the retail finance business Barclays Partner Finance. In addition to these activities, Barclaycard also operates partnership cards with leading brands including SkyCard and the Thomas Cook Credit Card. We continue to lead the UK market with the launch in 2007 of Barclaycard OnePulse, the UK s first contactless card, and Barclaycard Breathe, the first card to donate a percentage of its profits to carbon reduction projects around the world.

International

Barclaycard s international presence is extensive. In 2007, 3 out of every 4 cards issued by Barclaycard were in markets outside the UK and we have 8.8m international cards in issue. We currently operate across Europe and the United States where we are the fastest growing credit card business. In Scandinavia we operate through Entercard, a joint venture with Swedbank.

Barclaycard Business

Barclaycard Business processes card payments for 93,000 retailers and merchants and issues credit and charge cards to corporate customers and the UK Government. It is Europe s number one issuer of Visa Commercial Cards with over 137,000 corporate customers.

Highlights

£2,486m £540m

Income Profit before tax

Performance indicators

International cards in issue Number of UK customers

05 4.3m

06 6.4m

07 8.8m

05 11.2m

06 9.8m

07 10.1m

Key facts 2007 2006 2005

Number of Barclaycard UK customers 10.1m 9.8m 11.2m Number of retailer relationships 93,000 93,000 93,000 UK credit cards average outstanding balances £8.4bn £9.4bn £10.1bn UK credit cards average extended credit balances £6.9bn £8.0bn £8.6bn International average outstanding balance £3.9bn £2.9bn £2.1bn International average extended credit balances £3.3bn £2.5bn £1.8bn International cards in issue 8.8m 6.4m 4.3m Secured lending average outstanding balance £4.3bn £3.4bn £2.2bn

Performance 2007/06

Barclaycard profit before tax increased 18% (£82m) to £540m (2006: £458m), driven by strong international growth coupled with a significant improvement in UK impairment charges. Other income included a £27m loss on disposal of part of the Monument card portfolio. 2006 results reflected a property gain of £38m.

Income decreased 1% (£28m) to £2,486m (2006: £2,514m) reflecting strong growth in Barclaycard International, offset by a decline in UK Cards revenue resulting from a more cautious approach to lending in the UK and a £27m loss on disposal of part of the Monument card portfolio.

Net interest income increased 1% (£11m) to £1,394m (2006: £1,383m) due to strong organic growth in international average extended credit card balances, up 32% to £3.3bn and average secured consumer lending balances up 26% to £4.3bn, partially offset by lower UK average extended credit card balances which fell 14% to £6.9bn. Margins fell to 6.59% (2006: 7.13%) due to higher average base rates across core operating markets and a change in the product mix with an increased weighting to secured lending.

Net fee and commission income fell 2% (£26m) to £1,080m (2006: £1,106m) with growth in Barclaycard International offset by our actions in response to the Office of Fair Trading s findings on late and overlimit fees in the UK which were implemented in August 2006.

Impairment charges improved 21% (£229m) to £838m (2006: £1,067m) reflecting reduced flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. We made changes to our impairment methodologies to standardise our approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by an increase in impairment charges in Barclaycard International and secured consumer lending.

Operating expenses increased 12% (£120m) to £1,101m (2006: £981m). Excluding a property gain of £38m in 2006, operating expenses increased 8% (£82m) reflecting continued investment in expanding our businesses in Europe and the US. Costs in the UK businesses were broadly flat, with investment in new UK product innovations such as Barclaycard OnePulse being funded out of operating efficiencies.

Barclaycard International continued to gain momentum, delivering a profit before tax of £77m against a loss before tax of £36m in 2006. We concluded seven new credit card partnership deals across Western Europe. The Entercard joint venture continued to perform ahead of plan and entered the Danish market, extending its reach across the Scandinavian region. Barclaycard US was profitable, with very strong average balance growth and a number of new card partnerships including Lufthansa Airlines and Princess Cruise Lines.

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 1,394 1,383 1,231 Net fee and commission income 1,080 1,106 1,065 Net investment income 11 15 Net premiums from insurance contracts 40 18 6 Other income (26) Total income 2,499 2,522 2,302 Net claims and benefits incurred on insurance contracts (13) (8) (3) Total income net of insurance claims 2,486 2,514 2,299 Impairment charges (838) (1,067) (753) Net income 1,648 1,447 1,546 Operating expenses excluding amortisation of intangible assets (1,073) (964) (891) Amortisation of intangible assets (28) (17) (17) Operating expenses (1,101) (981) (908) Share of post-tax results of associates and joint ventures (7) (8) 1 Profit before tax 540 458 639

Balance sheet information

Loans and advances to customers £20.1bn £18.2bn £16.5bn Total assets £22.2bn £20.1bn £18.2bn

Performance ratios

Return on average economic capital 19% 16% 24% Cost: income ratio 44% 39% 39% Cost: net income ratio 67% 68% 59%

Other financial measures

Risk Tendency £945m £1,135m £865m Economic profit £183m £137m £269m Risk weighted assets £19.9bn £17.0bn £13.6bn

2006/05

Barclaycard profit before tax decreased 28% (£181m) to £458m (2005: £639m) as good income growth was more than offset by higher impairment charges and increased costs from the continued development of international businesses.

Income increased 9% (£215m) to £2,514m (2005: £2,299m) reflecting very strong momentum in Barclaycard US and strong performances in Barclaycard Business, FirstPlus, SkyCard and continental European markets.

Net interest income increased 12% (£152m) to £1,383m (2005: £1,231m) due to strong growth in International average extended credit card balances up 39% to £2.5bn (2005: £1.8bn) and average secured consumer lending balances up 55% to £3.4bn (2005: £2.2bn), partly offset by UK average extended credit card balances down 7% to £8.0bn (2005: £8.6bn), reflecting the impact of tighter lending criteria.

Margins increased to 7.13% (2005: 7.11%), due to the impact of increased card rates and a reduced proportion of promotional rate balances in the UK.

Net fee and commission income increased 4% (£41m) to £1,106m (2005: £1,065m) as a result of increased contributions from Barclaycard International, SkyCard, FirstPlus and Barclaycard Business. Barclaycard reduced its late and overlimit fee charges in the UK on 1st August 2006 in response to the Office of Fair Trading s findings.

Investment income of £15m (2005: £nil) represents the gain arising from the sale of part of the stake in MasterCard Inc, following its flotation.

Impairment charges increased 42% (£314m) to £1,067m (2005: £753m). The increase was driven by a rise in delinquent balances and increased numbers of bankruptcies and Individual Voluntary Arrangements. As a result of management action in 2005 and 2006 to tighten lending criteria and improve collection processes, the flows of new delinquencies reduced, and levels of arrears balances declined in the second half of 2006 in UK cards.

Operating expenses increased 8% (£73m) to £981m (2005: £908m). This included a £38m gain from the sale and leaseback of property. Excluding this item, underlying operating expenses increased 12% (£111m) to £1,019m. This was largely as a result of continued investment in Barclaycard International, particularly Barclaycard US, and the development of UK partnerships.

Barclaycard International continued its growth strategy in the continental European business delivering solid results. The Entercard joint venture, which is based in Scandinavia, performed ahead of plan. Barclaycard International loss before tax reduced to £36m (2005: loss £44m), including the loss before tax for Barclaycard US of £57m (2005: loss £60m). Barclaycard US continued to perform ahead of expectations, delivering very strong growth in balances and customer numbers and creating a number of new partnerships including US Airways, Barnes & Noble, Travelocity and Jo-Ann Stores.

Barclaycard UK customer numbers declined 1.4 million to 9.8 million (2005: 11.2 million). This reflected the closure of 1.5 million accounts that had been inactive.

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Analysis of results by business

Global Retail and Commercial Banking International Retail and Commercial Banking

Who we are

Our business comprises: International Retail and

Commercial Banking excluding Absa and International Retail and Commercial Banking Absa.

What we do

International Retail and Commercial Banking provides banking services to Barclays personal and corporate customers outside the UK. The products and services offered to customers are tailored to meet customer needs and the regulatory and commercial environments within each country.

Highlights

£3,523m £935m

Income Profit before tax

Key facts 2007 2006 2005

Number of distribution points 2,349 1,705 1,598

Performance 2007/06

International Retail and Commercial Banking profit before tax decreased £281m to £935m (2006: £1,216m). International Retail and Commercial Banking excluding Absa profit before tax in 2006 included a £247m gain on the sale of associate FirstCaribbean International Bank and a £41m share of its post-tax results. Profit before tax in 2007 included gains from the sale and leaseback of property of £23m (2006: £55m). Very strong profit growth in Rand terms in International Retail and Commercial Banking Absa was offset by a 12% decline in the average value of the Rand.

A significant investment was made in infrastructure and distribution, including the opening of 644 new branches and sales centres across Western Europe, Emerging Markets and Absa.

2006/05

International Retail and Commercial Banking profit before tax increased £623m to £1,216m (2005: £593m). The increase reflected the inclusion of a full year s profit before tax from International Retail and Commercial Banking Absa of £698m (2005 a: £298m) and a profit of £247m on the disposal of Barclays interest in FirstCaribbean International Bank.

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 1,890 1,653 1,045 Net fee and commission income 1,210 1,221 644 Net trading income 69 6 3 Net investment income 179 188 143 Principal transactions 248 194 146 Net premiums from insurance contracts 372 351 227 Other income 87 74 60 Total income 3,807 3,493 2,122 Net claims and benefits incurred under insurance contracts (284) (244) (206) Total income net of insurance claims 3,523 3,249 1,916 Impairment charges (252) (167) (33) Net income 3,271 3,082 1,883 Operating expenses excluding amortisation of intangible assets (2,279) (2,077) (1,289) Amortisation of intangible assets (77) (85) (47) Operating expenses (2,356) (2,162) (1,336) Share of post-tax results of associates and joint ventures 7 49 46 Profit on disposal of subsidiaries, associates and joint ventures 13 247 Profit before tax 935 1,216 593

Balance sheet information

Loans and advances to customers £70.1bn £53.2bn £49.2bn Customer accounts £28.8bn £22.1bn £22.4bn Total assets £89.5bn £68.6bn £63.4bn

Performance ratios

Return on average economic capital 16% 36% 17% Cost: income ratio 67% 67% 70% Cost: net income ratio 72% 70% 71%

Other financial measures

Risk Tendency £475m £220m £175m Economic profit £150m £493m £179m Risk weighted assets £53.3bn £40.8bn £41.0bn

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Financial review

Analysis of results by business

Global Retail and Commercial Banking International Retail and Commercial Banking excluding Absa

Who we are Western Europe

This business area includes our retail and commercial banking operations in Spain, Portugal, France and Italy. Barclays has operated in Spain for over 30 years, and is the leading foreign bank and the sixth largest banking group overall. We have tripled the branch network in Portugal over the last two years, becoming the largest non-Iberian bank. Barclays is a leading affluent banking brand and a recognised product innovator in France. We are one of the leading mortgage providers in Italy and in 2007 established full retail and commercial banking operations.

Emerging Markets

The Emerging Markets team is responsible for Barclays businesses in the growing markets of Africa, India and the Middle East. Barclays has long-standing commercial banking operations in the UAE and in 2007 launched retail banking operations in India and the UAE. In Africa, Barclays operates in Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe offering a range of retail and commercial banking products.

What we do

We provide a full range of banking services, including current accounts, savings, investments, mortgages and loans to our international personal and corporate customers.

International Retail and Commercial Banking works closely with all other parts of the group to leverage synergies from product and service propositions.

Highlights

£1,339m £246m

Income Profit before tax

Performance indicators

Number of distribution points Average asset balances £m (branches and sales centres)

33,321 1,348 22,743 27,210 798 867

05 06 07 05 06 07

Key facts 2007 2006 2005

Number of distribution points 1,348 867 798 Average European mortgage balances ¤30.1m ¤25.9m ¤21.2m Average liabilities balances £12,484m £10,423m £8,983m Average asset balances £33,321m £27,210m £22,743m

Performance 2007/06

International Retail and Commercial Banking excluding Absa profit before tax decreased 53% (£272m) to £246m (2006: £518m). Profit before tax in 2006 included a £247m gain on the sale of associate FirstCaribbean International Bank and a £41m share of its post-tax results. Profit before tax in 2007 included gains from the sale and leaseback of property in 2007 of £23m (2006: £55m). The performance reflected very strong income growth driven by a rapid growth in distribution points to 1,348 (2006: 867) as well as the launch of new businesses in India and UAE and a full retail and commercial banking offering in Italy.

Income increased 28% (£293m) to £1,339m (2006: £1,046) driven by excellent performances in Western Europe and Emerging Markets.

Net interest income increased 25% (£149m) to £753m (2006: £604m). Total average customer loans increased 22% (£6.1bn) to £33.3bn (2006: £27.2bn) with lending margins broadly stable. Mortgage balance growth in Western Europe was very strong, with average Euro balances up 16% (¤4.2bn) to ¤30.1bn (2006: ¤25.9bn). Average customer deposits increased 20% (£2.1bn) to £12.5bn (2006: £10.4bn) driven by growth in Western Europe and Emerging Markets.

Net fee and commission income grew 16% (£59m) to £425m (2006: £366m), reflecting strong performances in Western Europe driven by the expansion of the customer base.

Principal transactions increased £94m to £177m (2006: £83m) reflecting gains on equity investments and higher foreign exchange income across Emerging Markets.

Impairment charges rose 93% (£38m) to £79m (2006: £41m). The increase reflected very strong balance sheet growth in 2006 and 2007 and the impact of lower releases in 2007.

Operating expenses grew 32% (£249m) to £1,023m (2006: £774m) driven by the rapid expansion of the distribution network across all regions and investment in people and infrastructure to support future growth across the franchise. Operating expenses included property sales in Spain of £23m (2006: £55m).

Western Europe continued to perform strongly. Profit before tax increased 30% (£56m) to £245m (2006: £189m). Barclays Spain profit before tax increased 53% (£72m) to £207m (2006: £135m) driven by increased customer lending, higher service commissions and equity investment realisations. France also performed well driven by good growth in the balance sheet, higher fees and commissions and good cost control. Income grew very strongly in Italy as a result of the opening of new branches and the roll-out of a complete retail and commercial banking offering but this was more than offset by higher investment costs. Profit before tax decreased in Portugal, with very strong income growth offset by increased investment in the expansion of the business.

Emerging Markets profit before tax increased 25% (£28m) to £142m (2006: £114m) reflecting a very strong rise in income across a broad range of markets, with particularly strong growth in Egypt, UAE, Kenya, Ghana, Tanzania, Uganda and India. The income growth benefited from increased investment in the business across all geographies, including branch openings and the launch of retail banking services in India and the UAE.

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£m £m £m

Income statement information

Net interest income 753 604 557 Net fee and commission income 425 366 316 Net trading income 68 17 31 Net investment income 109 66 88 Principal transactions 177 83 119 Net premiums from insurance contracts 145 111 129 Other income 9 20 23 Total income 1,509 1,184 1,144 Net claims and benefits incurred under insurance contracts (170) (138) (162) Total income net of insurance claims 1,339 1,046 982 Impairment charges (79) (41) (14) Net income 1,260 1,005 968 Operating expenses excluding amortisation of intangible assets (1,007) (765) (706) Amortisation of intangible assets (16) (9) (6) Operating expenses (1,023) (774) (712) Share of post-tax results of associates and joint ventures 1 40 39 Profit on disposal of subsidiaries, associates and joint ventures 8 247 Profit before tax 246 518 295

Balance sheet information

Loans and advances to customers £39.3bn £29.0bn £25.3bn Customer accounts £15.7bn £11.0bn £10.2bn Total assets £52.2bn £38.2bn £34.0bn

Performance ratios

Return on average economic capital 11% 36% 17% Cost: income ratio 76% 74% 73% Cost: net income ratio 81% 77% 74%

Other financial measures

Risk Tendency £220m £75m £75m Economic profit £20m £309m £89m Risk weighted assets £29.7bn £20.1bn £20.2bn

2006/05

International Retail and Commercial Banking excluding Absa profit before tax increased 76% (£223m) to £518m (2005: £295m), including a gain on the disposal of the interest in FirstCaribbean International Bank of £247m. This reflected good growth in continental Europe offset by a decline in profits in Africa caused by higher impairment, and increased costs reflecting a step change in the rate of organic investment in the business.

Income increased 7% (£64m) to £1,046m (2005: £982m).

Net interest income increased 8% (£47m) to £604m (2005: £557m), reflecting strong balance sheet growth in continental Europe, Africa and the Middle East, and the development of the corporate business in Spain.

Total average customer loans increased 20% to £27.2bn (2005: £22.7bn). Mortgage balance growth in continental Europe was particularly strong, with average Euro balances up 22%. There was a modest decline in lending margins partly driven by a greater share of mortgage assets as a proportion of the total book in continental Europe. Average customer deposits increased 16% to £10.4bn (2005: £9.0bn), with deposit margins stable.

Net fee and commission income increased 16% (£50m) to £366m (2005: £316m). This reflected a strong performance from the Spanish funds business, where average assets under management increased 11%, together with very strong growth in France, including the first full year contribution of the ING Ferri business which was acquired on 1st July 2005. Net fee and commission income showed solid growth in Africa and the Middle East.

Principal transactions decreased £36m to £83m (2005: £119m). 2005 included £23m from the redemption of preference shares in FirstCaribbean International Bank.

Impairment charges increased £27m to £41m (2005: £14m). This reflected the absence of one-off recoveries of £12m which arose in 2005 in Africa and the Middle East, and strong balance sheet growth across the businesses.

Operating expenses increased 9% (£62m) to £774m (2005: £712m). This included gains from the sale and leaseback of property in Spain of £55m. Operating expenses also included incremental investment expenditure of £25m to expand the distribution network and enhance IT and operational capabilities.

Barclays Spain continued to perform strongly. Profit before tax increased 21% (£30m) to £171m (2005: £141m), excluding net one-off gains on asset sales of £32m (2005: £8m) and integration costs of £43m (2005: £57m). This was driven by the continued realisation of benefits from Banco Zaragozano, together with strong growth in assets under management and solid growth in mortgages.

Africa and the Middle East profit before tax decreased 9% (£12m) to £126m (2005: £138m) driven by higher impairment charges reflecting one-off recoveries of £12m that arose in 2005 and an increase in investment expenditure.

Profit before tax increased strongly in Portugal reflecting good flows of new customers and increased business volumes. France also performed well as a result of good organic growth and the acquisition of ING Ferri.

The profit on disposal of subsidiaries, associate and joint ventures of £247m (2005: £nil) comprised the gain on the sale of Barclays interest in FirstCaribbean International Bank. The share of post-tax results of FirstCaribbean International Bank included in 2006 was £41m (2005: £37m).

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Analysis of results by business

Global Retail and Commercial Banking International Retail and Commercial Banking Absa

Who we are

This business represents Barclays consolidation of Absa, excluding Absa Capital which is included in Barclays Capital. International Retail and Commercial Banking Absa comprises four operating divisions: Retail Banking, Commercial Banking, African operations and a Bancassurance division. (Barclays Bank PLC owns 59% of Absa Group Limited).

What we do

International Retail and Commercial Banking 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.

Highlights

£2,184m £689m

Income Profit before tax

Performance indicators

Number of distribution points

(branches and sales centres) Number of retail customers

05 800

06 838

07 1,001

05 7.7m

06 8.3m

07 9.7m

Key facts 2007 2006 2005

Number of branches 837 800 759 Number of sales centres 164 38 41 Number of distribution points 1,001 838 800 Number of ATMs 7,884 7,411 5,835 Number of retail customers 9.7m 8.3m 7.7m Number of corporate customers 100,000 84,000 79,000

Performance 2007/06

Absa Group Limited s operating profit before income tax increased 23% (R2,650m) to R14,067m (2006: R11,417m) reflecting very good performances from Retail Banking, Absa Capital and Absa Corporate and Business Bank. Absa Group Limited delivered a return on equity of 27.2% (2006: 27.4%). Key factors impacting the results included: very strong asset and income growth; the diversification of earnings in favour of investment banking and commercial banking; an increased retail credit impairment charge, and the achievement of the Absa Barclays synergy target 18 months ahead of schedule.

Net operating income grew 17% (R4,852m) to R33,185m (2006: R28,333m).

Net interest income grew 27% (R4,003m) to R18,890m (2006: R14,887m) driven by growth in loans and advances and deposits at improved margins. Loans and advances to customers increased 22% from 31st December 2006 driven by growth of 23% in mortgages and 23% in credit cards.

Non-interest income grew 11% (R1,709m) to R16,728m (2006: R15,019m) driven by increased transaction volumes in retail banking and Absa Corporate and Business Bank, as well as advisory fees from Absa Capital.

Impairment charges on loans and advances increased 55% (R860m) to R2,433m (2006: R1,573m) from the cyclically low levels of recent years. Arrears in retail portfolios increased driven by interest rate increases in 2006 and 2007. Impairment charges as a percentage of loans and advances was 0.58%, ahead of the 0.45% charge in 2006 but within long-term industry averages.

Operating expenses increased 15% (R2,353m) to R18,442m, (2006: R16,089m) resulting from increased investment in new distribution outlets and staff in order to support continued growth in volumes and customers. The cost: income ratio improved two percentage points from 54% to 52%.

Excellent progress was made with the realisation of synergy benefits of R1,428m to date thus achieving the synergy target of R1.4bn, 18 months ahead of schedule.

Impact on Barclays results

Absa Group Limited's profit before tax of R14,067m (2006: R11,417m) is translated into Barclays results at an average exchange value of R14.11/£ (2006: R12.47/£), a 12% depreciation in the average value of the Rand against Sterling. Consolidation adjustments reflected the amortisation of intangible assets of £55m (2006: £75m) and internal funding and other adjustments of £98m (2006: £72m). The resulting profit before tax of £844m (2006: £769m) is represented within International Retail and Commercial Banking Absa £689m, (2006: £698m) and Barclays Capital, £155m (2006: £71m).

Absa Group Limited s total assets were R640,909m (2006: R495,112m), growth of 29%. This is translated into Barclays results at a period-end exchange rate of R13.64/£ (2006: R13.71/£). The capital investment was hedged against currency movements in 2007.

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2007 2006 2005

£m £m £m

Income statement information

Net interest income 1,137 1,049 488 Net fee and commission income 785 855 328 Net trading income/(expense) 1 (11) (28) Net investment income 70 122 55 Principal transactions 71 111 27 Net premiums from insurance contracts 227 240 98 Other income 78 54 37 Total income 2,298 2,309 978 Net claims and benefits incurred under insurance contracts (114) (106) (44) Total income net of insurance claims 2,184 2,203 934 Impairment charges (173) (126) (19) Net income 2,011 2,077 915 Operating expenses excluding amortisation of intangible assets (1,272) (1,312) (583) Amortisation of intangible assets (61) (76) (41) Operating expenses (1,333) (1,388) (624) Share of post-tax results of associates and joint ventures 6 9 7 Profit on disposal of subsidiaries, associates and joint ventures 5 Profit before tax 689 698 298

Balance sheet information

Loans and advances to customers £30.8bn £24.2bn £23.9bn Customer accounts £13.1bn £11.1bn £12.2bn Total assets £37.3bn £30.4bn £29.4bn

Performance ratios

Return on average economic capital 23% 34% 36% Cost: income ratio 61% 63% 67% Cost: net income ratio 66% 67% 37%

Other financial measures

Risk Tendency £255m £145m £100m Economic profit £130m £184m £90m Risk weighted assets £23.6bn £20.7bn £20.8bn

2006/05

International Retail and Commercial Banking Absa profit before tax increased 134% to £698m (2005: £298m) reflecting the full year to 31st December 2006 compared with the five months ended 31st December 2005. Barclays acquired a controlling stake in Absa Group Limited on 27th July 2005.

In the commentary below, the comparable period referred to, for illustrative purposes only, is the proforma full year to 31st December 2005 and is based on performance in Rand.

Absa Group Limited s profit before tax increased 24% reflecting a very good performance from banking operations, with retail, corporate and business banking operations performing exceptionally well. Absa Group Limited delivered a return on equity of 27.4% (2005: 25.6%). Key factors impacting the results included very strong asset growth, strong revenue growth, an increased credit impairment charge, the realisation of synergies from leveraging Barclays expertise and economies of scale and the sale of non-core operations. The South African economy continued to expand at a solid pace with real growth expected to be about 4.9% for 2006 (2005: 5.1%).

Net interest income grew 27%. Loans and advances to customers increased 26% underpinned by very strong growth in mortgages, credit cards and commercial property finance.

Non-interest income increased 12% reflecting higher transaction volumes, strong growth in insurance related earnings and gains on asset sales.

As expected the impairment charge on loans and advances increased from the very low levels of the prior year, particularly in Absa Home Loans, Absa Card and Retail Banking Services.

Operating expenses increased 14% resulting from increased investment in the business in order to support continued growth in volumes and customers.

Excellent progress was made with the realisation of synergy benefits. In 2006 synergies of R753m were delivered, in excess of the target originally communicated for the year. Integration costs for the period were in line with expectations.

Impact on Barclays results

Absa Group Limited s profit before tax of R11,417m is translated into Barclays results at an average exchange rate for 2006 of R12.47/£ (2005: R11.57/£). Consolidation adjustments reflected the amortisation of intangible assets of £75m and internal funding and other adjustments of £72m. The resulting profit before tax of £769m (2005: £337m) is represented with International Retail and Commercial Banking Absa £698m, (2005: £298m) and Barclays Capital, £71m (2005: £39m).

Absa Group Limited s total assets at 31st December 2006 were R495,112m (31st December 2005: R404,561m), growth of 22%. This is translated into Barclays results at a year-end exchange rate of R13.71/£ (31st December 2005: R10.87/£). The consolidation of total assets reflected the impact of the 21% depreciation in the Rand largely offsetting the growth in the Rand balance sheet.

Financial review

Analysis of results by business

Investment Banking and Investment Management Barclays Capital

Who we are

Barclays Capital is a leading global investment bank providing large corporate, institutional and government clients with solutions to their financing and risk management requirements.

What we do

Barclays Capital service a wide variety of client needs, from capital raising and managing foreign exchange, interest rate, equity and commodity risks, through to providing technical advice and expertise.

Activities are organised into three principal areas: Rates, which includes fixed income, foreign exchange, commodities, emerging markets, money markets, prime services and equity products; Credit, which includes primary and secondary activities for loans and bonds for investment grade, high yield and emerging market credit, as well as hybrid capital products, asset based finance, mortgage backed securities, credit derivatives, structured capital markets and large asset leasing; and Private Equity. 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.

Highlights

£7,119m £2,335m

Income Profit before tax

Performance indicators

Average net income generated Economic profit £m per member of staff £000

1,181 1,172 575

498 466 706

05 06 07 05 06 07

2007 2006 2005 League League League table Issuance table Issuance table Issuance Key facts position value position value position value

All international bonds

(all currencies) (US$bn) 2nd 273.2 1st 271.9 2nd 183.6 Europe overall debt (US$bn) 1st 226.5 1st 259.5 2nd 221.6 Sterling bonds (£bn) 1st 15.5 1st 27.3 1st 23.0 US investment grade corporate bonds (US$bn) 10th 4.7 7th 6.0 5th 9.9

Performance 2007/06

Barclays Capital delivered profits ahead of the record results achieved in 2006 despite challenging trading conditions in the second half of the year. Profit before tax increased 5% (£119m) to £2,335m (2006: £2,216m). There was strong income growth across the Rates businesses and excellent results in Continental Europe, Asia and Africa demonstrating the breadth of the client franchise. Net income was slightly ahead at £6,273m (2006: £6,225m) and costs were tightly managed, declining slightly year on year. Absa Capital delivered very strong growth in profit before tax to £155m (2006: £71m).

The US sub-prime driven market dislocation affected performance in the second half of 2007. Exposures relating to US sub-prime were actively managed and declined over the period. Barclays Capital s 2007 results reflected net losses related to the credit market turbulence of £1,635m, of which £795m was included in income, net of £658m gains arising from the fair valuation of notes issued by Barclays Capital. Impairment charges included £840m against ABS CDO Super Senior exposures, other credit market exposures and drawn leveraged finance underwriting positions.

Income increased 14% (£852m) to £7,119m (2006: £6,267m) as a result of very strong growth in interest rate, currency, equity, commodity and emerging market asset classes. There was excellent income growth in continental Europe, Asia, and Africa. Average DVaR increased 13% to £42m (2006: £37.1m) in line with income.

Secondary income, comprising principal transactions (net trading income and net investment income), is mainly generated from providing client financing and risk management solutions. Secondary income increased 11% (£578m) to £5,871m (2006: £5,293m).

Net trading income increased 5% (£177m) to £3,739m (2006: £3,562m) with strong contributions from fixed income, commodities, equities, foreign exchange and prime services businesses. These were largely offset by net losses in the business affected by sub-prime mortgage related write downs. The general widening of credit spreads that occurred over the course of the second half of 2007 also reduced the carrying value of the £57bn of issued notes held at fair value on the balance sheet, resulting in gains of £658m. Net investment income increased 66% (£380m) to £953m (2006: £573m) as a result of a number of private equity realisations, investment disposals in Asia and structured capital markets transactions. Net interest income increased 2% (£21m) to £1,179m (2006: £1,158m), driven by higher contributions from money markets. The corporate lending portfolio increased 29% to £52.3bn (2006: £40.6bn), largely due to an increase in drawn leveraged finance positions and a rise in drawn corporate loan balances.

Primary income, which comprises net fee and commission income from advisory and origination activities, grew 30% (£283m) to £1,235m (2006: £952m), with good contributions from bonds and loans.

Impairment charges and other credit provisions of £846m included £722m against ABS CDO Super Senior exposures, £60m from other credit market exposures and £58m relating to drawn leveraged finance underwriting positions. Other impairment charges on loans and advances amounted to a release of £7m (2006: £44m release) before impairment charges on available for sale assets of £13m (2006: £86m).

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 1,179 1,158 1,065 Net fee and commission income 1,235 952 776 Net trading income 3,739 3,562 2,231 Net investment income 953 573 413 Principal transactions 4,692 4,135 2,644 Other income 13 22 20 Total income 7,119 6,267 4,505 Impairment charges and other credit provisions (846) (42) (111) Net income 6,273 6,225 4,394 Operating expenses excluding amortisation of intangible assets (3,919) (3,996) (2,961) Amortisation of intangible assets (54) (13) (2) Operating expenses (3,973) (4,009) (2,963) Share of post-tax results of associates and joint ventures 35 Profit before tax 2,335 2,216 1,431

Balance sheet information

Total assets £839.7bn £657.9bn £601.2bn

Performance ratios

Return on average economic capital 33% 41% 34% Cost: income ratio 56% 64% 66% Cost: net income ratio 63% 64% 67% Compensation: net income ratio 47% 49% 51%

Other financial measures

Risk Tendency £140m £95m £110m Economic profit £1,172m £1,181m £706m Risk weighted assets £169.1bn £137.6bn £116.7bn Average DVaR £42.0m £37.1m £32.0m Average net income generated per member of staff (000) £466 £575 £498 Corporate lending portfolio £52.3bn £40.6bn £40.1bn

Operating expenses decreased 1% (£36m) to £3,973m (2006: £4,009m). The cost: net income ratio improved to 63% (2006: 64%) and the compensation cost: net income ratio improved by two percentage points to 47% (2006: 49%). Performance related pay, discretionary investment spend and short term contractor resources represented 42% (2006: 50%) of the cost base. Amortisation of intangible assets of £54m (2006: £13m) principally related to mortgage service rights.

Total headcount increased 3,000 during 2007 to 16,200 (2006: 13,200) including 800 from the acquisition of EquiFirst. The majority of organic growth was in Asia Pacific.

2006/05

Profit before tax increased 55% (£785m) to £2,216m (2005: £1,431m). This was the result of a very strong income performance, driven by higher business volumes, continued growth in client activity and favourable market conditions. Net income increased 42% (£1,831m) to £6,225m (2005: £4,394m). Profit before tax for Absa Capital was £71m (2005: £39m).

Income increased 39% (£1,762m) to £6,267m (2005: £4,505m) as a result of very strong growth across the Rates, Credit and Private Equity businesses. Income increased in all geographic regions. Average DVaR increased 16% to £37.1m (2005: £32.0m) significantly below the rate of income growth.

Secondary income increased 43% (£1,584m) to £5,293m (2005: £3,709m).

Net trading income increased 60% (£1,331m) to £3,562m (2005: £2,231m) with very strong contributions across the Rates and Credit

businesses, in particular, commodities, fixed income, equities, credit derivatives and emerging markets. The performance was driven by higher volumes of client led activity and favourable market conditions. Net investment income increased 39% (£160m) to £573m (2005: £413m) driven by investment realisations, primarily in Private Equity, offset by reduced contributions from credit products. Net interest income increased 9% (£93m) to £1,158m (2005: £1,065m) driven by a full year contribution from Absa Capital.

Primary income grew 23% (£176m) to £952m (2005: £776m). This reflected higher volumes and continued market share gains in a number of key markets, with strong contributions from issuances in bonds, European leveraged loans and convertibles.

Impairment charges of £42m (2005: £111m), including impairment on available for sale assets of £86m (2005: £nil), were 62% lower than prior year reflecting recoveries and the continued benign wholesale credit environment.

Operating expenses increased 35% (£1,046m) to £4,009m (2005: £2,963m), reflecting higher performance related costs, increased levels of activity and continued investment across the business. The cost: net income ratio improved to 64% (2005: 67%) and the compensation to net income ratio improved to 49% (2005: 51%). Performance related pay, discretionary investment spend and short-term contractor resource costs represented 50% of operating expenses (2005: 46%). Amortisation of intangible assets principally relates to mortgage service rights obtained as part of the purchase of HomEq.

Total headcount increased 3,300 during 2006 to 13,200 (2005: 9,900) and included 1,300 from the acquisition of HomEq. Organic growth was broadly based across all regions and reflected further investments in the front office, systems development and control functions to support continued business expansion.

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Financial review

Analysis of results by business

Investment Banking and Investment Management Barclays Global Investors

Who we are

Barclays Global Investors (BGI) is one of the world's largest asset managers and a leading global provider of investment management products and services. We are the global leader in assets and products in the exchange traded funds business, with over 320 funds for institutions and individuals trading globally. BGI s investment philosophy is founded on managing all dimensions of performance: a consistent focus on controlling risk, return and cost.

With a 3,000-plus strong workforce, we currently have over £1trn in assets under management, for 3,000 clients around the world.

What we do

BGI offers structured investment strategies such as indexing, global asset allocation and risk controlled active products including hedge funds and provides related investment services such as securities lending, cash management and portfolio transition services.

BGI collaborates with the other Barclays businesses, particularly Barclays Capital and Barclays Wealth, to develop and market products and leverage capabilities to better serve the client base.

Highlights

£1,926m £734m

Income Profit before tax

Performance indicators

Average net income generated Net new assets $bn per member of staff £000

88 86 628 666 631 68

05 06 07 05 06 07

Key facts 2007 2006 2005

Net new assets in period (£) £42bn £37bn £48bn Assets under management (US$): US$2,079bn US$1,814bn US$1,513bn indexed US$1,225bn US$1,108bn US$980bn iShares US$408bn US$287bn US$193bn active US$446bn US$419bn US$340bn Net new assets in period (US$) US$86bn US$68bn US$88bn Number of iShares products 324 191 149 Number of institutional clients 3,000 2,900 2,800

Performance 2007/06

Barclays Global Investors delivered solid growth in profit before tax, which increased 3% (£20m) to £734m (2006: £714m). Very strong US Dollar income and strong profit growth was partially offset by the 8% depreciation in the average value of the US Dollar against Sterling.

Income grew 16% (£261m) to £1,926m (2006: £1,665m).

Net fee and commission income grew 17% (£285m) to £1,936m (2006: £1,651m). This was primarily attributable to increased management fees and securities lending. Incentive fees increased 6% (£12m) to £198m (2006: £186m). Higher asset values, driven by higher market levels and good net new inflows, contributed to the growth in income.

Operating expenses increased 25% (£241m) to £1,192m (2006: £951m) as a result of significant investment in key product and channel growth initiatives and in infrastructure as well as growth in the underlying business. Operating expenses included charges of £80m (2006: £nil) related to selective support of liquidity products managed in the US. The cost: income ratio rose five percentage points to 62% (2006: 57%).

Headcount increased 700 to 3,400 (2006: 2,700). Headcount increased in all geographical regions and across product groups and the support functions, reflecting continued investment to support further growth.

Total assets under management increased 13% (£117bn) to £1,044bn (2006: £927bn) comprising £42bn of net new assets, £12bn attributable to the acquisition of Indexchange Investment AG (Indexchange), £66bn of favourable market movements and £3bn of adverse exchange movements. In US$ terms assets under management increased 15% US$265bn to US$2,079bn (2006: US$1,814bn), comprising US$86bn of net new assets, US$23bn attributable to acquisition of Indexchange, US$127bn of favourable market movements and US$29bn of positive exchange rate movements.

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest (expense)/income (8) 10 15 Net fee and commission income 1,936 1,651 1,297 Net trading income 5 2 2 Net investment (expense)/income (9) 2 4 Principal transactions (4) 4 6 Other income 2 Total income 1,926 1,665 1,318 Operating expenses excluding amortisation of intangible assets (1,184) (946) (775) Amortisation of intangible assets (8) (5) (4) Operating expenses (1,192) (951) (779) Profit before tax 734 714 540

Balance sheet information

Total assets £89.2bn £80.5bn £80.9bn

Performance ratios

Return on average economic capital 241% 228% 248% Cost: income ratio 62% 57% 59%

Other financial measures

Economic profit £430m £376m £299m Risk weighted assets £2.0bn £1.4bn £1.5bn Average net income generated per member of staff (000) £631 £666 £628

2006/05

Barclays Global Investors delivered another year of outstanding results. Profit before tax increased 32% (£174m) to £714m (2005: £540m), reflecting very strong income growth and higher operating margins. The performance was broadly based across products, distribution channels and geographies.

Net fee and commission income increased 27% (£354m) to £1,651m (2005: £1,297m). This growth was attributable to increased management fees, particularly in the iShares and active businesses, and securities lending, offset by lower incentive fees. Incentive fees decreased 9% (£18m) to £186m (2005: £204m). Higher asset values, driven by higher market levels and good net new inflows, contributed to the growth in income.

Operating expenses increased 22% (£172m) to £951m (2005: £779m) as a result of significant investment in key growth initiatives, ongoing

investment in product development and infrastructure and higher performance-based expenses. The cost: income ratio improved two percentage points to 57% (2005: 59%).

Total headcount rose 400 to 2,700 (2005: 2,300). Headcount increased in all regions, across product groups and the support functions, reflecting continued investment to support strategic initiatives.

Total assets under management increased 5% (£46bn) to £927bn (2005: £881bn) primarily due to net new inflows of £37bn. The positive market move impact of £98bn was largely offset by £89bn of adverse exchange rate movements. In US$ terms assets under management increased by US$301bn to US$1,814bn (2005: US$1,513bn), comprising US$68bn of net new assets, US$177bn of favourable market movements and US$56bn of positive exchange rate movements.

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Financial review

Analysis of results by business

Investment Banking and Investment Management Barclays Wealth

Who we are

Barclays Wealth focuses on high net worth, affluent and intermediary clients worldwide. We have over 6,900 staff in 20 countries and have total client assets of £133bn. Barclays Wealth includes the closed life assurance activities of Barclays and Woolwich, and Walbrook, an independent fiduciary services company acquired in 2007.

What we do

Barclays Wealth provides private banking, asset and investment management, stockbroking, offshore banking, wealth structuring and financial planning services.

We work 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 Global Investors.

Highlights

£1,287m £307m

Income Profit before tax

Performance indicators

Total client assets Average net income generated £bn per member of staff £000

133 181 188 116 167 98

05 06 07 05 06 07

Key facts 2007 2006 2005

Total client assets £132.5bn £116.1bn £97.5bn

Performance 2007/06

Barclays Wealth profit before tax showed very strong growth of 25% (£62m) to £307m (2006: £245m). Performance was driven by broadly based income growth, reduced redress costs and tight cost control, partially offset by additional volume related costs and increased investment in people and infrastructure to support future growth.

Income increased 11% (£127m) to £1,287m (2006: £1,160m).

Net interest income increased 10% (£39m) to £431m (2006: £392m) reflecting strong growth in both customer deposits and lending. Average deposits grew 13% to £31.2bn (2006: £27.7bn). Average lending grew 35% to £7.4bn (2006: £5.5bn) driven by increased lending to high net worth, affluent and intermediary clients. Assets margin increased 3 basis points to 1.11% (2006: 1.08%) reflecting changes in the product mix. The liabilities margin reduced by 7 basis points to 1.03% (2006: 1.10%) driven by competitive pricing of products.

Net fee and commission income grew 10% (£65m) to £739m (2006: £674m). This reflected growth in client assets and higher transactional income from increased sales of investment products and solutions.

Principal transactions decreased £101m to £55m (2006: £156m) as a result of lower growth in the value of unit linked insurance contracts. Net premiums from insurance contracts reduced £15m to £195m (2006: £210m). These reductions were offset by a lower charge for net claims and benefits incurred under insurance contracts of £152m (2006: £288m).

Operating expenses increased 7% to £973m (2006: £913m) with greater volume related costs and a significant increase in investment partially offset by efficiency gains and lower customer redress costs of £19m (2006: £67m). Ongoing investment programmes included increased hiring of client facing staff and improvements to infrastructure with the upgrade of technology and operations platforms. The cost: income ratio improved three percentage points to 76% (2006: 79%).

Total client assets, comprising customer deposits and client investments, increased 14% (£16.4bn) to £132.5bn (2006: £116.1bn) reflecting strong net new asset inflows and the acquisition of Walbrook, an independent fiduciary services company, which completed on 18th May 2007.

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 431 392 346 Net fee and commission income 739 674 593 Net trading income 3 2 Net investment income 52 154 264 Principal transactions 55 156 264 Net premiums from insurance contracts 195 210 195 Other income 19 16 11 Total income 1,439 1,448 1,409 Net claims and benefits incurred on insurance contracts (152) (288) (375) Total income net of insurance claims 1,287 1,160 1,034 Impairment charges (7) (2) (2) Net income 1,280 1,158 1,032 Operating expenses excluding amortisation of intangible assets (967) (909) (866) Amortisation of intangible assets (6) (4) (2) Operating expenses (973) (913) (868) Profit before tax 307 245 164

Balance sheet information

Loans and advances to customers £9.0bn £6.2bn £5.0bn Customer accounts £34.4bn £28.3bn £25.8bn Total assets £18.0bn £15.0bn £13.4bn

Performance ratios

Return on average economic capital 51% 40% 33% Cost: income ratio 76% 79% 84%

Other financial measures

Risk Tendency £10m £10m £5m Economic profit £233m £130m £103m Risk weighted assets £7.7bn £6.1bn £4.3bn Average net income generated per member of staff (000) £188 £181 £167

2006/05

Barclays Wealth profit before tax showed very strong growth of 49% (£81m) to £245m (2005: £164m). Performance was driven by broadly bas ed income growth and favourable market conditions. This was partially offset by additional volume related costs and a significant increase in investment in people and infrastructure to support future growth.

Income increased 12% (£126m) to £1,160m (2005: £1,034m).

Net interest income increased 13% (£46m) to £392m (2005: £346m) reflecting growth in both customer deposits and customer lending. Average deposits grew 6% (£1.6bn) to £27.7bn (2005: £26.1bn). Average lending grew 17% to £5.5bn (2005: £4.7bn), driven by increased lending to offshore and private banking clients. Asset and liability margins were higher relative to 2005.

Net fee and commission income increased 14% (£81m) to £674m (2005: £593m). This reflected growth in client assets and higher transactional income, including increased sales of investment products to high net worth and affluent clients, and higher stockbroking volumes.

Operating expenses increased 5% (£45m) to £913m (2005: £868m) with greater volume related and investment costs more than offsetting efficiency gains. Investment costs included increased hiring of client-facing staff and improvements to infrastructure with the upgrade of technology and operations platforms. The cost: income ratio improved five percentage points to 79% (2005: 84%).

Total client assets, comprising customer deposits and client investments, increased 19% (£18.6bn) to £116.1bn (2005: £97.5bn) reflecting good net new asset inflows and favourable market conditions. Multi-Manager assets increased 68% (£4.1bn) to £10.1bn (2005: £6.0bn); this growth included transfers of existing client assets.

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Financial review

Analysis of results by business

Head office functions and other operations

Who we are

Head office functions and other operations comprises:

- Head office and central support functions
- Businesses in transition
- Inter segment adjustments.

What we do

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.

Performance 2007/06

Head office functions and other operations loss before tax increased £169m to £428m (2006: £259m).

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 £86m to £233m (2006: £147m). These adjustments included internal fees for structured capital market activities of £169m (2006: £87m) and fees paid to Barclays Capital for debt and equity raising and risk management advice of £65m (2006: £23m), both of which increased net fee and commission expense in head office. The impact on the inter-segment adjustments of the timing of the recognition of insurance commissions included in Barclaycard was a reduction in head office income of £9m (2006: £44m). This net reduction was reflected in a decrease in net fee and commission income of £162m (2006: £184m) and an increase in net premium income of £153m (2006: £140m).

Principal transactions decreased to a loss of £83m (2006: £42m profit). 2006 included a £55m profit from a hedge of the expected Absa foreign currency earnings. 2007 included a loss of £33m relating to fair valuation of call options embedded within retail US$ preference shares arising from widening of own credit spreads.

Operating expenses decreased £35m to £234m (2006: £269m). The primary driver of this decrease was the receipt of a break fee relating to the ABN AMRO transaction which, net of transaction costs, reduced expenses by £58m. This was partially offset by lower rental income and lower proceeds on property sales.

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1 Business review

2007 2006 2005

£m £m £m

Income statement information

Net interest income 128 80 160 Net fee and commission income (424) (301) (324) Net trading (loss)/income (66) 40 85 Net investment (expense)/income (17) 2 8 Principal transactions (83) 42 93 Net premiums from insurance contracts 152 139 72 Other income 35 39 24 Total income (192) (1) 25 Impairment (charges)/releases (3) 11 (1) Net income (195) 10 24 Operating expenses excluding amortisation of intangible assets (233) (259) (343) Amortisation of intangible assets (1) (10) (4) Operating expenses (234) (269) (347) Profit on disposal of associates and joint ventures 1 Loss before tax (428) (259) (323)

Balance sheet information

Total assets £7.1bn £7.1bn £9.3bn

Other financial measures

Risk Tendency £10m £10m £25m Risk weighted assets £1.6bn £1.9bn £4.0bn

2006/05

Head office functions and other operations loss before tax decreased £64m to £259m (2005: loss £323m).

Net interest income decreased £80m to £80m (2005: £160m) reflecting a reduction in net interest income in Treasury following the acquisition of Absa Group Limited. Treasury s net interest income also included the hedge ineffectiveness for the period, which together with other related Treasury adjustments amounted to a gain of £11m (2005: £18m) and the cost of hedging the foreign exchange risk on the Group s equity investment in Absa, which amounted to £71m (2005: £37m).

The impact of such inter-segment adjustments reduced £72m to £147m (2005: £219m). These adjustments related to internal fees for structured capital market activities of £87m (2005: £67m) and fees paid to Barclays Capital for capital raising and risk management advice of £23m (2005: £39m), both of which reduce net fees and commission income. In addition the impact of the timing of the recognition of insurance

commissions included in Barclaycard and UK Retail Banking reduced to £44m (2005: £113m). This reduction was reflected in a decrease in net fee and commission income of £184m (2005: £185m) and an increase in net premium income of £140m (2005: £72m).

Principal transactions decreased £51m to £42m (2005: £93m). 2005 included hedging related gains in Treasury of £80m. 2006 included £55m (2005: £nil) in respect of the economic hedge of the translation exposure arising from Absa foreign currency earnings.

The impairment charge improved £12m to a release of £11m (2005: £1m charge) as a number of workout situations were resolved.

Operating expenses decreased £78m to £269m (2005: £347m) primarily due to the expenses of the 2005 Head office relocation to Canary Wharf not recurring in 2006 (2005: £105m) and the gains of £26m (2005: £nil) from the sale and leaseback of property offset by increased costs, principally driven by major project expenditure including work related to implementing Basel II.

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Financial review

Results by nature of income and expense

Results by nature of income and expense

Net interest income

2007 2006 2005

£m £m £m

Cash and balances with central banks 145 91 9 Available for sale investments 2,580 2,811 2,272 Loans and advances to banks 1,416 903 690 Loans and advances to customers 19,559 16,290 12,944 Other 1,608 1,710 1,317

Interest income 25,308 21,805 17,232

Deposits from banks (2,720) (2,819) (2,056) Customer accounts (4,110) (3,076) (2,715) Debt securities in issue (6,651) (5,282) (3,268) Subordinated liabilities (878) (777) (605) Other (1,339) (708) (513)

Interest expense (15,698) (12,662) (9,157) Net interest income 9,610 9,143 8,075

2007/06

Group net interest income increased 5% (£467m) to £9,610m (2006: £9,143m) reflecting balance sheet growth across a number of businesses.

Group net interest income reflects structural hedges which function to reduce the impact of the volatility of short-term interest rate movements on equity and customer balances that do not re-price with market rates.

The contribution of structural hedges relative to average base rates decreased to £351m expense (2006: £26m income), largely due to the smoothing effect of the structural hedge on changes in interest rates.

Other interest expense principally includes interest on repurchase agreements and hedging activity.

2006/05

Group net interest income increased 13% (£1,068m) to £9,143m (2005: £8,075m). The inclusion of Absa contributed net interest income of £1,138m (2005 b: £516m). Group net interest income excluding Absa grew 6%.

The contribution of the structural hedge decreased to £26m (2005: £145m), largely due to the impact of relatively higher short-term interest rates and lower medium-term rates.

05 8.1 9.1 17.2

06 9.1 12.7 21.8

07 9.6 15.7 25.3 Net interest income £bn

Net interest income Interest expense Interest income

Business margins

2007 2006 2005

% % %

UK Retail Banking assets 1.20 1.32 1.43 UK Retail Banking liabilities 2.15 2.05 2.02 Barclays Commercial Bank assets 1.80 1.92 1.87 Barclays Commercial Bank liabilities 1.49 1.46 1.46 Barclaycard assets 6.59 7.13 7.11 IRCB ex Absa assets 1.32 1.29 1.36 IRCB ex Absa liabilities 1.91 2.06 2.03 IRCB Absa assets 2.86 2.95 3.52 IRCB Absa liabilities a 3.25 2.90 2.39 Barclays Wealth assets 1.11 1.08 0.96 Barclays Wealth liabilities 1.03 1.10 1.04

Average balances

2007 2006 2005

£m £m £m

UK Retail Banking assets 78,502 73,593 74,138 UK Retail Banking liabilities 81,848 76,498 71,003 Barclays Commercial Bank assets 53,600 52,018 43,985 Barclays Commercial Bank liabilities 46,367 44,839 40,545 Barclaycard assets 19,191 17,918 16,102 IRCB ex Absa assets 33,321 27,210 22,743 IRCB ex Absa liabilities 12,484 10,423 8,983 IRCB Absa assets 26,132 24,388 20,225 IRCB Absa liabilities a 11,659 11,071 13,388 Barclays Wealth assets 7,403 5,543 4,712 Barclays Wealth liabilities 31,151 27,744 26,136

Business net interest income

2007 2006 2005

£m £m £m

UK Retail Banking assets 939 970 1,062 UK Retail Banking liabilities 1,763 1,566 1,436 Barclays Commercial Bank assets 963 999 823 Barclays Commercial Bank liabilities 693 655 592 Barclaycard assets 1,266 1,278 1,144 IRCB ex Absa assets 439 349 310 IRCB ex Absa liabilities 238 216 183 IRCB Absa assets 746 719 308 IRCB Absa liabilities a 379 321 138 Barclays Wealth assets 82 60 45 Barclays Wealth liabilities 320 306 273

Business assets total net interest income 4,435 4,375 3,692 Business liabilities total net interest income 3,393 3,064 2,622

Business net interest income 7,828 7,439 6,314

Reconciliation of business interest income to Group net interest income

2007 2006 2005

£m £m £m

Business net interest income 7,828 7,439 6,314 Other: Barclays Capital 1,179 1,158 1,065 Barclays Global Investors (8) 10 15 Other 611 536 681

Group net interest income 9,610 9,143 8,075

Notes

a IRCB-Absa liabilities business margins, average balances and business net interest income for 2006 have been restated to reflect changes in Group structure.

b For 2005, this reflects the period from 27th July until 31st December 2005.

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1 Business review

Business net interest income is derived from the interest rate earned on average assets or paid on average liabilities relative to the average Bank of England base rate, local equivalents for international businesses or the rate managed by the bank using derivatives. The margin is expressed as annualised business interest income over the relevant average balance. Asset and liability margins cannot be added together as they are relative to the average Bank of England base rate, local equivalent for international businesses or the rate managed by the bank using derivatives. The benefit of capital attributed to these businesses is excluded from the calculation of business margins and business net interest income.

Average balances are calculated on daily averages for most UK banking operations and monthly averages elsewhere.

Within the reconciliation of Group net interest income, there is an amount captured as Other. This relates to the benefit of capital excluded from the business margin calculation, Head office functions and other operations and net funding on non-customer assets and liabilities.

2007/06

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

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

Barclaycard assets margin decreased 54 basis points to 6.59% (2006: 7.13%) due to higher average base rates across core markets and an increased weighting to secured lending.

International Retail and Commercial Banking excluding Absa assets margin of 1.32% (2006: 1.29%) was broadly stable. International Retail and Commercial Banking excluding Absa liabilities margin decreased 15 basis points to 1.91% (2006: 2.06%) primarily driven by changes in the product and country mix.

International Retail and Commercial Banking Absa assets margin decreased 9 basis points to 2.86% (2006: 2.95%) due to increased competition, increases in interest rates and changes in the product mix. The liabilities margin increased 35 basis points to 3.25% (2006: 2.90% a) driven by a re-pricing of customer deposits and higher interest rates.

Barclays Wealth assets margin increased 3 basis points to 1.11% (2006: 1.08%) due to changes in the product mix. The liabilities margin decreased seven basis points to 1.03% (2006: 1.10%) due to competitive pricing.

The impact of the structural hedge on customer balances has been included within business margins and has smoothed the impact of changing interest rates before the impact of changes in product mix or product pricing.

2006/05

UK Retail Banking assets margin decreased 11 basis points to 1.32% (2005: 1.43%). The mortgage margin has been impacted by changed assumptions used in the calculation of effective interest rates, a higher proportion of new mortgages and base rate changes. This was partially offset by increased contributions from non-mortgage assets. UK Retail Banking liabilities margin was stable at 2.05% (2005: 2.02%).

Barclays Commercial Bank assets margin improved to 1.92% (2005: 1.87%). Barclays Commercial Bank liabilities margin was stable at 1.46% (2005: 1.46%).

Barclaycard assets margin was stable at 7.13% (2005: 7.11%).

International Retail and Commercial Banking excluding Absa assets margin decreased 7 basis points to 1.29% (2005: 1.36%) partly reflecting a greater share of mortgage assets as a proportion of the total book in continental Europe. International Retail and Commercial Banking excluding Absa liabilities margin was stable at 2.06% (2005: 2.03%). International Retail and Commercial Banking Absa assets margin decreased 57 basis points to 2.95% (2005b: annualised 3.52%) reflecting a higher proportion of mortgage assets and competitive pressures in mortgages and asset finance. International Retail and Commercial Banking Absa liabilities margin increased 51 basis points to 2.90% (2005b: annualised 2.39%).

Barclays Wealth assets margin increased 12 basis points to 1.08% (2005: 0.96%) largely reflecting higher margins on new lending business and a small increase in mortgage margins. The liabilities margin increased 6 basis points to 1.10% (2005: 1.04%) principally due to a slight increase in currency deposit spreads.

Notes

a IRCB Absa liabilities business margins, average balances and business net interest income for 2006 have been restated to reflect changes.

b For 2005, this reflects the period from 27th July until 31st December 2005.

Financial review

Results by nature of income and expense

Net fee and commission income

2007 2006 2005

£m £m £m

Brokerage fees 109 70 64 Investment management fees 1,787 1,535 1,250 Securities lending 241 185 151 Banking and credit related fees and commissions 6,363 6,031 4,805 Foreign exchange commission 178 184 160

Fee and commission income 8,678 8,005 6,430 Fee and commission expense (970) (828) (725) Net fee and commission income 7,708 7,177 5,705

2007/06

Net fee and commission income increased 7% (£531m) to £7,708m (2006: £7,177m).

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

2006/05

Net fee and commission income increased 26% (£1,472m) to £7,177m (2005: £5,705m). The inclusion of Absa contributed net fee and commission income of £850m (2005 a: £334m). Group net fee and commission income excluding Absa grew 18%, reflecting growth across all businesses.

Fee and commission income rose 24% (£1,575m) to £8,005m (2005: £6,430m). The inclusion of Absa contributed fee and commission income of £896m (2005 a: £386m). Excluding Absa, fee and commission income grew 18%, driven by a broadly based performance across the Group, particularly within Barclays Global Investors.

Fee and commission expense increased 14% (£103m) to £828m (2005: £725m), reflecting the growth in Barclaycard US. Absa contributed fee and commission expense of £46m (2005 a: £52m).

Principal transactions

2007 2006 2005

£m £m £m

Rates related business 4,162 2,848 1,732 Credit related business (403) 766 589

Net trading income 3,759 3,614 2,321

Net gain from disposal of available for sale assets 560 307 120 Dividend income 26 15 22 Net gain from financial instruments designated at fair value 293 447 389 Other investment income 337 193 327

Net investment income 1,216 962 858 Principal transactions 4,975 4,576 3,179

2007/06

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

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

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

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

2006/05

Net trading income increased 56% (£1,293m) to £3,614m (2005: £2,321m) due to excellent performances in Barclays Capital Rates and Credit businesses, in particular in commodities, fixed income, equities, credit derivatives and emerging markets. This was driven by higher volumes of client led activity and favourable market conditions. The inclusion of Absa contributed net trading income of £60m (2005 a: £9m). Group net trading income excluding Absa grew 54%.

Net investment income increased 12% (£104m) to £962m (2005: £858m). The inclusion of Absa contributed net investment income of £144m (2005 a: £62m). Group net investment income excluding Absa increased 3%.

The cumulative gain from disposal of available for sale assets increased 156% (£187m) to £307m (2005: £120m) driven by investment realisations, primarily in Private Equity.

Fair value movements on certain assets and liabilities have been reported within net trading income or within net investment income depending on the nature of the transaction. Fair value movements on insurance assets included within net investment income contributed £205m (2005: £317m).

Note

a For 2005, this reflects the period from 27th July until 31st December 2005.

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1 Business review

Other income

2007 2006 2005

£m £m £m

Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts 5,592 7,417 9,234 Increase in liabilities to customers under investment contracts (5,592) (7,417) (9,234) Property rentals 53 55 54 Loss on part disposal of Monument credit card portfolio (27) Other 162 159 93

Other income 188 214 147

Certain asset management products offered to institutional clients by Barclays Global Investors are recognised as investment contracts. Accordingly the invested assets and the related liabilities to investors are held at fair value and changes in those fair values are reported within other income.

Impairment charges and other credit provisions

2007 2006 2005

£m £m £m

Impairment charges on loans and advances

New and increased impairment allowances 2,871 2,722 2,129

Releases (338) (389) (333)

Recoveries (227) (259) (222) Impairment charges on loans and advances 2,306 2,074 1,574

Other credit provisions

Charges/(credits) in respect of undrawn contractually committed facilities and guarantees 476 (6) (7)

Impairment charges on loans and advances and other credit provisions 2,782 2,068 1,567 Impairment charges on available for sale assets 13 86 4 Impairment charges and other credit provisions 2,795 2,154 1,571

Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures included above: Impairment charges on loans and advances 313 Charges in respect of undrawn facilities 469

Impairment charges and other credit provisions on ABS CDO Super senior and other credit market positions 782

2007/06

Total impairment charges and other credit provisions increased 30% (£641m) to £2,795m (2006: £2,154m).

Impairment charges on loans and advances and other credit provisions increased 35% (£714m) to £2,782m (2006: £2,068m) reflecting charges of £782m against ABS CDO Super Senior and other credit market positions.

Impairment charges on loans and advances and other credit provisions as a percentage of Group total loans and advances increased to 0.71% (2006: 0.65%); total loans and advances grew 23% to £389,290m (2006: £316,561m).

Retail

Retail impairment charges on loans and advances fell 11% (£204m) to £1,605m (2006: £1,809m). Retail impairment charges as a percentage of period end total loans and advances reduced to 0.98% (2006: 1.30%); total retail loans and advances increased 18% to £164,062m (2006: £139,350m).

Barclaycard impairment charges improved 21% (£229m) to £838m (2006: £1,067m) reflecting reduced flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. We made changes to our impairment methodologies to standardise our approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by the increase in impairment charges in Barclaycard International and secured consumer lending.

Impairment charges in UK Retail Banking decreased by £76m (12%) to £559m (2006: £635m), reflecting lower charges in unsecured Consumer Lending and Local Business driven by improved collection processes, reduced flows into delinquency, lower arrears trends and stable charge-offs. In UK Home Finance, asset quality remained strong and mortgage charges remained negligible. Mortgage delinquencies as a percentage of outstandings remained stable and amounts charged off were low.

Impairment charges in International Retail and Commercial Banking excluding Absa rose by £38m (93%) to £79m (2006: £41m) reflecting very strong balance sheet growth in 2006 and 2007 and the impact of lower releases in 2007.

Arrears in some of International Retail and Commercial Banking Absa s retail portfolios deteriorated in 2007, driven by interest rate increases in 2006 and 2007 resulting in pressure on collections.

Wholesale and corporate

Wholesale and corporate impairment charges on loans and advances increased £436m to £701m (2006: £265m). Wholesale and corporate impairment charges as a percentage of period end total loans and advances increased to 0.31% (2006: 0.15%); total loans and advances grew 27% to £225,228m (2006: £177,211m).

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

The impairment charge in Barclays Commercial Bank increased £38m (15%) to £290m (2006: £252m), primarily due to higher impairment charges in Larger Business, partially offset by a lower charge in Medium Business due to a tightening of the lending criteria.

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Financial review

Results by nature of income and expense

Impairment charges (continued)

2006/05

Total impairment charges increased 37% (£583m) to £2,154m (2005: £1,571m).

Impairment charges on loans and advances and other credit provisions increased 32% (£501m) to £2,068m (2005: £1,567m). Excluding Absa, the increase was 26% (£395m) and largely reflected the continued challenging credit environment in UK unsecured retail lending through 2006. The wholesale and corporate sectors remained stable with a low level of defaults.

The Group impairment charges on loans and advances and other credit provisions as a percentage of year-end total loans and advances of £316,561m (2005: £303,451m) increased to 0.65% (2005: 0.52%).

Retail

Retail impairment charges on loans and advances and other credit provisions increased to £1,809m (2005: £1,254m), including £99m (2005 a: £10m) in respect of Absa. Retail impairment charges on loans and advances amounted to 1.30% (2005 b: 0.93%) as a percentage of year-end total loans and advances of £139,350m (2005 b: £134,420m), including balances in Absa of £20,090m (2005: £20,836m).

In the UK retail businesses, household cash flows remained under pressure leading to a deterioration in consumer credit quality. High debt levels and changing social attitudes to bankruptcy and debt default contributed to higher levels of insolvency and increased impairment charges. In UK cards and unsecured consumer lending, the flows of new delinquencies and the levels of arrears balances declined in the second half of 2006, reflecting more selective customer recruitment, limit management and improved collections.

In UK Home Finance, delinquencies were flat and amounts charged-off remained low. The weaker external environment led to increased credit delinquency in Local Business, where there were both higher balances on caution status and higher flows into delinquency, which both stabilised towards the year end.

Wholesale and corporate

In the wholesale and corporate businesses, impairment charges on loans and advances and other credit provisions decreased to £259m (2005: £313m), including £27m (2005 a: £10m) in respect of Absa. The fall was due mainly to recoveries in Barclays Capital as a result of the benign wholesale credit environment. This was partially offset by an increase in Barclays Commercial Bank, reflecting higher charges in Medium Business and growth in lending balances.

The wholesale and corporate impairment charge was 0.15% (2005 b: 0.19%) as a percentage of year-end total loans and advances to banks and to customers of £177,211m (2005 b: £169,031m), including balances in Absa of £9,299m (2005: £9,731m).

In Absa, impairment charges increased to £126m (2005 b: £20m) reflecting a full year of business and normalisation of credit conditions in South Africa following a period of low interest rates.

Impairment on available for sale assets

The total impairment charges in Barclays Capital included losses of £83m (2005: £nil) on an available for sale portfolio where an intention to sell caused the losses to be viewed as other than temporary in nature. These losses in 2006 were primarily due to interest rate movements, rather than credit deterioration, with a corresponding gain arising on offsetting derivatives recognised in net trading income.

Operating expenses

2007 2006 2005

£m £m £m

Staff costs (refer to page 51) 8,405 8,169 6,318 Administrative expenses 3,978 3,980 3,443 Depreciation 467 455 362 Impairment loss property and equipment and intangible assets 16 21 9 Operating lease rentals 414 345 316 Gain on property disposals (267) (432) Amortisation of intangible assets 186 136 79

Operating expenses 13,199 12,674 10,527

2007/06

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

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

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

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

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

The Group cost: income ratio improved two percentage points to 57% (2006: 59%).

2006/05

Operating expenses increased 20% (£2,147m) to £12,674m (2005: £10,527m). The inclusion of Absa contributed operating expenses of £1,496m (2005 a: £664m). Group operating expenses excluding Absa grew 13%, reflecting a higher level of business activity and an increase in performance related pay.

Administrative expenses increased 16% (£537m) to £3,980m (2005: £3,443m). The inclusion of Absa contributed administrative expenses of £579m (2005 a: £257m). Group administrative expenses excluding Absa grew 7% principally as a result of higher business activity in UK Banking and Barclays Capital.

Operating lease rentals increased 9% (£29m) to £345m (2005: £316m). The inclusion of Absa contributed operating lease rentals of £73m (2005 a: £27m), which more than offset the absence of double occupancy costs incurred in 2005, associated with the Head office relocation to Canary Wharf.

Operating expenses were reduced by gains from the sale of property of £432m (2005: £nil) as the Group took advantage of historically low yields on property to realise gains on some of its freehold portfolio.

Amortisation of intangible assets increased 72% (£57m) to £136m (2005: £79m) primarily reflecting the inclusion of Absa for the full year.

The Group cost: income ratio improved to 59% (2005: 61%). This reflected improved productivity. The Group cost: net income ratio was 65% (2005: 67%).

Notes

a For 2005, this reflects the period from 27th July until 31st December 2005.

b In 2005 the analysis of loans and advances to customers between retail business and wholesale and corporate business has been reclassified to reflect enhanced methodology implementation.

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1 Business review

Staff costs

2007 2006 2005

£m £m £m

Salaries and accrued incentive payments 6,993 6,635 5,036 Social security costs 508 502 412 Pension costs defined contribution plans 141 128 76 defined benefit plans 150 282 271 Other post-retirement benefits 10 30 27 Other 603 592 496

Staff costs 8,405 8,169 6,318

2007/06

Staff costs increased 3% (£236m) to £8,405m (2006: £8,169m).

Salaries and accrued incentive payments rose 5% (£358m) to £6,993m (2006: £6,635m), reflecting increased permanent and fixed term staff worldwide.

Defined benefit plans pension costs decreased 47% (£132m) to £150m (2006: £282m). This was mainly due to lower service costs.

2006/05

Staff costs increased 29% (£1,851m) to £8,169m (2005: £6,318m). The inclusion of Absa contributed staff costs of £694m (2005 a: £296m). Group staff costs excluding Absa rose 24%.

Salaries and accrued incentive payments rose 32% (£1,599m) to £6,635m (2005: £5,036m), principally due to increased performance related payments and the full year inclusion of Absa. The inclusion of Absa contributed salaries and incentive payments of £615m (2005 a: £276m). Group salaries and accrued incentive payments excluding Absa rose 26%.

Staff numbers

2007 2006 2005

UK Banking 41,200 42,600 41,100 UK Retail Banking 32,800 34,500 33,300 Barclays Commercial Bank 8,400 8,100 7,800 Barclaycard 7,800 8,500 7,700 IRCB 58,300 47,800 45,200 IRCB ex Absa 22,100 13,900 12,500 IRCB Absa 36,200 33,900 32,700 Barclays Capital 16,200 13,200 9,900 Barclays Global Investors 3,400 2,700 2,300 Barclays Wealth 6,900 6,600 6,200 Head office functions and other operations 1,100 1,200 900

Total Group permanent staff worldwide 134,900 122,600 113,300

2007/06

Staff numbers are shown on a full-time equivalent basis. Total Group permanent and fixed term contract staff comprised 61,900 (2006: 62,400) in the UK and 73,000 (2006: 60,200) internationally.

UK Retail Banking headcount decreased 1,700 to 32,800 (2006: 34,500), due to efficiency initiatives in back office operations and the transfer of operations personnel to Barclays Commercial Bank. Barclays Commercial Bank headcount increased 300 to 8,400 (2006: 8,100) due to the transfer of operations personnel from UK Retail Banking and additional investment in front line staff to drive improved geographical coverage.

Barclaycard staff numbers decreased 700 to 7,800 (2006: 8,500), due to efficiency initiatives implemented across the UK operation and the sale of part of the Monument card portfolio, partially offset by an increase in the International cards businesses.

International Retail and Commercial Banking staff numbers increased 10,500 to 58,300 (2006: 47,800). International Retail and Commercial Banking excluding Absa staff numbers increased 8,200 to 22,100 (2006: 13,900) due to growth in the distribution network. International Retail and Commercial Banking Absa staff numbers increased 2,300 to 36,200 (2006: 33,900), reflecting growth in the business and distribution network.

Barclays Capital staff numbers increased 3,000 to 16,200 (2006: 13,200) including 800 from the acquisition of EquiFirst. This reflected further investment in the front office, systems development and control functions to support continued business expansion. The majority of organic growth was in Asia Pacific.

Barclays Global Investors staff numbers increased 700 to 3,400 (2006: 2,700). Headcount increased in all geographical regions and across product groups and the support functions, reflecting continued investment to support further growth.

Barclays Wealth staff numbers increased 300 to 6,900 (2006: 6,600) principally due to the acquisition of Walbrook and increased client facing professionals.

Note

a For 2005, this reflects the period from 27th July until 31st December 2005.

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Financial review

Results by nature of income and expense

Staff numbers (continued)

2006/05

Total Group permanent and contract staff comprised 62,400 (2005: 59,100) in the UK and 60,200 (2005: 54,200) internationally.

UK Banking staff numbers increased 1,500 to 42,600 (2005: 41,100), primarily reflecting the inclusion in UK Retail Banking of mortgage processing staff involved in activities previously outsourced.

Barclaycard staff numbers rose 800 to 8,500 (2005: 7,700), reflecting growth of 400 in Barclaycard US and increases in operations and customer-facing staff in the UK.

International Retail and Commercial Banking increased staff numbers 2,600 to 47,800 (2005: 45,200). International Retail and Commercial Banking excluding Absa increased staff numbers by 1,400 to 13,900 (2005: 12,500), mainly due to growth in continental Europe and Africa. International Retail and Commercial Banking Absa increased staff numbers by 1,200 to 33,900 (2005: 32,700), reflecting continued growth in the business.

Barclays Capital staff numbers increased 3,300 during 2006 to 13,200 (2005: 9,900) and included 1,300 from the acquisition of HomEq. Organic growth was broadly based across all regions and reflected further investments in the front office, systems development and control functions to support continued business expansion.

Barclays Global Investors increased staff numbers 400 to 2,700 (2005: 2,300) spread across regions, product groups and support functions, reflecting continued investment to support strategic initiatives. Barclays Wealth staff numbers rose 400 to 6,600 (2005: 6,200) to support the continued expansion of the business, including increased hiring of client-facing staff.

Head office functions and other operations staff numbers grew 300 to 1,200 (2005: 900) primarily reflecting the centralisation of functional activity and the increased regulatory environment and audit demands as a result of the expansion of business areas.

Share of post-tax results of associates and joint ventures

2007 2006 2005

£m £m £m

Profit from associates 33 53 53 Profit/(loss) from joint ventures 9 (7) (8)

Share of post-tax results of associates and joint ventures 42 46 45

2007/06

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

2006/05

The share of post-tax results of associates and joint ventures increased 2% (£1m) to £46m (2005: £45m).

Of the £46m share of post-tax results of associates and joint ventures, FirstCaribbean International Bank contributed £41m (2005: £37m).

Profit on disposal of subsidiaries, associates and joint ventures

	2007	2006	2005
	£m	£m	£m
Profit on disposal of subsidiaries, associates and joint ventures	28	323	

2007/06

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

2006/05

The profit on disposal of subsidiaries, associates and joint ventures includes £247m profit on disposal of FirstCaribbean International Bank and £76m from the sale of interests in vehicle leasing and vendor finance businesses.

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1 Business review

Tax

The overall tax charge is explained in the following table:

2007 2006 2005

£m £m £m

Profit before tax 7,076 7,136 5,280 Tax charge at average UK corporation tax rate of 30% 2,123 2,141 1,584 Prior year adjustments (37) 24 (133) Differing overseas tax rates (77) (17) (35) Non-taxable gains and income (including amounts offset by unrecognised tax losses) (136) (393) (129) Share-based payments 72 27 (12) Deferred tax assets not previously recognised (158) (4) (7) Change in tax rates 24 4 3 Other non-allowable expenses 170 159 168 Overall tax charge 1,981 1,941 1,439 Effective tax rate 28% 27% 27%

2007/06

The tax charge for the period was based on a UK corporation tax rate of 30% (2006: 30%). The effective rate of tax for 2007, based on profit before tax, was 28.0% (2006: 27.2%). The effective tax rate differed from 30% as it took account of the different tax rates applied to profits earned outside the UK, non-taxable gains and income and adjustments to prior year tax provisions. The forthcoming change in the UK rate of corporation tax from 30% to 28% on 1st April 2008 led to an additional tax charge in 2007 as a result of its effect on the Group s net deferred tax asset. The effective tax rate for 2007 was higher than the 2006 rate, principally because there was a higher level of profit on disposals of subsidiaries, associates and joint ventures offset by losses or exemptions in 2006.

2006/05

The charge for the period is based upon a UK corporation tax rate of 30% for the calendar year 2006 (2005: 30%). The effective rate of tax for 2006, based on profit before tax, was 27.2% (2005: 27.3%). The effective tax rate differs from 30% as it takes account of the different tax rates which are applied to the profits earned outside the UK, disallowable expenditure, certain non-taxable gains and adjustments to prior year tax provisions. The effective tax rate for 2006 is consistent with the prior period. The tax charge for the year includes £1,234m (2005: £961m) arising in the UK and £707m (2005: £478m) arising overseas.

The profit on disposal of subsidiaries, associates and joint ventures of £323m was substantially offset by losses or exemptions. The effective tax rate on profit before business disposals was 28.5%.

Economic profit

Economic profit comprises:

Profit after tax and minority interests; less

Capital charge (average shareholders equity and goodwill excluding minority interests multiplied by the Group cost of capital).

The Group cost of capital has been applied at a uniform rate of 9.5%a. The costs of servicing preference shares are included in minority interests, and so preference shares are excluded from average shareholders equity for economic profit purposes.

Reconciliation of economic profit

2007 2006 2005

£m £m £m

Profit attributable to equity holders of the parent 4,417 4,571 3,447 Addback of amortisation charged on acquired intangible assets b 137 83 29

Profit for economic profit purposes 4,554 4,654 3,476 Average shareholders equity for economic profit purposesc, d (rounded to nearest £50m) 23,800 20,500 18,150 Post-tax cost of equity 9.5% 9.5% 9.5% Capital charge (2,264) (1,950) (1,724)

Economic profit 2,290 2,704 1,752

Notes

a The Group's cost of capital has changed from 1st January 2008 to 10.5%.

b Amortisation charged for purchased intangibles, adjusted for tax and minority interests.

c Average ordinary shareholders equity for Group economic profit calculation is the sum of adjusted equity and reserves plus goodwill and intangible assets arising on acquisition, but excludes preference shares.

d Averages for the period will not correspond exactly to period end balances disclosed in the balance sheet. Numbers are rounded to the nearest £50m for presentation purposes only.

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Financial review

Total assets and risk weighted assets

Total assets

2007 2006 2005

£m £m £m

UK Banking 161,777 147,576 137,981 UK Retail Banking 87,833 81,692 78,066 Barclays Commercial Bank 73,944 65,884 59,915 Barclaycard 22,164 20,082 18,236 IRCB 89,457 68,588 63,383 IRCB ex Absa 52,204 38,191 34,022 IRCB Absa 37,253 30,397 29,361 Barclays Capital 839,662 657,922 601,193 Barclays Global Investors 89,224 80,515 80,900 Barclays Wealth 18,024 15,022 13,401 Head office functions and other operations 7,053 7,082 9,263 Total assets 1,227,361 996,787 924,357

Risk weighted assets a

2007 2006 2005

£m £m £m

UK Banking 99,836 92,981 87,971 UK Retail Banking 45,992 43,020 40,845 Barclays Commercial Bank 53,844 49,961 47,126 Barclaycard 19,929 17,035 13,625 IRCB 53,269 40,810 41,069 IRCB ex Absa 29,667 20,082 20,235 IRCB Absa 23,602 20,728 20,834 Barclays Capital 169,124 137,635 116,677 Barclays Global Investors 1,994 1,375 1,456 Barclays Wealth 7,692 6,077 4,305 Head office functions and other operations 1,632 1,920 4,045

Risk weighted assets 353,476 297,833 269,148

Total assets and risk weighted assets £bn

Assets 1,227 Risk weighted assets

924 997

269 298 353

05 06 07 05 06 07

2007/06

Total assets increased 23% to £1,227.4bn (2006: £996.8bn). Risk weighted assets increased 19% to £353.5bn (2006: £297.8bn). Loans and advances to customers that have been securitised increased £4.3bn to £28.7bn (2006: £24.4bn). The increase in risk weighted assets since 2006 reflected a rise of £31.6bn in the banking book and a rise of £24.0bn in the trading book.

UK Retail Banking total assets increased 7% to £87.8bn (2006: £81.7bn). This was mainly attributable to growth in mortgage balances. Risk weighted assets increased by 7% to £46.0bn (2006: £43.0bn) with growth in mortgages partially offset by an increase in securitised balances and other reductions.

Barclays Commercial Bank total assets grew 12% to £73.9bn (2006: £65.9bn) driven by good growth across lending products. Risk weighted assets increased 8% to £53.8bn (2006: £50.0bn), reflecting asset growth partially offset by increased regulatory netting and an increase in securitised balances.

Barclaycard total assets increased 10% to £22.2bn (2006: £20.1bn). Risk weighted assets increased 17% to £19.9bn (2006: £17.0bn), primarily reflecting the increase in total assets, redemption of securitisation transactions, partially offset by changes to the treatment of regulatory associates and the sale of part of the Monument card portfolio.

International Retail and Commercial Banking excluding Absa total assets grew 37% to £52.2bn (2006: £38.2bn). This growth was mainly driven by increases in retail mortgages and unsecured lending in Western Europe and increases in unsecured lending in Emerging Markets. Risk weighted assets increased 48% to £29.7bn (2006: £20.1bn), reflecting asset growth and a change in product mix.

International Retail and Commercial Banking Absa total assets increased 23% to £37.3bn (2006: £30.4bn), primarily driven by increases in mortgages, credit cards and commercial property finance. Risk weighted assets increased 14% to £23.6bn (2006: £20.7bn), reflecting balance sheet growth.

Barclays Capital total assets rose 28% to £839.7bn (2006: £657.9bn). Derivative assets increased £109.3bn primarily due to movements across a range of market indices. This was accompanied by a corresponding increase in derivative liabilities. The increase in non-derivative assets reflects an expansion of the business across a number of asset classes, combined with an increase in drawn leveraged loan positions and mortgage-related assets. Risk weighted assets increased 23% to £169.1bn (2006: £137.6bn) reflecting growth in fixed income, equities and credit derivatives.

Barclays Global Investors total assets increased 11% to £89.2bn (2006: £80.5bn), mainly attributable to growth in certain asset management products recognised as investment contracts. The majority of total assets relates to asset management products with equal and offsetting balances reflected within liabilities to customers. Risk weighted assets increased 43% to £2.0bn (2006: £1.4bn) mainly attributable to overall growth in the balance sheet and the mix of securities lending activity.

Barclays Wealth total assets increased 20% to £18.0bn (2006: £15.0bn) reflecting strong growth in lending to high net worth, affluent and intermediary clients. Risk weighted assets increased 26% to £7.7bn (2006: £6.1bn) reflecting the increase in lending.

Head office functions and other operations total assets remained flat at £7.1bn (2006: £7.1bn). Risk weighted assets decreased 16% to £1.6bn (2006: £1.9bn).

Note

a Risk weighted assets are calculated under Basel I

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1 Business review

2006/05

Total assets increased 8% to £996.8bn (2005: £924.4bn). Risk weighted assets increased 11% to £297.8bn (2005: £269.1bn). Loans and advances to customers that have been securitised increased £5.8bn to £24.4bn (2005: £18.6bn). The increase in risk weighted assets since 2005 reflects a rise of £18.1bn in the banking book and a rise of £10.9bn in the trading book.

UK Retail Banking total assets increased 5% to £81.7bn (2005: £78.1bn). This was mainly attributable to growth in mortgage balances. Risk weighted assets increased 5% to £43.0bn (2005: £40.8bn) also primarily reflecting the growth in mortgage balances.

Barclays Commercial Bank total assets increased 10% to £65.9bn (2005: £59.9bn) reflecting good growth across short, medium and long term lending products. Risk weighted assets increased 6% to £50.0bn (2005: £47.1bn), reflecting asset growth and increased regulatory netting.

Barclaycard total assets increased 10% to £20.1bn (2005: £18.2bn) driven by growth in lending balances in the international businesses and FirstPlus. Risk weighted assets increased 25% to £17.0bn (2005: £13.6bn), primarily reflecting the increase in total assets and lower securitised balances.

International Retail and Commercial Banking-excluding Absa total assets increased 12% to £38.2bn (2005: £34.0bn) mainly reflecting increases in mortgage and other lending. Risk weighted assets remained flat at £20.1bn (2005: £20.2bn), with balance sheet growth offset by the sale of FirstCaribbean International Bank.

International Retail and Commercial Banking-Absa total assets increased 3% to £30.4bn (2005: £29.4bn). Risk weighted assets remained flat at £20.7bn (2005: £20.8bn). This reflects very strong growth in Rand terms offset by a 21% decline in the value of the Rand. In Rand terms assets grew 31% to R417bn (2005: R319bn) and risk weighted assets grew 25% to R284bn (2005: R227bn) due to strong growth in mortgage lending along with growth in corporate lending.

Barclays Capital total assets increased 9% to £657.9bn (2005: £601.2bn). This reflected continued expansion of the business with growth in reverse repurchase agreements, debt securities and traded equity securities. Risk weighted assets increased 18% to £137.6bn (2005: £116.7bn) in line with risk, driven by the growth in equity derivatives, credit derivatives and fixed income.

Barclays Global Investors total assets remained flat at £80.5bn (2005: £80.9bn). The majority of total assets relates to asset management products with equal and offsetting balances reflected within liabilities to customers. Risk weighted assets decreased 7% to £1.4bn (2005: £1.5bn). Barclays Wealth total assets increased 12% to £15.0bn (2005: £13.4bn) reflecting strong growth in lending to high net worth, affluent and intermediary clients. Risk weighted assets increased 42% to £6.1bn (2005: £4.3bn) above the rate of balance sheet growth driven by changes in the mix of lending and growth in guarantees.

Head office functions and other operations total assets decreased 24% to £7.1bn (2005: £9.3bn). Risk weighted assets decreased 53% to £1.9bn (2005: £4.0bn).

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Financial review Capital management

Total shareholders equity

2007 2006 2005

£m £m £m

Barclays PLC Group

Called up share capital 1,651 1,634 1,623 Share premium account 56 5,818 5,650 Available for sale reserve 154 132 225 Cash flow hedging reserve 26 (230) 70 Capital redemption reserve 384 309 309 Other capital reserve 617 617 617 Currency translation reserve (307) (438) 156 Other reserves 874 390 1,377 Retained earnings 20,970 12,169 8,957 Less: Treasury shares (260) (212) (181) Shareholders equity excluding minority interests 23,291 19,799 17,426 Minority interests 9,185 7,591 7,004

Total shareholders equity 32,476 27,390 24,430

2007/06

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

Called up share capital comprises 6,600 million (2006: 6,535 million) ordinary shares of 25p each and 1 million (2006: 1 million) staff shares of £1 each. Called up share capital increased by £17m representing the nominal value of shares issued to Temasek Holdings, China Development Bank (CDB) and employees under share option plans largely offset by a reduction in nominal value arising from share buy-backs. Share premium reduced by £5,762m; the reclassification of £7,223m to retained earnings resulting from the High Court approved cancellation of share premium was partly offset by additional premium arising on the issuance to CDB and on employee options. The capital redemption reserve increased by £75m representing the nominal value of the share buy-backs.

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

Movements in other reserves, except the capital redemption reserve, reflect the relevant amounts recorded in the consolidated statement of recognised income and expense on page 178.

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

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

2006/05

Total shareholders equity increased £2,960m to £27,390m (2005: £24,430m).

Called up share capital and share premium increased by £11m and £168m respectively representing the issue of shares to employees under share option plans.

Retained earnings increased by £3,212m primarily reflecting profit attributable to equity holders of the parent of £4,571m partly offset by dividends paid of £1,771m.

Movements in other reserves reflect the relevant amounts recorded in the consolidated statement of recognised income and expense.

Minority interests increased £587m primarily reflecting the issuance of preference shares by Barclays Bank PLC and Absa.

Barclays Bank PLC

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

2007 2006 2005

£m £m £m

Barclays Bank PLC Group

Called up share capital 2,382 2,363 2,348 Share premium account 10,751 9,452 8,882 Available for sale reserve 111 184 257 Cash flow hedging reserve 26 (230) 70 Currency translation reserve (307) (438) 156 Other reserves (170) (484) 483 Other shareholders equity 2,687 2,534 2,490 Retained earnings 14,222 11,556 8,462 Shareholders equity excluding minority interests 29,872 25,421 22,665 Minority interests 1,949 1,685 1,578

Total shareholders equity 31,821 27,106 24,243

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Table of Contents

1 Business review

Capital ratios

Basel II Basel I Basel I Basel I

2007 2007 2006 2005

Barclays Barclays Barclays Barclays Barclays Barclays Barclays PLC PLC Bank PLC PLC Bank PLC PLC Bank PLC

Group Group Group Group Group Group Group

Capital ratios % % % % % % % Tier 1 ratio 7.6 7.8 7.5 7.7 7.5 7.0 6.9 Risk asset ratio 11.2 12.1 11.8 11.7 11.5 11.3 11.2

Risk weighted assets £m £m £m £m £m £m £m

Banking book on-balance sheet n/a 231,496 231,491 197,979 197,979 180,808 180,808 off-balance sheet n/a 32,620 32,620 33,821 33,821 31,351 31,351 Associates and joint ventures n/a 1,354 1,354 2,072 2,072 3,914 3,914 Total banking book 244,474 265,470 265,465 233,872 233,872 216,073 216,073 Trading book Market risks 39,812 36,265 36,265 30,291 30,291 23,216 23,216 Counterparty and settlement risks 41,203 51,741 51,741 33,670 33,670 29,859 29,859 Total trading book 81,015 88,006 88,006 63,961 63,961 53,075 53,075

Operational risk 28,389 n/a n/a n/a n/a n/a n/a

Total risk weighted assets 353,878 353,476 353,471 297,833 297,833 269,148 269,148

Minimum requirements under the FSA s Basel rules are expressed as a ratio of capital resources to risk weighted assets (Risk Asset Ratio). Risk weighted assets are a function of risk weights applied to the Group s assets using calculations developed by the Basel Committee on Banking Supervision.

Basel I

At 31st December 2007, the Tier 1 capital ratio was 7.8% and the risk asset ratio was 12.1%. From 31st December 2006, total net capital resources rose £7.9bn and risk weighted assets increased £55.6bn.

Tier 1 capital rose £4.4bn, including £2.3bn arising from profits attributable to equity holders of the parent net of dividends paid. Minority interests within Tier 1 capital increased £2.7bn primarily due to the issuance of reserve capital instruments and preference shares. The deduction for goodwill and intangible assets increased by £1.1bn. Tier 2 capital increased £3.1bn mainly as a result of an increase of £3.0bn of dated loan capital.

Basel II

Under Basel II, effective from 1st January 2008, the Group has been granted approval by the FSA to adopt the advanced approaches to credit and operational risk management. Pillar 1 risk weighted assets will be generated using the Group s risk models. Pillar 1 minimum capital requirements under Basel II are Pillar 1 risk weighted assets multiplied by 8%, the internationally agreed minimum ratio.

Under Pillar 2 of Basel II, the Group is subject to an overall regulatory capital requirement (expressed in £ terms) based on individual capital guidance (ICG) received from the FSA. The ICG imposes additional capital requirements in excess of Pillar 1 minimum capital requirements. Barclays received its ICG from the FSA in December 2007.

Risk weighted assets calculated on a Basel II basis are broadly in line with risk weighted assets calculated on a Basel I basis. A reduction in credit and counterparty risk weighted assets of £31.5bn more than offset the identification of capital equivalent risk weighted assets of £28.4bn attributable to operational risk. The reduced risk weighted assets attributable to credit risk were mainly driven by recognition of the low risk profile of first charge residential mortgages in UK Retail Banking and Absa and the use of internal models to assess exposures to counterparty risk in the trading book. These were partially offset by higher counterparty risk weightings in emerging markets and greater recognition of undrawn commitments.

Compared to Basel I, deductions from Tier 1 and Tier 2 capital under Basel II include additional amounts relating to expected loss and securitisations. For advanced portfolios, any excess of expected loss over impairment allowances is deducted half from Tier 1 and half from Tier 2 capital. Deductions relating to securitisation transactions, which are made from total capital under Basel I, are deducted half from Tier 1 and half from Tier 2 capital under Basel II.

For portfolios treated under the standardised approach, the inclusion of collectively assessed impairment allowances in Tier 2 capital remains the same under Basel II. Collectively assessed impairment allowances against exposures treated under Basel II advanced approaches are not eligible for direct inclusion in Tier 2 capital.

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Financial review

Capital resources and deposits

Total net capital resources

Basel II Basel I Basel I Basel I

2007 2007 2006 2005

£m £m £m £m

Barclays Barclays Barclays Barclays Barclays Barclays Barclays PLC PLC Bank PLC PLC Bank PLC PLC Bank PLC

Capital resources (as defined for regulatory purposes) Group Group Group Group Group Group Group

Tier 1

Called up share capital 1,651 1,651 2,382 1,634 2,363 1,623 2,348 Eligible reserves 22,939 22,526 25,615 19,608 21,700 16,837 18,646 Minority interests 10,551 10,551 5,857 7,899 4,528 6,634 3,700 Tier One Notes 899 899 899 909 909 981 981 Less: Intangible assets (8,191) (8,191) (8,191) (7,045) (7,045) (7,180) (7,180) Less: Deductions from Tier 1 capital (1,106) (28) (28)

Total qualifying tier 1 capital 26,743 27,408 26,534 23,005 22,455 18,895 18,495 Tier 2 Revaluation reserves 26 26 26 25 25 25 25 Available for sale equity 295 295 295 221 221 223 223 Collectively assessed impairment allowances 440 2,619 2,619 2,556 2,556 2,306 2,306 Minority interests 442 442 442 451 451 515 515 Qualifying subordinated liabilities Undated loan capital 3,191 3,191 3,191 3,180 3,180 3,212 3,212 Dated loan capital 10,578 10,578 10,578 7,603 7,603 7,069 7,069 Less: Deductions from Tier 2 capital (1,106) (28) (28)

Total qualifying tier 2 capital 13,866 17,123 17,123 14,036 14,036 13,350 13,350 Less: Regulatory deductions Investments not consolidated for supervisory purposes (633) (633) (633) (982) (982) (782) (782) Other deductions (193) (1,256) (1,256) (1,348) (1,348) (961) (961) Total deductions (826) (1,889) (1,889) (2,330) (2,330) (1,743) (1,743)

Total net capital resources 39,783 42,642 41,768 34,711 34,161 30,502 30,102

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1 Business review

Financial review

Deposits and short-term borrowings

Deposits

Deposits include deposits from banks and customers accounts.

Average: year ended 31st December 2007 2006 2005

£m £m £m

Deposits from banks

Customers in the United Kingdom 15,321 12,832 9,703 Customers outside the United Kingdom: Other European Union 33,162 30,116 29,092 United States 6,656 7,352 8,670 Africa 4,452 4,140 3,236 Rest of the World 36,626 35,013 39,060

Total deposits from banks 96,217 89,453 89,761 Customer accounts

Customers in the United Kingdom 187,249 173,767 155,252 Customers outside the United Kingdom: Other European Union 23,696 22,448 20,773 United States 21,908 17,661 15,167 Africa 29,855 23,560 17,169 Rest of the World 23,032 19,992 16,911

Customer accounts 285,740 257,428 225,272

Deposits from banks in offices in the United Kingdom from non-residents amounted to £45,162m (2006: £41,762m).

Year ended 31st December 2007 2006 2005

£m £m £m

Customer accounts 294,987 256,754 238,684 In offices in the United Kingdom:

Current and Demand accounts

interest free 33,400 25,650 22,980 Current and Demand accounts interest bearing 32,047 31,769 28,416 Savings accounts 70,682 62,745 57,715 Other time deposits retail 36,123 36,110 35,142 Other time deposits wholesale 65,726 53,733 42,967

Total repayable in offices in the United Kingdom 237,978 210,007 187,220 In offices outside the United Kingdom:

Current and Demand accounts

interest free 2,990 2,169 2,300 Current and Demand accounts interest bearing 11,570 17,626 20,494 Savings accounts 3,917 3,041 3,230 Other time deposits 38,532 23,911 25,440

Total repayable in offices outside the United Kingdom 57,009 46,747 51,464

Customer accounts deposits in offices in the United Kingdom received from non-residents amounted to £49,179m (2006: £40,291m).

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.

2007 2006 2005

£m £m £m

Year-end balance 90,546 79,562 75,127 Average balance 96,217 89,453 89,761 Maximum balance 109,586 97,165 103,397 Average interest rate during year 4.1% 4.2% 2.6% Year-end interest rate 4.0% 4.3% 3.6%

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.

2007 2006 2005

£m £m £m

Year-end balance 23,451 26,546 28,275 Average balance 26,229 29,740 22,309 Maximum balance 30,736 31,859 28,598 Average interest rate during year a 5.4% 4.4% 3.1% Year-end interest rate 5.2% 5.0% 4.5%

Negotiable certificates of deposit

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

2007 2006 2005

£m £m £m

Year-end balance 58,401 52,800 43,109 Average balance 55,394 49,327 45,533 Maximum balance 62,436 60,914 53,456 Average interest rate during year a 5.1% 5.3% 3.9% Year-end interest rate 5.0% 5.1% 4.5%

Note

a Average interest rate during the year for commercial paper and negotiable certificates of deposit have been restated for 2006 and 2005 to reflect methodology enhancements.

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Financial review

Commitments and contractual obligations

Commitments and contractual obligations

Commitments and contractual obligations include loan commitments, contingent liabilities, debt securities and purchase obligations.

Commercial commitments

Amount of commitment expiration per period

Between Between Total Less than one to three to After amounts one year three years five years five years committed

£m £m £m £m £m

Acceptances and endorsements 365 365 Guarantees and letters of credit pledged as collateral security 29,136 2,711 1,971 1,874 35,692 Other contingent liabilities 6,594 1,556 416 1,151 9,717 Documentary credits and other short-term trade related transactions 401 121 522 Forward asset purchases and forward deposits placed 283 283 Standby facilities, credit lines and other 136,457 17,039 28,127 10,211 191,834

Contractual obligations

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

£m £m £m £m £m

Long-term debt 90,201 13,558 8,630 19,358 131,747

Operating lease obligations 197 755 610 2,225 3,787 Purchase obligations 141 186 27 6 360

Total 90,539 14,499 9,267 21,589 135,894

The long-term debt does not include undated loan capital of £6,631m.

Further information on the contractual maturity of the Group s assets and liabilities is given in Note 48.

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1 Business review

Financial review Securities

Securities

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

2007 2006 2005

Amortised Amortised Amortised Book value cost Book value cost Book value cost

£m £m £m £m £m £m

Investment securities available for sale Debt securities:

United Kingdom government 78 81 758 761 31 31 Other government 7,383 7,434 12,587 12,735 14,860 14,827 Other public bodies 634 632 280 277 216 216 Mortgage and asset backed securities 1,367 1,429 1,706 1,706 3,062 3,062 Corporate issuers 19,664 19,649 27,089 27,100 25,590 25,597 Other issuers 9,547 9,599 5,492 5,450 6,265 6,257 Equity securities 1,676 1,418 1,371 1,047 1,250 1,007

Investment securities available for sale 40,349 40,242 49,283 49,076 51,274 50,997 Other securities held for trading Debt securities:

United Kingdom government 3,832 n/a 4,986 n/a 4,786 n/a Other government 51,104 n/a 46,845 n/a 46,426 n/a Mortgage and asset backed securities 37,038 n/a 29,606 n/a 17,644 n/a Bank and building society certificates of deposit 17,751 n/a 14,159 n/a 15,837 n/a Other issuers 43,053 n/a 44,980 n/a 43,674 n/a

Equity securities 36,307 n/a 31,548 n/a 20,299 n/a Other securities held for trading 189,085 n/a 172,124 n/a 148,666 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.

Mortgage and asset backed securities and other issuers within held for trading debt securities have been restated in 2006 and 2005 to reflect changes in classification of assets.

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

In addition to UK government securities shown above, at 31st December 2007, 2006 and 2005, the Group held the following government securities which exceeded 10% of shareholders equity.

Government securities

2007 2006 2005 Book value Book value Book value

£m £m £m

United States 15,156 18,343 16,093 Japan 9,124 15,505 14,560 Germany 5,136 4,741 6,376 France 3,538 4,336 4,822 Italy 5,090 3,419 4,300 Spain 3,674 2,859 2,456 Netherlands 1,270 395 2,791

Maturities and yield of available for sale debt securities

Maturing within Maturing after one but Maturing after five but Maturing after one year: within five years: within ten years: ten years: Total:

Amount Yield Amount Yield Amount Yield Amount Yield Amount Yield

£m % £m % £m % £m % £m %

Government 1,354 5.8 3,997 4.0 788 1.6 1,322 1.1 7,461 3.5 Other public bodies 546 8.6 78 1.3 10 5.2 634 7.7 Other issuers 11,849 5.2 12,542 4.9 4,343 5.6 1,844 7.0 30,578 5.2 Total book value 13,749 5.4 16,617 4.6 5,131 5.0 3,176 4.5 38,673 5.0

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2007 by the fair value of securities held at that date.

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Financial review

Critical accounting estimates

The Group s accounting policies are set out on pages 165 to 173. 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. 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. 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.

Valuation methodology

The method of determining the fair value of financial instruments can be analysed into the following categories:

(a) Unadjusted quoted prices 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.

(b) Valuation techniques using market observable inputs. Such techniques may include:

using recent arm s length market transactions;

reference to the current fair value of similar instruments;

discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

(c) Valuation techniques used above, but which include significant inputs that are not observable. On initial recognition of financial instruments measured using such techniques the transaction price is deemed to provide the best evidence of fair value for accounting purposes.

The valuation techniques in (b) and (c) use inputs such as interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities of underlyings and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and to observed transaction prices where available.

The following tables set out the total financial instruments stated at fair value as at 31st December 2007 and those fair values are calculated with valuation techniques using unobservable inputs.

Unobservable inputs Total

£m £m

Assets stated at fair value

Trading portfolio assets 4,457 193,691 Financial assets designated at fair value: held on own account 16,819 56,629 held in respect of linked liabilities to customers under investment contracts 90,851 Derivative financial instruments 2,707 248,088 Available for sale financial investments 810 43,072

Total 24,793 632,331

Unobservable inputs Total

£m £m

Liabilities stated at fair value

Trading portfolio liabilities 42 65,402 Financial liabilities designated at fair value 6,172 74,489 Liabilities to customers under investment contracts 92,639 Derivative financial instruments 4,382 248,288

Total 10,596 480,818

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market place, the maturity of market modelling and the nature of the transaction (bespoke or generic).

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies, or other analytical techniques.

The effect of changing the assumptions for those financial instruments for which the fair values were measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable inputs to a range of reasonably possible alternative assumptions, would be to provide a range of £1.2bn (2006: £0.1bn) lower to £1.5bn (2006: £0.1bn) higher than the fair values recognised in the financial statements.

The size of this range will vary over time in response to market volatility, market uncertainty and changes to benchmark proxy relationships of similar assets and liabilities. The calculation of this range is performed on a consistent basis each period.

Further information on the fair value of financial instruments is provided in Note 49 to the accounts.

The following summary sets out those instruments which use inputs where it may be necessary to use valuation techniques as described above.

Corporate bonds

Corporate bonds are generally valued using observable quoted prices or recently executed transactions. Where observable price quotations are not available, the fair value is determined based on cash flow models where significant inputs may include yield curves, bond or single name credit default swap spreads.

1 Business review

Mortgage whole loans

The fair value of mortgage whole loans are determined using observable quoted prices or recently executed transactions for comparable assets. Where observable price quotations or benchmark proxies are not available, fair value is determined using cash flow models where significant inputs include yield curves, collateral specific loss assumptions, asset specific prepayment assumptions, yield spreads and expected default rates.

Commercial mortgage backed securities and asset backed securities

Commercial mortgage backed securities and asset backed securities (ABS) (residential mortgages, credit cards, auto loans, student loans and leases) are generally valued using observable information. Wherever possible, the fair value is determined using quoted prices or recently executed transactions. Where observable price quotations are not available, fair value is determined based on cash flow models where the significant inputs may include yield curves, credit spreads, prepayment rates. Securities that are backed by the residual cash flows of an asset portfolio are generally valued using similar cash flow models.

The fair value of home equity loan bonds are determined using models which use scenario analysis with significant inputs including age, rating, internal grade, and index prices.

Collateralised debt obligations

The valuation of collateralised debt obligations (CDOs) notes is first based on an assessment of the probability of an event of default occurring due to a credit deterioration. This is determined by reference to the probability of event of default occurring and the probability of exercise of contractual rights related to event of default. The notes are then valued by determining appropriate valuation multiples to be applied to the contractual cash flows. These are based on inputs including the prospective cash flow performance of the underlying securities, the structural features of the transaction and the net asset value of the underlying portfolio.

Private equity

The fair value of private equity is determined using appropriate valuation methodologies which, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies, price:earnings comparisons and turnover multiples. For each investment the relevant methodology is applied consistently over time.

Own credit on financial liabilities

The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in own credit spreads. As a result, the carrying value of issued notes that have been designated at fair value through profit and loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in the income statement.

Derivatives

Derivative contracts can be exchange traded or over the counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit standing of reference entities, equity prices, fund levels, commodity prices or indices on these assets.

The fair value of OTC derivative contracts are modelled using a series of techniques, including closed form analytical formulae (such as the Black-Scholes option pricing model) and simulation based models. The choice of model is dependant on factors such as; the complexity of the product, inherent risks and hedging strategy: statistical behaviour of the underlying, and ability of the model to price consistently with observed market transactions. For many pricing models there is no material subjectivity because the methodologies employed do not necessitate significant judgement and the pricing inputs are observed from actively quoted markets, as is the case for generic interest rate swaps and option markets. In the case of more established derivative products, the pricing models used are widely accepted and used by the other market participants.

Significant inputs used in these models may include yield curves, credit spreads, recovery rates, dividend rates, volatility of underlying interest rates, equity prices or foreign exchange rates and, in some cases, correlation between these inputs. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data.

New, long dated or complex derivative products may require a greater degree of judgement in the implementation of appropriate valuation techniques, due to the complexity of the valuation assumptions and the reduced observability of inputs. The valuation of more complex products may use more generic derivatives as a component to calculating the overall value.

Derivatives where valuation involves a significant degree of judgement include:

Fund derivatives

Fund derivatives are derivatives whose underlyings include mutual funds, hedge funds, indices and multi asset portfolios. They are valued using underlying fund prices, yield curves and available market information on the level of the hedging risk. Some fund derivatives are valued using unobservable information, generally where the level of the hedging risk is not observable in the market. These are valued taking account of risk of the underlying fund or collection of funds, diversification of the fund by asset, concentration by geographic sector, strategy of the fund, size of the transaction and concentration of specific fund managers.

Commodity derivatives

Commodity derivatives are valued using models where the significant inputs may include interest rate yield curves, commodity price curves, volatility of the underlying commodities and, in some cases, correlation between these inputs, which are generally observable. This approach is applied to base metal, precious metal, energy, power, gas, emissions, soft commodities and freight positions. Due to the significant time span in the various market closes, curves are constructed using differentials to a benchmark curve to ensure that all curves are valued using the dominant market base price.

Structured credit derivatives

Collateralised synthetic obligations (CSOs)are structured credit derivatives which reference the loss profile of a portfolio of loans, debts or synthetic underlyings. The reference asset can be a corporate credit or an asset backed credit. For CSOs that reference corporate credits an analytical model is used. For CSOs on asset backed underlyings, due to the path dependent nature of a CSO on an amortising portfolio a Monte Carlo simulation is used rather than analytic approximation. The expected loss probability for each reference credit in the portfolio is derived from the single name credit default swap spread curve and in addition, for ABS references, a prepayment rate assumption. A simulation is then used to compute survival time which allows us to calculate the marginal loss over each payment period by reference to estimated recovery rates. Significant inputs include prepayment rates, cumulative default rates, and recovery rates.

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.

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Financial review

Critical accounting estimates

Within the retail and small businesses portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for these portfolios is £1,605m (2006: £1,809m) and amounts to 70% (2006: 87%) of the total impairment charge on loans and advances in 2007.

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 £701m (2006: £265m) or 30% (2006: 13%) of the total impairment charge on loans and advances in 2007. Further information on impairment allowances is set out on pages 100 to 101.

Goodwill

Management have to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the impairment review process requires the identification of independent cash generating units, by dividing the Group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. If the fair value of a unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates (e.g. competitive activity, regulatory change). In the absence of readily available market price data this calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management s view of future performance. The most significant amounts of goodwill relate to the Absa and Woolwich acquisitions. The goodwill impairment testing performed in 2007 indicated that none of the goodwill was impaired. Management believes that reasonable changes in key assumptions used to determine the recoverable amounts of Absa and Woolwich goodwill would not result in impairment.

Intangible assets

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold and have a finite useful life are amortised over their estimated useful life. Determining the estimated useful life of these finite life intangible assets requires an analysis of circumstances, and judgement by the Bank s management. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the assets 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 arms-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 Absa acquisition.

Retirement benefit obligations

The Group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs. For defined contribution schemes, the pension cost recognised in the profit and loss account represents the contributions payable to the scheme. For defined benefit schemes, actuarial valuation of each of the scheme s obligations using the projected unit credit method and the fair valuation of each of the scheme s assets are performed annually in accordance with the requirements of IAS 19.

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

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

The Group s IAS 19 pension surplus across all pension and post-retirement schemes as at 31st December 2007 was a surplus of £393m (2006: £817m deficit). This comprises net recognised liabilities of £1,501m (2006: £1,719m) and unrecognised actuarial gains of £1,894m (2006: £902m). The net recognised liabilities comprises retirement benefit liabilities of £1,537m (2006: £1,807m) relating to schemes that are in deficit, and assets of £36m (2006: £88m) relating to schemes that are in surplus. The Group s IAS 19 pension surplus in respect of the main UK scheme as at 31st December 2007 was £668m (2006: £495m deficit). The estimated actuarial funding position of the main UK pension scheme as at 31st December 2007, estimated from the triennial valuation in 2004, was a surplus of £1,200m (2006: £1,300m). Cash contributions to the main UK scheme were £355m (2006: £351m).

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

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Financial review

Off-balance sheet arrangements

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

Guarantees

The Group issues guarantees on behalf of its customers. In the majority of cases, the Group will hold collateral against the exposure, have a right of recourse to the customer or both. In addition, the Group issues guarantees on its own behalf. The main types of guarantees provided are: financial guarantees given to banks and financial institutions on behalf of customers to secure loans: overdrafts; and other banking facilities, including stock borrowing indemnities and standby letters of credit. Other guarantees provided include performance guarantees, advance payment guarantees, tender guarantees, guarantees to Her Majesty s Revenue and Customs and retention guarantees. The nominal principal amount of contingent liabilities with off-balance sheet risk is set out in Note 34 and in the table on page 60.

Loan commitments

The Group enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Group subject to notice conditions. Information on loan commitments and similar facilities is set out in Note 34 and in the table on page 60.

Special purpose entities

Transactions entered into by the Group may involve the use of SPEs. SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities.

Transactions with SPEs take a number of forms, including:

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

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

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

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

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

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

Collateralised Debt Obligations

The Group has structured and underwritten CDOs. At inception, the Group s exposure principally takes the form of a liquidity facility provided to support future funding difficulties or cash shortfalls in the vehicles. If required by the vehicle, the facility is drawn with the amount advanced included within loans and advances in the balance sheet. Upon an event of default or other triggering event, the Group may acquire control of a CDO and, therefore, be required to fully consolidate the vehicle for accounting purposes. The potential for transactions to hit default triggers before the end of 2008 has been assessed and included in the determination of impairment charges and other credit provisions (£782m in relation to ABS CDO Super Senior and other credit market exposures for the year ended 31st December 2007).

The Group s exposure to ABS CDO Super Senior positions before hedging was £6,018m as at 31st December 2007. This includes £1,149m of undrawn facilities provided to mezzanine transactions (exposure stated net of writedowns and charges). Undrawn facilities provided to unconsolidated CDOs are included as part of commitments in Note 34 to the accounts.

The remaining £4,869m is the Group s exposure to High Grade CDOs, stated net of writedowns and charges. £3,782m of drawn balances are included within loans and advances on the balance sheet, with the remaining £1,087m representing consolidated High Grade CDOs accounted for on a fair value basis.

Collateral

The collateral underlying unconsolidated CDOs comprised 77% residential mortgage backed securities, 6% non-residential asset backed securities and 17% in other categories, including 10% ABS CDO exposure (a proportion of which will be backed by residential mortgage collateral). The remaining Weighted Average Life (WAL) of all collateral is 3.9 years. The combined Net Asset Value (NAV) for all of the CDOs was £2.8bn below the nominal amount, equivalent to an aggregate 40.2% decline in value on average for all investors.

Funding

The CDOs were funded with senior unrated notes and rated notes up to AAA. The capital structure senior to the AAA notes on cash CDOs was supported by a liquidity facility provided by the Group. On mezzanine CDOs, this portion of the capital structure is unfunded, but a liquidity facility is provided to support the level of synthetic instruments within each transaction. The senior portion covered by liquidity facilities is on average 79% of the capital structure.

The initial WAL of the notes in issue averaged 7.1 years. The full contractual maturity is 37.8 years.

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Financial review

Off-balance sheet arrangements

Interests in Third Party CDOs

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

Structured Investment Vehicles (SIVs)

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

£317m of senior liquidity facilities, of which £19m was drawn and included in loans and advances as at 31st December 2007. The Group is one of between two and eight independent liquidity providers on each transaction.

Derivative exposures included on the balance sheet at their net fair value of £264m.

Bonds issued by the SIVs included within trading portfolio assets at their fair value of £21m.

£2.6bn repo funding facilities. £1.3bn has been utilised and included within loans and advances to customers in the balance sheet.

Other than the repo facilities, which when drawn are more than 100% collateralised by assets held by the Group with the collateral being valued daily, the items above are included in the credit market positions discussed on page 67.

SIV-Lites

The Group structured and helped to underwrite three SIV-Lite transactions. The Group is not involved in their ongoing management.

The Group provided £0.55bn in liquidity facilities as partial support to the £2.6bn of CP programmes on these transactions. These facilities have now been fully drawn or are terminated, such that no further drawings are possible. One of the three vehicles has been restructured into a cash CDO. As part of this restructuring, the Group acquired the £800m senior note in the CDO which is held at fair value within trading portfolio assets. The credit risk on this note has been transferred to a third party investment bank. For the remaining facilities, the amount drawn totalled £152m and is included on the balance sheet within loans and advances to customers and included in the credit market positions discussed on page 67.

Commercial Paper and Medium-term Note Conduits

The Group provided £19bn in undrawn backstop liquidity facilities to its own sponsored CP conduits. The Group fully consolidates these entities such that the underlying assets are reflected on the Group balance sheet. The Group provided backstop facilities to support the paper issued by six third party conduits. These facilities totalled £1bn, with underlying collateral comprising auto loans (81%), bank-guaranteed residential mortgages (11%), bank-guaranteed commercial and project finance loans (5%) and UK consumer finance receivables (3%). Drawings on these facilities were £46m as at 31st December 2007 and are included within loans and advances to customers.

The Group provided backstop facilities to six third-party SPEs that fund themselves with medium term notes. These notes are sold to investors as a series of 12 month securities and remarketed to investors annually. If investors decline to renew their holdings at a price below a pre-agreed spread, the backstop facility requires the Group to purchase the outstanding notes at scheduled maturity. The group has provided facilities of £2.9bn, to SPEs holding prime UK and Australian owner-occupied Residential Mortgage Back Securities (RMBS) assets. As at 31st December 2007, the Group had acquired notes of £90m under these backstop facilities (included as available for sale assets in the balance sheet) and further acquisitions are expected through 2008 as other notes are remarketed. The notes generally rank pari passu with the other term AAA+ rated notes from the same issuer. The facilities have been designated at fair value and are reflected in the balance sheet at their current fair value.

The Group s own CP conduits provided facilities of £1.3bn to third party conduits containing prime UK buy-to-let RMBS. As at 31st December 2007, £290m of this facility had been drawn. The undrawn facilities are included within the commitments disclosed in Note 34 to the accounts, while the drawn elements are included within loans and advances to customers.

Asset securitisations

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

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

Client intermediation

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

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

Fund management

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

During 2007, Group operating expenses included charges of £80m (2006: £nil) related to selective support of liquidity products managed by Barclays Global Investors and not consolidated by the Group. The Group has continued to provide further selective support to liquidity products subsequent to 31st December 2007.

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Financial review

Barclays Capital credit market positions

Barclays Capital credit market positions

Barclays Capital credit market exposures resulted in net losses of £1,635m in 2007, due to dislocations in the credit markets. The net losses primarily related to ABS CDO super senior exposures, with additional losses from other credit market exposures partially offset by gains from the general widening of credit spreads on issued notes held at fair value.

Credit market exposures in this note are stated relative to comparatives as at 30th June 2007, being the reporting date immediately prior to the credit market dislocations.

As at

31st December 30th June 2007 2007

£m £m

ABS CDO Super Senior

High Grade 4,869 6,151 Mezzanine 1,149 1,629 Exposure before hedging 6,018 7,780 Hedges (1,347) (348) Net ABS CDO Super Senior 4,671 7,432

Other US sub-prime

Whole loans 3,205 2,900 Other direct and indirect exposures 1,832 3,146

Other US sub-prime 5,037 6,046 Alt-A 4,916 3,760 Monoline insurers 1,335 140 Commercial mortgages 12,399 8,282 SIV-lite liquidity facilities 152 692 Structured investment vehicles 590 925

ABS CDO Super Senior exposure

ABS CDO Super Senior net exposure was £4,671m (30th June 2007: £7,432m). Exposures are stated net of writedowns and charges of £1,412m (30th June 2007: £56m) and hedges of £1,347m (30th June 2007: £348m).

The collateral for the ABS CDO Super Senior exposures primarily comprised Residential Mortgage Backed Securities. 79% of the RMBS sub-prime collateral comprised 2005 or earlier vintage mortgages. On ABS CDO super senior exposures, the combination of subordination, hedging and writedowns provide protection against loss levels to 72% on US sub-prime collateral as at 31st December 2007. None of the above hedges of ABS CDO Super Senior exposures as at 31st December 2007 were held with monoline insurer counterparties.

Other credit market exposures

Barclays Capital held other exposures impacted by the turbulence in credit markets, including: whole loans and other direct and indirect exposures to US sub-prime and Alt-A borrowers; exposures to monoline insurers; and commercial mortgage backed securities. The net losses in 2007 from these exposures were £823m.

Other US sub-prime whole loan and net trading book exposure was £5,037m (30th June 2007: £6,046m). Whole loans included £2,843m (30th June 2007: £1,886m) acquired since the acquisition of EquiFirst in March 2007, all of which were subject to Barclays underwriting criteria. As at 31st December 2007 the average loan to value of these EquiFirst loans was 80% with less than 3% at above 95% loan to value. 99% of the EquiFirst inventory was first lien.

Net exposure to the Alt-A market was £4,916m (30th June 2007: £3,760m), through a combination of securities held on the balance sheet including those held in consolidated conduits and residuals. Alt-A exposure is generally to borrowers of a higher credit quality than sub-prime borrowers. As at 31st December 2007, 99% of the Alt-A whole loan exposure was performing, and the average loan to value ratio was 81%. 96% of the Alt-A securities held were rated AAA or AA.

Barclays Capital held assets with insurance protection or other credit enhancement from monoline insurers. The value of exposure to monoline insurers under these contracts was £1,335m (30th June 2007: £140m). There were no claims due under these contracts as none of the underlying assets were in default.

Exposures in our commercial mortgage backed securities business comprised commercial real estate loans of £11,103m (30th June 2007: £7,653m) and commercial mortgage backed securities of £1,296m (30th June 2007: £629m). The loan exposures were 54% US and 43% European. The US exposures had an average loan to value of 65% and the European exposures had an average loan to value of 71%. 87% of the commercial mortgage backed securities held as at 31st December 2007 were AAA or AA rated.

Loans and advances to customers included £152m (30th June 2007: £692m) of drawn liquidity facilities in respect of SIV-lites. Total exposure to other structured investment vehicles, including derivatives, undrawn commercial paper backstop facilities and bonds held in trading portfolio assets was £590m (30th June 2007: £925m).

Leveraged Finance

At 31st December 2007, drawn leveraged finance positions were £7,368m (30th June 2007: £7,317m). The positions were stated net of fees of £130m and impairment of £58m driven by widening of corporate credit spreads.

Own Credit

At 31st December 2007, Barclays Capital had issued notes held at fair value of £57,162m (30th June 2007: £44,622m). The general widening of credit spreads affected the carrying value of these notes and as a result revaluation gains of £658m were recognised in trading income.

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Financial review Average balance sheet

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

2007 2006 2005

Average Average Average Average Average Average balancea Interest rate balancea Interest rate balancea Interest rate

£m £m % £m £m % £m £m %

Assets

Loans and advances to banks b:

in offices in the United Kingdom 29,431 1,074 3.6 18,401 647 3.5 14,798 454 3.1 in offices outside the United Kingdom 12,262 779 6.4 12,278 488 4.0 11,063 403 3.6 Loans and advances to customers b: in offices in the United Kingdom 205,707 13,027 6.3 184,392 11,247 6.1 172,398 10,229 5.9 in offices outside the United Kingdom 88,212 6,733 7.6 77,615 4,931 6.4 50,699 2,975 5.9 Lease receivables: in offices in the United Kingdom 4,822 283 5.9 5,266 300 5.7 6,521 348 5.3 in offices outside the United Kingdom 5,861 691 11.8 6,162 595 9.7 1,706 117 6.9 Financial investments: in offices in the United Kingdom 37,803 2,039 5.4 41,125 1,936 4.7 43,133 1,755 4.1 in offices outside the United Kingdom 14,750 452 3.1 14,191 830 5.8 10,349 467 4.5 Reverse repurchase agreements and cash collateral on securities borrowed: in offices in the United Kingdom 211,709 9,644 4.6 166,713 6,136 3.7 156,292 4,617 3.0 in offices outside the United Kingdom 109,012 5,454 5.0 100,416 5,040 5.0 92,407 2,724 2.9 Trading portfolio assets: in offices in the United Kingdom 120,691 5,926 4.9 106,148 4,166 3.9 81,607 2,710 3.3 in offices outside the United Kingdom 57,535 3,489 6.1 61,370 2,608 4.2 57,452 2,116 3.7 Total average interest earning assets 897,795 49,591 5.5 794,077 38,924 4.9 698,425 28,915 4.1 Impairment allowances/provisions (4,435) (3,565) (3,105) Non-interest earning assets 422,834 310,949 278,328 Total average assets and interest income 1,316,194 49,591 3.8 1,101,461 38,924 3.5 973,648 28,915 3.0 Percentage of total average interest earning assets in offices outside the United Kingdom 32.0% 34.3% 32.0% Total average interest earning assets related to: Interest income 49,591 5.5 38,924 4.9 28,915 4.1 Interest expense (37,892) 4.2 (30,385) 3.8 (20,965) 3.0 11,699 1.3 8,539 1.1 7,950 1.0

Notes

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

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

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1 Business review

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

2007 2006 2005

Average Average Average Average Average Average balancea Interest rate balancea Interest rate balancea Interest rate

£m £m % £m £m % £m £m %

Liabilities and shareholders equity

Deposits by banks:

in offices in the United Kingdom 63,902 2,511 3.9 62,236 2, 464 4.0 54,801 1,665 3.0 in offices outside the United Kingdom 27,596 1,225 4.4 23,438 1,137 4.9 21,921 705 3.2 Customer accounts: demand deposits: in offices in the United Kingdom 29,110 858 2.9 25,397 680 2.7 22,593 510 2.3 in offices outside the United Kingdom 13,799 404 2.9 10,351 254 2.5 6,196 88 1.4 Customer accounts: savings deposits: in offices in the United Kingdom 55,064 2,048 3.7 57,734 1,691 2.9 52,569 1,570 3.0 in offices outside the United Kingdom 4,848 128 2.6 3,124 74 2.4 1,904 39 2.0 Customer accounts: other time deposits retail: in offices in the United Kingdom 30,578 1,601 5.2 34,865 1,548 4.4 33,932 1,470 4.3 in offices outside the United Kingdom 12,425 724 5.8 8,946 482 5.4 6,346 260 4.1 Customer accounts: other time deposits wholesale: in offices in the United Kingdom 52,147 2,482 4.8 45,930 1,794 3.9 41,745 1,191 2.9 in offices outside the United Kingdom 24,298 1,661 6.8 23,442 1,191 5.1 12,545 590 4.7 Debt securities in issue: in offices in the United Kingdom 41,552 2,053 4.9 47,216 1,850 3.9 46,583 1,631 3.5 in offices outside the United Kingdom 94,271 5,055 5.4 74,125 3,686 5.0 52,696 1,695 3.2 Dated and undated loan capital and other subordinated liabilities principally: in offices in the United Kingdom 12,972 763 5.9 13,686 777 5.7 11,286 605 5.4 Repurchase agreements and cash collateral on securities lent: in offices in the United Kingdom 169,272 7,616 4.5 141,862 5,080 3.6 130,767 3,634 2.8 in offices outside the United Kingdom 118,050 5,051 4.3 86,693 4,311 5.0 80,391 2,379 3.0 Trading portfolio liabilities: in offices in the United Kingdom 47,971 2,277 4.7 49,892 2,014 4.0 44,349 1,737 3.9 in offices outside the United Kingdom 29,838 1,435 4.8 39,064 1,352 3.5 36,538 1,196 3.3 Total average interest bearing liabilities 827,693 37,892 4.6 748,001 30,385 4.1 657,162 20,965 3.2 Interest free customer deposits: in offices in the United Kingdom 34,109 27,549 25,095 in offices outside the United Kingdom 3,092 2,228 2,053 Other non-interest bearing liabilities 421,473 297,816 267,531 Minority and other interests and shareholders equity 29,827 25,867 21,807 Total average liabilities, shareholders equity and interest expense 1,316,194 37,892 2.9 1,101,461 30,385 2.8 973,648 20,965 2.2 Percentage of total average interest bearing non-capital liabilities in offices outside the United Kingdom 39.4% 36.1% 33.3%

Note

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

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Financial review Average balance sheet

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.

2007/2006 Change due 2006/2005 Change due 2005/2004 a Change due to increase/(decrease) in: to increase/(decrease) in: to increase/(decrease) in: Total Total Total change Volume Rate change Volume Rate change Volume Rate

£m £m £m £m £m £m £m £m £m

Interest receivable

Treasury bills and other eligible bills:

in offices in the UK n/a n/a n/a n/a n/a n/a (68) (68) n/a in offices outside the UK n/a n/a n/a n/a n/a n/a (63) (63) n/a n/a n/a n/a n/a n/a n/a (131) (131) n/a Loans and advances to banks: in offices in the UK 427 402 25 193 121 72 (237) (115) (122) in offices outside the UK 291 (1) 292 85 46 39 132 45 87 718 401 317 278 167 111 (105) (70) (35) Loans and advances to customers: in offices in the UK 1,780 1,337 443 1,018 726 292 1,419 1,681 (262) in offices outside the UK 1,802 728 1,074 1,956 1,695 261 1,705 787 918 3,582 2,065 1,517 2,974 2,421 553 3,124 2,468 656 Lease receivables: in offices in the UK (17) (26) 9 (48) (70) 22 128 78 50 in offices outside the UK 96 (30) 126 478 413 65 96 91 5

79 (56) 135 430 343 87 224 169 55 Debt securities: in offices in the UK n/a n/a n/a n/a n/a n/a (2,129) (2,129) n/a in offices outside the UK n/a n/a n/a n/a n/a n/a (338) (338) n/a n/a n/a n/a n/a n/a n/a (2,467) (2,467) n/a Financial investments: in offices in the UK 103 (165) 268 181 (85) 266 1,755 1,755 n/a in offices outside the UK (378) 32 (410) 363 202 161 467 467 n/a (275) (133) (142) 544 117 427 2,222 2,222 n/a External trading assets: in offices in the UK and n/a n/a n/a n/a n/a n/a (4,971) (4,971) n/a outside the UK n/a n/a n/a n/a n/a n/a (2,224) (2,224) n/a n/a n/a n/a n/a n/a n/a (7,195) (7,195) n/a Reverse repurchase agreements and cash collateral on securities borrowed: in offices in the UK 3,508 1,865 1,643 1,519 324 1,195 4,617 4,617 n/a in offices outside the UK 414 430 (16) 2,316 254 2,062 2,724 2,724 n/a 3,922 2,295 1,627 3,835 578 3,257 7,341 7,341 n/a Trading portfolio assets: in offices in the UK 1,760 621 1,139 1,456 907 549 2,710 2,710 n/a in offices outside the UK 881 (172) 1,053 492 151 341 2,116 2,116 n/a 2,641 449 2,192 1,948 1,058 890 4,826 4,826 n/a Total interest receivable: in offices in the UK 7,561 4,034 3,527 4,319 1,923 2,396 3,224 3,558 (334) in offices outside the UK 3,106 987 2,119 5,690 2,761 2,929 4,615 3,605 1,010 10,667 5,021 5,646 10,009 4,684 5,325 7,839 7,163 676

Note

a 2004 figures do not reflect the applications of IAS 32 and IAS 39 and IFRS 4 which became effective from 1st January 2005.

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1 Business review

Changes in net interest income volume and rate analysis

2007/2006 Change due 2006/2005 Change due 2005/2004 a Change due to increase/(decrease) in: to increase/(decrease) in: to increase/(decrease) in: Total Total Total change Volume Rate change Volume Rate change Volume Rate

£m £m £m £m £m £m £m £m £m

Interest payable

Deposits by banks:

in offices in the UK 47 66 (19) 799 247 552 440 231 209 in offices outside the UK 88 190 (102) 432 52 380 395 121 274 135 256 (121) 1,231 299 932 835 352 483 Customer accounts demand deposits: in offices in the UK 178 105 73 170 68 102 200 28 172 in offices outside the UK 150 95 55 166 80 86 57 36 21 328 200 128 336 148 188 257 64 193 Customer accounts savings deposits: in offices in the UK 357 (81) 438 121 152 (31) 245 145 100 in offices outside the UK 54 45 9 35 28 7 18 16 2 411 (36) 447 156 180 (24) 263 161 102 Customer accounts other time deposits retail: in offices in the UK 53 (204) 257 78 41 37 164 (23) 187 in offices outside the UK 242 200 42 222 125 97 142 59 83 295 (4) 299 300 166 134 306 36 270 Customer accounts other time deposits wholesale: in offices in the UK 688 263 425 603 129 474 (653) (479) (174) in offices outside the UK 470 45 425 601 550 51 248 (16) 264 1,158 308 850 1,204 679 525 (405) (495) 90 Debt securities in issue: in offices in the UK 203 (240) 443 219 22 197 398 507 (109) in offices outside the UK 1,369 1,063 306 1,991 850 1,141 1,359 323 1,036 1,572 823 749 2,210 872 1,338 1,757 830 927 Dated and undated loan capital and other subordinated liabilities principally in offices in the UK (14) (41) 27 172 135 37 (87) (78) (9) External trading liabilities: in offices in the UK n/a n/a n/a n/a n/a n/a (5,611) (5,611) n/a outside the UK n/a n/a n/a n/a n/a n/a (1,805) (1,805) n/a n/a n/a n/a n/a n/a (7,416) (7,416) n/a Repurchase agreements and cash collateral on securities lent: in offices in the UK 2,536 1,090 1,446 1,446 329 1,117 3,634 3,634 n/a in offices outside the UK 740 1,402 (662) 1,932 200 1,732 2,379 2,379 n/a 3,276 2,492 784 3,378 529 2,849 6,013 6,013 n/a Trading portfolio liabilities: in offices in the UK 263 (80) 343 277 222 55 1,737 1,737 n/a in offices outside the UK 83 (366) 449 156 85 71 1,196 1,196 n/a 346 (446) 792 433 307 126 2,933 2,933 n/a Internal funding of trading businesses n/a n/a n/a n/a n/a n/a 2,045 2,045 n/a Total interest payable: in offices in the UK 4,311 878 3,433 3,885 1,345 2,540 2,512 2,136 376 in offices outside the UK 3,196 2,674 522 5,535 1,970 3,565 3,989 2,309 1,680 7,507 3,552 3,955 9,420 3,315 6,105 6,501 4,445 2,056

Movement in net interest income

Increase/(decrease) in interest receivable 10,667 5,021 5,646 10,009 4,684 5,325 7,839 7,163 676 (Increase)/decrease in interest payable (7,507) (3,552) (3,955) (9,420) (3,315) (6,105) (6,501) (4,445) (2,056) 3,160 1,469 1,691 589 1,369 (780) 1,338 2,718 (1,380)

Note

a 2004 figures do not reflect the applications of IAS 32 and IAS 39 and IFRS 4 which became effective from 1st January 2005.

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Corporate sustainability

Corporate sustainability

For Barclays, there are two separate but mutually dependent aspects to sustainability. One is our duty as a bank to provide sound and enduring returns for our shareholders, and the best possible services for our customers. The other is our responsibility to conduct our global business ethically, and with full regard to wider social and environmental considerations. Our ambition is to develop both of these complementary strands as we move forward.

Barclays as a sustainable bank

Banks are central to every society; they provide the funding that facilitates business and entrepreneurship, support a sound financial system, and help to create jobs and wealth. As one of the world s leading banks, with nearly 135,000 employees and operations in over 50 countries across the world, Barclays plays a significant role, whether it is working with governments on major infrastructure projects or bringing mainstream banking to customers in emerging markets.

In all of this, the customer is absolutely central. If we are to make sustainable banking successful, and successful banking sustainable, we must put our customers at the heart of everything we do, and build our services around them. We must earn and keep their trust by ensuring that the products we sell are understandable and appropriate.

This may seem like a statement of the obvious, but the banking sector in general has not always had a reputation for doing this. We want to change that. This aspiration covers every aspect of our business and every stage in a customer s relationship with us, from the purchase of a Barclays product for the first time, to the way we assess applications for loans, to the more general aspects of customer service such as complaints-handling, confidentiality, and security.

Focusing more on the customer is also an integral part of what we call inclusive banking . This is partly about appealing to the broadest possible range of people as part of our strategic move into mass-market services in our emerging markets businesses, and partly about understanding the exact nature of our local customer base, and adapting our business model and product range accordingly.

A good example is our approach to basic banking accounts. In the UK we now have over 660,000 customers who have our basic Cash Card Account, and we have been working closely with consumer groups and third parties such as housing associations to ensure that these accounts are easily accessible and the product features and communications are tailored to meet their needs. In Africa the potential for growth in this area is enormous: over 100 million of the continent s people have yet to be brought into mainstream banking, and could in time buy a whole range of other financial services. Absa has been a pioneer of basic banking in South Africa, and has attracted over 4 million customers to these accounts. The same thinking is now being applied in other African markets and India, with new basic banking products being developed. We are also distributing these products through new and innovative formats such as express branches and direct sales agents, alongside our traditional branches.

This is another lesson we have learnt from our South African operations. In Ghana our microbanking programme is now working with over 500 Susu collectors and reaching over 280,000 market traders across the country. The programme is being extended to other intermediaries such as credit unions, trade associations, microfinance institutions and church groups.

Responsible lending

We have reported on this issue in our recent Corporate Responsibility reviews, setting out our approach to what remains a high-profile and intractable issue, especially in the UK. In the last year we have continued to enforce strict criteria on new credit card applications, using a scoring system that takes over 400 variables into account when assessing an applicant s likely ability to manage their credit. Around 50% of applications for credit cards are declined as a result. We have also extended our data-sharing collaboration with the UK credit reference agencies: pooling information about cash advances and minimum payments is proving to be an effective way of flagging up those customers who are in danger of incurring serious debt problems. We have a new unit that can step in at this stage and offer support and guidance to get their finances back on track.

We are also testing a new product, Barclaycard Freedom, which combines a credit card and the features of a structured loan, making it easier for people to manage their borrowing and keep their interest payments down.

Customer service

We have a strategic priority to be the best bank in the UK. In the last twelve months we have started to roll all our various customer initiatives into what we are calling Real Retail . We are sharing best practice more actively, and both managers and employees are getting new powers to make decisions, and tailor their product range, based on local customer needs.

Real Retail also includes a new programme to telephone customers to ask about the quality of our service and products they have purchased. Over 20,000 calls have been made so far, and the feedback is being channelled back to our product development teams.

Risk management

The incorporation of environmental and social risks into mainstream commercial credit assessments is an area where Barclays has demonstrated genuine leadership.

We have been a member of the Equator Principles since their inception, and currently chair the Steering Committee for the group of Equator banks. We continue to assess our environmental and social impact beyond the project finance remit of these principles (see table on page 73) and are working to include climate change and human rights risks. We now have ten briefing notes for all lending covering a wide range of social and environmental risks. These notes set out an overview of the risks facing different sectors, and the ways they can be mitigated, as well as the legislative and regulatory environment applicable to that industry. A good example of this process in practice in 2007 is Absa s involvement with the Bujagali Hydropower project in Uganda. A rigorous social and environmental assessment was carried out, and the results were incorporated into the final plans.

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1 Business review

Barclays as a responsible global citizen

Twenty years ago the idea of corporate citizenship described a company s community activities, which rarely extended beyond philanthropic donations. Public understanding of the responsibilities of business has evolved considerably since then. For us, being a responsible global citizen does not just cover our award-winning community investment programme, but also includes how we behave as an employer, and how we manage Barclays wider social and environmental impacts.

Climate change has become the single biggest challenge the world faces at the beginning of the 21st century, and in response we are focusing increasingly on our work on the environment, which includes both our direct and indirect impacts.

The environment

As a major financial services organisation we want to take a lead in helping our clients thrive in a lower-carbon future, and use our position to press for appropriate policies and regulatory frameworks to deal with climate change. We will be 100% carbon neutral globally by next year. We remain committed to increasing our energy efficiency, and reducing our carbon footprint on an ongoing basis, as well as helping our supply chain reduce its emissions.

We also believe we can make a positive impact though the products and services we offer, and the lending decisions we make. In 2007, we invested further in our emissions trading capability, and moved into the consumer market with new lower-carbon products and services.

An example is Barclaycard Breathe, a new card that gives consumers incentives when they buy green products, and donates half its profits to environmental projects. In the wholesale market we have Barclays Capital s commitment to the EU emissions trading market, where it brings its full range of commodity trading and risk management expertise to bear to help clients manage their carbon risk. Since 2005 we have traded over 600 million tonnes of carbon credits, with a notional value of over $14 billion.

Our supply chain

Since 2006 we have required all new and high-risk suppliers to provide us detailed information about their social, environmental and ethical performance. In the last year Absa adapted it for the special conditions of the South African market.

Measuring the emissions generated from a company s supply chain is also becoming increasingly important, and we are engaging more with our own suppliers on this. This included a special forum for nine key suppliers, which has been followed up with one-to-one discussions to ascertain the proportion of each firm s emissions that are attributable to us. We have identified a number of ways to help suppliers address their emissions, and now have a working group in place to take these ideas forward in 2008.

Human rights

We have represented the banking sector on the Business Leaders Initiative on Human Rights since its launch in 2003 and, since October 2006, have co-chaired the United Nations Environment Programme Finance Initiative (UNEPFI) human rights work stream. During 2007 we worked as part of a team of 12 financial institutions to develop an online tool for UNEPFI that provides guidance on human rights issues associated with corporate lending. It is designed to help identify potential risks and how they may be reduced or managed. The guidance covers specific issues relevant to different sectors, ranging from employment terms and conditions, to health and safety, to child labour, to relocation of communities, among many others.

Project Finance Deals whole Barclays Group

A B C

Higher Medium Lower Total Total Category Risk Risk Risk 2007 2006

Number of project finance deals 7 18 29 54 36 Deals completed or pending 4 12 29 45 30 of which, number where sustainability related changes were made. 4 12 29 45 30 Deals considered, but not participated in 3 6 0 9 6 Projects referred from EU 5 9 24 38 25 Projects referred from Africa 2 1 4 7 5 Projects referred from Asia Pacific 0 4 1 5 3 Projects referred from North America 0 4 0 4 3

Non project Project finance deals Project finance finance a referred to E and deals by sector deals S Risk Team

Agriculture and Fisheries 0 4 Forestry and Logging 0 16 Manufacturing 3 30 Chemicals, pharmaceuticals manufacturing and bulk storage 1 6 Mining and Metals 6 91 Power generation b 16 118 Oil and gas 4 41 Utilities and Waste Management 5 7 Infrastructure (including dams, pipelines) 9 26 Service Industry 10 7

Totals 54 346

Note

a Project finance as defined by Basel II www.bis.org/publ/bcbs118.pdf.

b Of which non-fossil fuel deals contributed 9 and 89 to project finance deals and non-project finance deals referred to E and S Team respectively.

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Corporate sustainability

Barclays an international picture

2007 2006

FTE by world region

UK 61,900 62,400 Africa & Middle East 51,748 44,326 Continental Europe 9,750 8,100 Americas 6,413 4,905 Asia Pacific 5,089 2,869 Total 134,900 122,600

Global employment statistics

FTE 134,900 122,600 Total employee headcount 141,885 133,529 Percentage of female employees 56.3% 60.6% Percentage of female senior executives 13.7% 12.2% Percentage of female senior managers 20.6% 20.8% Percentage working part time 12.4% 13.6% Turnover rate 18.3% 16.9% Resignation rate 12.3% 10.9% Sickness absence rate 3.0% 3.6%

Barclays UK employees

2007 a 2006 b

UK employment statistics

Total employee headcount 61,900 62,400 Average length of service (years) 9.7 9.8 Percentage working part time 16.8% 21.8% Sickness absence rate 3.0% 4.0% Turnover rate 16.6% 19.0% Resignation rate 11.1% 12.0%

Women in Barclays

Percentage of all employees 58.0% 61.0% Percentage of management grades 28.4% 33.0% Percentage of senior executives 13.0% 12.9%

Ethnic minorities in Barclays

Percentage of all employees 12.3% 12.7% Percentage of management grades 10.0% 8.1% Percentage of senior executives 6.6% 6.1%

Disabled employees in Barclays

Percentage of all employees 3.4% 5.0%

Age profile

Employees aged under 25 16.5% 17.4% Employees aged 25-29 17.0% 15.9% Employees aged 30-49 54.2% 56.0% Employees aged 50+ 10.3% 10.7%

Pensions

Barclays Bank UK Retirement Fund active members 53,473 55,558 Current pensioners 48,607 43,754

Barclays as an employer

One of our guiding principles is to develop the best people, and in such an intensely competitive industry we want to find, develop and retain the best talent. We are committed to diversity as a way of helping to ensure we are able to attract the best people. We have a wide range of development and leadership programmes for employees, and a policy that ensures that they are all treated with respect, regardless of age, race, sexuality, gender or disability.

We use our employee opinion surveys to understand and engage our employees. We continue to score well but we are working to improve our scores further.

As we grow internationally our workforce becomes ever more diverse, reflecting the worldwide markets in which we operate. The percentage of UK ethnic minority employees has increased significantly from 7.2% in 2001, to 12.3% in 2007. As we grow we are determined to build the local talent base in the markets in which we operate, we see this as a crucial success factor for us in emerging markets. In the UK we also continued to invest in the disability mentoring and reasonable adjustments schemes in 2007, and have again been ranked in the top 20 of Stonewall s list of the best employers for lesbian, gay and bisexual people.

These are clear successes; but we have much more work to do on our gender balance, especially at senior level: 20.6% of our senior managers are women. The drive to improve this comes from the very top of the bank.

Barclays in the community

Barclays has always been a proud and committed investor in its communities. In 2007 we invested £52.4 million in communities around the world and 44,000 Barclays employees in 26 countries were involved in our fundraising and volunteering initiatives. Our flagship programme, Banking on Brighter Futures, enabled us to use our skills and expertise, as well as our money, to maximum effect helping people improve their economic prospects, especially those in poverty, disadvantage, and debt. Projects ranged from supporting elderly people in the UK who are in financial difficulty through to helping Ugandan women affected by HIV/AIDS to set up their own businesses. This is not just about good works: the more we help individuals and communities improve their economic circumstances and financial literacy, the better the environment in which we operate.

We are investing $150 million over the next five years in the Banking on Brighter Futures programme. 1,500 projects will be supported around the world, and employees will be encouraged to volunteer 150,000 hours of their time on projects focusing on financial education, entrepreneurship, employment and financial inclusion.

Governance

Corporate responsibility is firmly established as one of the Barclays Principal Risks, which means that it is managed within a robust framework of internal control, governance, and risk management processes.

Responsibility for Barclays Corporate Sustainability Strategy rests with the Group Executive Committee, with oversight by the Board. The Group Chief Executive has primary responsibility for embedding corporate sustainability throughout Barclays, supported by the Group Executive Committee. This includes ensuring there are effective processes for identifying and monitoring all the business risks or commercial opportunities that have a significant social, environmental or ethical dimension.

The Brand and Reputation Committee is a sub-committee of Group Executive Committee, and is chaired by Sir Nigel Rudd, Deputy Chairman and a Non-Executive Director on the Board. This Committee s role is to identify and manage issues that could have a significant impact on Barclays reputation. It met six times during the year and dealt with issues ranging from Barclays presence in Zimbabwe to new areas of commodities business and the fee structure for Barclaycard.

The Community Partnerships Committee, chaired by Gary Hoffman, sets the policy and provides governance for our global community investment programmes, and the Environmental Steering Group gives direction and governance to our environmental and climate change strategies. The Treating Customers Fairly (TCF) Forum, chaired by our Consumer champion, Catharine French, monitors compliance across all retail and wholesale business units, UK and non-UK, to embed TCF principles in our relationships with customers. Taking this wider approach to TCF goes significantly beyond our regulatory requirements.

Notes

a 2007 UK data includes 1,000 BGI employees b 2006 UK data excludes 800 BGI employees

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1 Business review

Risk management

List of Credit, Market and Operational Risk tables and charts included within the 2007 Annual Report and Accounts

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Risk Financial Name Management Risk Notes

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Risk Financial Name Management Risk Notes

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Risk management Risk factors disclosure

Risk factors

The following information sets forth certain risk factors that the Group believes could cause its actual future results to differ materially from expected results. For further information related to such matters, please refer to page 67 (Barclays Capital credit market positions), pages 80-81 (2007 risk developments), pages 96 to 104 (credit risk management and market risk management), pages 107-111 (liquidity risk management and operational risk management), page 217 (Note 35 legal proceedings) and page 218 (Note 36 competition and regulatory matters). However, other factors could also adversely affect the Group results and so the factors discussed in this report should not be considered to be a complete set of all potential risks and uncertainties.

Business conditions and general economy

The profitability of Barclays businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom, globally or in certain individual markets such as the US or South Africa. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

An economic downturn or significantly higher interest rates could adversely affect the credit quality of Barclays on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of Barclays customers would be unable to meet their obligations.

A market downturn or worsening of the economy could cause the Group to incur mark to market losses in its trading portfolios.

A market downturn could reduce the fees Barclays earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management.

A market downturn would be likely to lead to a decline in the volume of customer transactions that Barclays executes and, therefore, a decline in the income it receives from fees and commissions and interest.

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. Credit risk may also arise where the downgrading of an entity s credit rating causes the fair value of the Group s investment in that entity s financial instruments to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

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 asset, 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 a counterparty for example, a bank in a foreign exchange transaction but fail to receive the corresponding settlement in return.

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 main market risk arises from trading activities. The Group is also exposed to interest rate risk in the banking book and market risk in the pension fund.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in Barclays operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

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1 Business review

Capital risk

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

Meet minimum regulatory capital requirements in the UK and in other jurisdictions such as the US 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 strong credit rating. In addition to capital resources, the Group s rating is supported by a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation. A weaker credit rating would increase the Group s cost of funds.

Support its growth and strategic options.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

Insurance risk

Insurance risk is the risk that the Group will have to make higher than anticipated payments to settle claims arising from its long-term and short-term insurance businesses.

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.

Tax risk

The Group is subject to the tax laws in all countries in which it operates. A number of double taxation agreements entered between countries also impact on the taxation of the Group. The Group is also subject to European Union tax law. 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:

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;

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.

Effect of governmental policy and regulation

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 UK, the European Union, the US, South Africa and elsewhere.

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 the regulatory requirements, for example, prudential rules relating to the capital adequacy framework (page 85) and rules designed to promote financial stability and increase depositor protection;

changes and rules in competition and pricing environments;

further developments in the financial reporting environment;

expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and

other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group s products and services.

Regulatory compliance risk

Regulatory compliance 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, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Impact of strategic decisions taken by the Group

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 do not deliver as anticipated, the Group s earnings could grow more slowly or decline.

Competition

The global financial services markets in which the Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group s profitability if the Group fails to retain and attract clients and customers.

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Risk management Introduction

This risk section outlines Barclays approach to risk management, explaining our objectives as well as the high level policies, processes, measurement techniques and controls that are used. This also presents our summary information and disclosure on our portfolios and positions. Consequent to the adoption of IFRS 7, some of our risk disclosure is moved from this section to the financial statements section of this report, as described in our list of tables on page 77.

2007 Developments

Wholesale credit risk

The results of severe disruption in the US sub-prime mortgage market were felt across many wholesale credit markets in the second half of 2007, and were reflected in wider credit spreads, higher volatility, tight liquidity in interbank and commercial paper markets, more constrained debt issuance and lower investor risk appetite. Although impairment and other credit provisions in Barclays Capital rose as a consequence of these difficult sub-prime market conditions, our risks in these portfolios were identified in the first half and management actions were taken to reduce limits and positions. Further reductions and increased hedging through the rest of the year continued to bring net positions down and limited the financial effect of the significant decline in market conditions. Our ABS CDO Super Senior positions were reduced during the year and our remaining exposure reflected netting against writedowns, hedges, and subordination. At the end of the year, market conditions remained difficult with reduced liquidity in cash and securitised products, and reflected stress at some counterparties such as the monoline insurers.

The international markets for Leveraged Finance were also disrupted in 2007. The level of underwritten positions was steady during the second half, with some small turnover in the portfolio. The vast majority of positions held were senior tranches. Liquidity conditions at year end remained constrained.

The Group s wholesale credit risk profile in 2007 benefited from the diversification available from the UK and international portfolios, which grew by 14% and 41% respectively. The corporate credit risk profile remained steady, with corporate credit ratings and watch list balances broadly stable.

At Barclays Commercial Bank there was good growth in loans and advances. The risk profile of the Larger Business portfolio remained stable as early warning list balances, default rates and loan loss rates were steady. There was no increase to exposure levels to leveraged finance during 2007 and limits were reduced.

Wholesale credit portfolio performance was steady in South Africa, particularly for Absa s most significant wholesale portfolios agriculture, property and sovereign lending which were relatively unaffected during 2007 by interest rate rises compared with consumer-facing sectors and retail portfolios. Relatively good performance in these sectors in 2007 was reflected in a reduction in Absa s wholesale impairment charge. After many years of positive economic conditions in South Africa, the wholsesale portfolios will be under more stress in current market conditions.

Loan loss rates across the Western Europe and Emerging Markets wholesale businesses were stable in 2007. The Group continued to invest in risk management infrastructure to support these businesses growth initiatives in Dubai, India, Egypt and Italy.

Going into 2008, the credit environment reflects concern about weakening economic conditions in our major markets. Credit spreads and other indicators signal that the credit cycle has changed after a long period of stability. We expect some deterioration in credit metrics as default probabilities move toward their medium-term averages. This environment has led to a more cautious approach to credit assessment, pricing and ongoing control in the financial industry, which we believe will continue through the year.

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1 Business review

Retail credit risk

A continued improvement in credit quality in the UK unsecured portfolios was a principal feature of the Group s retail credit risk profile during 2007. Barclaycard continued the underwriting revisions begun in 2006 in UK credit cards, and successfully reduced impairment in the main Barclays branded cards portfolio. Flows into delinquency and arrears balances fell, as did general charge-offs, which were helped by a fall in charge-offs due to bankruptcy. New customer quality increased again in 2007, reflected in a sustained improvement in average approval scores and a fall in early cycle delinquency rates.

The UK unsecured loans portfolio, which is now managed within UK Retail Banking, saw reduced early and late cycle delinquency resulting from revised underwriting criteria. Improved collections processes helped to reduce impairment in Local Business, while in UK Home Finance, delinquency and possession rates remained at the lows recorded since 2004, and impairment charges were negligible. Barclays delinquency and possession rates remain below industry averages, reflecting the high credit quality of the portfolio.

Lending criteria in Absa s retail portfolios were tightened in response to a more difficult credit environment, signalled by a rise in arrears rates. The change in conditions was primarily driven by a prolonged series of interest rate rises and the implementation of new consumer lending legislation in June 2007.

We increased our investment in credit risk infrastructure in India and Italy to support the launch or expansion of retail banking operations in those countries during 2007. Barclays has also established a credit risk modelling centre in Madrid to support our strategic growth objectives in the Western Europe business.

The US card business continued to grow, and the underwriting and account management criteria were adjusted as the US retail environment weakened during the year.

Looking ahead this year, we expect the retail credit environment to be more challenging in Absa and to some degree in the US portfolio. The UK portfolios performance, which has improved in the past two years, will be subject to the evolving economic climate anticipated in 2008.

Risk tendency

Risk tendency at 2007 year-end reflected an increase in portfolio size as well as some weakening in credit grades, evidenced by wider spreads in wholesale credit and potentially more difficult conditions in some of the international retail portfolios in 2008.

Country risk

The portfolio is reasonably well diversified, assisted by increases in business levels in a range of European, African and Asian countries.

Market risk

Dislocation in the credit markets had an impact on all major interest rate, equity and foreign exchange markets, which also experienced higher volatility, particularly in the second half. Barclays Capital s market risk exposure, as measured by average total Daily Value at Risk (DVaR), increased 13% to an average of £42m in 2007. Over the same period, average daily market risk revenue increased 19% to £26m, satisfying our objective that trading revenues should grow at or above the rate of increase in risk levels. The average DVaR on interest rate and credit spread exposures was broadly unchanged, with increasing volatility in credit spreads offset by reduced positions held in the credit markets. This reduction in exposure resulted in a lower level of credit stress loss, which is another important market risk control for Barclays Capital. Average commodity DVaR and equity DVaR increased as those businesses grew. Diversification across risk types remaining significant, reflecting the broad product mix. Higher market volatilities in the fourth quarter led to an increase in DVaR at year end, and will contribute to higher average DVaRs in 2008.

Liquidity risk

Bank funding markets and general liquidity in credit markets came under pressure in 2007. In the second half, some money market participants faced difficulties in obtaining funding beyond one week, and term LIBOR premiums rose despite the helpful provision of liquidity by central banks. The cost of longer-term bank funding and capital also increased, and funding channels such as securitisation and covered bond issuance became significantly constrained. Despite these developments, the Group s liquidity position remained strong due to its deep retail funding base, its diversity of institutional funding sources across tenors, counterparties and geographies and its limited reliance on securitisation as a funding source.

Operational risk

In 2007, Barclays embedded the advanced measurement approach (AMA) to operational risk across the Group, having received AMA approval from the FSA and the SARB. Barclays now allocates operational risk economic capital by business, providing operational insight and greater tangible incentives to the Group s businesses to further improve the management of their operational risk profiles. As a percentage of revenues, operational risk events fell in 2007.

Financial crime

The Group introduced two-factor authentication for online transactions through its PINsentry device and continued to offer all UK personal customers anti-phishing software to combat internet fraud. Combined with improvements in transaction profiling, these changes enabled us to reduce net reported fraud losses. The threat from financial crime constantly evolves, however, and Barclays will continue to build the capacity to respond rapidly to emerging issues as well as to invest in strategic improvements in transaction channel security.

Basel II and capital management

New capital adequacy rules came into force in the UK from 1st January 2008, following the implementation of the Basel II banking accord. Barclays regulatory capital requirement will now more closely reflect the risk profile as measured by its own risk measurement systems (an approach termed the Advanced Internal Ratings Based approach or AIRB).

Permission from the FSA to apply the AIRB approach to capital calculations was the culmination of a lengthy and detailed programme of work across all business areas and covering all risk types. As part of the application process, Barclays assessed over 200 models to ensure that they were consistent with regulators standards and that they met the use test, which assesses a model s fitness as an input to capital calculations by the extent to which management make use of its output in business decisions.

Our focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with our ambition to remain at the leading edge of risk management. With the most significant portfolios already consistent with the AIRB approach, the focus of our Basel II work will now be to progress the roll-out of the advanced approach for the remaining minority of our portfolios. In line with the schedule agreed with regulators, we will complete this process by 2011.

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Risk management

Barclays approach to risk management

Barclays approach to risk management

Barclays approach to risk management involves a number of fundamental elements that drive our processes across the Group:

The Group s Risk appetite sets out the level of risk that the Bank is willing to take in pursuit of its business objectives. This is expressed as the Group s appetite for earnings volatility across all businesses from credit, market, and operational risk. It is calibrated against our broad financial targets, including income and impairment targets, dividend coverage and capital levels. It is prepared each year as part of the Group s Medium Term Planning process, and combines a top-down view of the Bank s risk capacity with a bottom-up view of the risk profile requested and recommended by each business. This entails making business plan adjustments as necessary to ensure that our Medium Term Plan creates a risk profile that meets our Risk Appetite (page 86).

The Principal risk policy covers the Group s main risk types, assigning responsibility for the management of specific risks, and setting out the requirements for control frameworks for all of the risk types. The individual control frameworks are reinforced by a robust system of review and challenge, and a governance process of aggregation and broad review by businesses and risk across the Group (page 83).

Barclays Risk methodologies include systems that enable the Group to measure, aggregate and report risk for internal and regulatory purposes. As an example, our credit grading models produce Internal Ratings through internally derived estimates of default probabilities. These measurements are used by management in an extensive range of decisions, from credit grading, pricing and approval to portfolio management, economic capital allocation and capital adequacy processes (page 85).

Risk management is a fundamental part of Barclays business activity and an essential component of its planning process. To keep risk management at the centre of the executive agenda, it is embedded in the everyday management of the business.

Barclays ensures that it has the functional capacity to manage the risk in new and existing businesses. At a strategic level, our risk management objectives are:

To identify the Group s material risks and ensure that business profile and plans are consistent with risk appetite.

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 coordination of risk taking across the business.

In pursuit of these objectives, Group Risk breaks down risk management into five discrete processes: direct, assess, control, report, and manage/challenge (see panel below).

Process Strategy

Direct Understand the principal risks to achieving Group strategy.

Establish Risk Appetite.

Establish and communicate the risk management framework including responsibilities, authorities and key controls.

Assess Establish the process for identifying and analysing business-level risks.

Agree and implement measurement and reporting standards and methodologies.

Control Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements.

Monitor the operation of the controls and adherence to risk direction and limits.

Provide early warning of control or appetite breaches.

Ensure that risk management practices and conditions are appropriate for the business environment.

Report Interpret and report on risk exposures, concentrations and risk-taking outcomes.

Interpret and report on sensitivities and Key Risk Indicators.

Communicate with external parties.

Manage Review and challenge all aspects of the and Group s risk profile.

Challenge

Assess new risk-return opportunities.

Advise on optimising the Group s risk profile.

Review and challenge risk management practices.

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1 Business review

Organisation and structure

Responsibility for risk management resides at all levels within the Group, from the Executive 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.

Every business manager is accountable for managing risk in his or her business area; they must understand and control the key risks inherent in the business undertaken. Each business area also employs risk specialists to provide an independent control function and to support the development of a strong risk management environment. This functional approach to risk management is built on formal control processes that rely on individual responsibility and independent oversight, as well as challenge through peer reviews.

The Board approves Risk Appetite and the Board Risk Committee monitors the Group s risk profile against this agreed appetite.

Business Heads are responsible for the identification and management of risk in their businesses.

The Risk Director, under delegated authority from the Group Chief Executive and Group Finance Director, has responsibility for ensuring effective risk management and control.

Risk-Type Heads exist at Group-level for the main risk types, and report to the Risk Director. Along with their teams, they are responsible for establishing a risk control framework and risk oversight.

Each business has an embedded risk management team reporting to a Business Risk Director or Chief Credit Officer who reports to the Risk Director. The risk management teams assist Group Risk in the formulation of Group Risk policy and its implementation across the businesses.

Business risk teams, each under the management of a Business Risk Director, are responsible for assisting Business Heads in the identification and management of their business risk profiles and for implementing appropriate controls. The functional coverage of risk responsibilities is illustrated in the diagram below.

Internal Audit is responsible for the independent review of risk management and the control environment.

To support expanded risk taking, Barclays has continued to strengthen the independent and specialised risk teams in each of its businesses, supported by matching teams at Group level, acting in both a consultancy and oversight capacity. As a prerequisite to business growth plans, it has made the recruitment, development and retention of risk professionals a priority.

Group Board

Group Chief Executive Internal Audit Divisional Chief Executive Officers Group Finance Director Business Heads Risk Director

Business Risk Directors or Chief Credit Officers

Risk-Type Heads

Corporate/ All Retail Wholesale Market Operational other Directors Credit risk Credit risk risk risk risks

UK Banking [ ]] [ ]] [ ]] [ ]] [ ]] Risk Barclays Capital [ ]] [ ]] [ ]] [ ]] [ ]] Business Barclaycard [ ]] [ ]] [ ]] [ ]] [ ]] International Retail and Commercial Bank [ ]] [ ]] [ ]] [ ]] [ ]] Barclays Wealth [ ]] [ ]] [ ]] [ ]] [ ]] Barclays Global Investors x [ ]] [ ]] [ ]] [ ]]

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Risk management

Barclays approach to risk management

The Committees shown below receive regular and comprehensive reports. The Board Risk Committee receives a quarterly report covering all of our principal risks. The Board Audit Committee receives quarterly reports on control issues of significance and half-yearly impairment allowances and regulatory reports. Both Committees also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both Committees are reported to the full Board, which also receives a concise quarterly risk report. Internal Audit supports both Committees by attendance and/or the provision of quarterly reports resulting from

its work on governance, risk and control issues of significance. 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.

Governance structure at Group level

Board oversight

Board

Approves overall Group risk appetite.

Board Audit Committee Board Risk Committee

Considers the adequacy and effectiveness Review the Group risk profile. of the Group Control Framework. AUTHORITY

Approves the Group Control Framework.

CONTROLS

Reviews reports on control issues of

APPETITE Approves minimum control requirements Group-level significance. for principal risks.

Risk adjusted

Group Chief Executive performance ASSURANCE REPORTING AND CONTROL

Group Executive Committee

Monitors and manages risk adjusted performance of businesses.

Governance and Control Committee Risk Oversight Committee Treasury Committee

Reviews the adequacy and effectiveness Ensures current risk profile is consistent Sets policy/controls for liquidity, of the Group Control Framework. with Group risk appetite. maturity transformation and structural interest rate exposure. Monitors compliance with the Debates and agrees actions on the risk Framework including remediation profile and risk strategy across the Group. Monitors the Group s liquidity and of significant control issues. interest rate maturity mismatch.

Considers issues escalated by Risk Type

Reviews reports on control issues of Heads and Business Risk Directors. Monitors usage of regulatory and Group-level significance. economic capital.

Oversees the management of the Group s capital plan.

Assurance

Internal Audit

Assesses the adequacy and effectiveness of the Group Control Framework.

Assesses management assurance processes.

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1 Business review

Material risks and control framework

As well as overall responsibility for the Group's risk exposure versus appetite, the Board is also responsible for the Group Internal Control and Assurance Framework (GICAF). As part of the GICAF, it approves the Principal Risks Policy, which sets out responsibilities for the management of the Group s most significant risk exposures. The Board oversees the operating effectiveness of the Principal Risks Policy through the regular review of reports on the Group s material risk exposures and controls.

The Group s risk categorisation comprises 17 risk categories (Level 1), thirteen of which are known as Principal Risks. Each Principal Risk is owned by a senior individual at the Group level, who liaises with Principal Risk owners within Business and Central Support Units. The 17 risk categories are shown in the panel below.

Each Group Principal Risk Owner (GPRO) is responsible for setting minimum control requirements for their risk and for overseeing the risk and control performance across the Group. Group control requirements (e.g. Group Policies/Processes/Committee oversight) for each of these risks are defined, in consultation with Business Units, and communicated and maintained by the GPRO.

Implementation of the control requirements for each Principal Risk provides each Business or Central Support Unit with the foundation of its system of internal control for that particular risk. This will usually be built upon in more detail, according to the circumstances of each Business Unit, to provide a complete and appropriate system of internal control.

The specific controls for individual Principal Risks are supplemented by generic risk management requirements. These requirements are articulated as the Group s Operational Risk Management Framework (see page 109) and include policies on:

Internal Risk Event Identification and Reporting

Detailed Risk and Control Assessment

Key Indicators

Key Risk Scenarios

Business Unit and Central Support Unit Heads are responsible for maintaining ongoing assurance that the controls they have put in place to manage the risks to their business objectives are operating effectively. They are required to undertake a formal six-monthly review of assurance information. These reviews support the regulatory requirement for the Group to make a statement about its system of internal control (the Turnbull statement), in the annual report and accounts.

Capital adequacy

In order to maximise shareholder value through optimising both the level and mix of capital resources, Barclays operates a centralised capital management model, considering both regulatory and economic capital. Decisions on the allocation of capital resources, conducted as part of the strategic planning review, are based on a number of factors including returns on economic and regulatory capital.

The Group s capital management objectives are to:

Support the Group s AA credit rating.

Maintain sufficient capital resources to support the Group s risk appetite and economic capital requirements.

Maintain sufficient capital resources to meet the FSA s minimum regulatory capital requirements and the US Federal Reserve Bank s requirements that a financial holding company be well capitalised.

Ensure locally regulated subsidiaries can meet their minimum capital requirements.

Treasury Committee manages compliance with the Group s capital management objectives. The Committee reviews actual and forecast capital demand and resources on a monthly basis.

The processes in place for delivering the Group s capital management objectives include:

Establishment of internal targets for capital demand and ratios

Ensuring local entity regulatory capital adequacy

Annual Risk Appetite setting

Review of the Group strategic medium-term plan

Economic capital management

Stress testing

Managing capital ratio sensitivity to foreign exchange rate movements

Internal targets

To support its capital management objectives, the Group sets internal targets for its key capital ratios. The internal targets exceed minimum capital requirements to take into account:

Possible volatility in the anticipated demand for capital caused by accessing new business opportunities, including mergers and acquisitions, by unanticipated drawdown of committed facilities or by deterioration in the credit quality of the Group s assets

Possible volatility of reported profits and other capital resources compared with forecast

Capital ratio sensitivity to foreign exchange rate movements

A need for flexibility in debt capital issuance and securitisation plans

Principal Risks Other Level 1 Risks

Retail Credit Strategic Wholesale Credit Change

Market Corporate Responsibility Capital Brand Management Liquidity Financial Crime Operations Technology People Regulatory Financial Reporting Legal Taxation

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Risk management

Barclays approach to risk management

Local entity regulatory capital adequacy

The Group manages its capital resources to ensure that those Group entities that are subject to local capital adequacy regulation in individual jurisdictions meet their minimum capital requirements. Local management manages compliance with subsidiary entity minimum regulatory capital requirements with reporting to local Asset and Liability Committees and to Treasury Committee, as required.

Injections of capital resources into Group subsidiary entities are controlled under authorities delegated from the Group Executive Committee. The Group s policy is for profits generated in subsidiary entities to be repatriated to Barclays Bank PLC in the form of dividends.

Annual risk appetite setting

Risk Appetite is the level of risk Barclays chooses to take in pursuit of its strategic objectives, recognising a range of possible outcomes as business plans are implemented. Barclays framework, approved by the Board Risk Committee, combines a top-down view of its capacity to take risk with a bottom-up view of the business risk profile requested and recommended by each business area.

To determine this acceptable level of risk, management estimates the potential earnings volatility from different businesses under various scenarios.

This annual setting of Risk Appetite considers the bank s ability to support business growth, desired dividend payout levels and capital ratio targets. 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 risk on a diversified basis. Performance against Risk Appetite is measured and reported to the Executive and Board regularly throughout the year.

Barclays believes that this framework enables it to:

Improve risk and return characteristics across the business

Help meet growth targets within an overall risk appetite and protect the Group s performance

Improve management confidence and debate regarding our risk profile

Improve executive management control and co-ordination of risk-taking across businesses

Enable unused risk capacity to be identified and thus profitable opportunities to be highlighted.

The Risk Appetite framework considers credit, market and operational risk and is applied using two perspectives: financial volatility and mandate and scale .

Financial Volatility is the level of potential deviation from expected financial performance that Barclays is prepared to sustain at relevant points on the risk profile. It is established with reference to the strategic objectives and to the business plans of the Group, including the achievement of annual financial targets, payment of dividends, funding of capital growth and maintenance of acceptable capital ratios and our credit rating.

The portfolio is analysed in this way at four representative levels:

Expected performance (including the average credit losses based on measurements over many years)

A level of loss that corresponds to moderate increases in market, credit or operational risk from expected levels

A more severe level of loss which is much less likely

An extreme but highly improbable level of loss which is used to determine the Group s economic capital

These potentially larger but increasingly less likely levels of loss are illustrated in the Risk Appetite concepts chart below.

The Mandate and Scale framework is a formal review and control of our business activities to ensure that they are within our mandate (i.e. aligned to the expectations of external stakeholders) and are of an appropriate scale (relative to the risk and reward of the underlying activities). Appropriate assurance is achieved by using limits and triggers to avoid concentrations and operational risks which could lead to unexpected losses of a scale that would result in a disproportionate fall in Barclays market capitalisation.

Taken as a whole, the Risk Appetite framework provides a basis for the allocation of risk capacity to each business. Since the level of loss at any given probability is dependent on the portfolio of exposures in each business, the statistical measurement for each key risk category gives the Group clearer sight and better control of risk-taking throughout the enterprise.

Review of the Group s strategic medium-term plan

Capital adequacy forms a critical part of the Group s annual strategic medium-term planning process. During the planning process, the Group sets limits for business capital demand to ensure the capital management objectives including meeting internal targets will continue to be met over the medium-term period. Treasury Committee reviews the limits on a monthly basis.

Risk Appetite concepts (diagram not to scale)

Mean Loss

Expected Economic capital Loss Moderate of loss Stress Severe Stress Probability

Extreme Stress

Potential size of loss in one year

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1 Business review

Achieving the planned performance in each business is dependent upon the ability of the business to direct, assess, control, report, and manage and challenge the risks in the business accurately. Group Risk supports the planning process by providing robust review and challenge of the business plans to ensure that:

The figures relating to risk are internally consistent and accurate

The plans are achievable given the risk management capabilities of the businesses

The plans efficiently utilise, but do not exceed, the Group s risk appetite.

This review and challenge is achieved through Risk Executive Dialogues involving among others, the Group Risk Director and the business risk directors.

Economic capital management

Economic capital is an internal measure of the minimum equity and preference capital required for the Group to maintain its credit rating based upon its risk profile.

Barclays assesses economic capital requirements by measuring the Group risk profile using both internally and externally developed models. The Group assigns economic capital primarily within the following risks: Credit Risk, Market Risk, Business Risk, Operational Risk, Insurance Risk, Fixed Assets and Private Equity. Group Risk owns the methodology and policy for economic capital while the businesses are primarily responsible for the calculation.

The Group regularly enhances its economic capital methodology and benchmarks outputs to external reference points. The framework reflects default probabilities during average credit conditions, rather than those prevailing at the balance sheet date, thus removing cyclicality from the economic capital calculation. Economic capital for wholesale credit risk includes counterparty credit risk arising as a result of credit risk on traded market exposures. The framework also adjusts economic capital to reflect time horizon, correlation of risks and risk concentrations.

Economic capital is allocated on a consistent basis across all of Barclays businesses and risk activities. A single cost of equity is applied to calculate the cost of risk. Economic capital allocations reflect varying levels of risk.

The total average economic capital required by the Group, as determined by risk assessment models and after considering the Group s estimated portfolio effects, is compared with the average supply of capital resources to evaluate economic capital utilisation.

The Group s economic capital calculations form the basis of its Internal Capital Adequacy Assessment Process (ICAAP) submission to the FSA under Pillar 2 of Basel II.

Stress testing

As part of the annual stress testing process, Barclays estimates the impact of a severe economic downturn on the projected demand and supply of capital. This process enables the Group to assess whether it could meet its minimum regulatory capital requirements throughout a severe recession.

The Risk Appetite numbers are validated by estimating the Group sensitivity to adverse changes in the business environment and to include operational events that impact the Group as a whole using stress testing and scenario analysis. For instance, changes in certain macroeconomic variables represent environmental stresses which may reveal systemic credit and market risk sensitivities in our retail and wholesale portfolios. The recession scenarios considered incorporate changes in macroeconomic variables, including:

Weaker GDP, employment or property prices

Higher interest rates

Lower equity prices

Interest rate curve shifts

Such Group-wide stress tests allow senior management to gain a better understanding of how portfolios are likely to react to changing economic and geopolitical conditions and how the Group can best prepare for and react to them. The stress test simulates the balance sheet and profit and loss effects of stresses across the Group, investigating the impact on profits and the ability to maintain appropriate capital ratios. Insights gained are fully integrated into the senior management process and the Risk Appetite framework. This process of analysis and senior management oversight also provides the basis for fulfilling the stress testing requirements of Basel II.

Group-wide stress testing is only one of a number of stress test analyses that are performed as part of the wider risk management process. Specific stress test analysis is used across all risk types to gain a better understanding of the risk profile and the potential effects of changes in external factors. These stress tests are performed at a range of different levels, from analysis covering specific stresses on individual sub-portfolios (e.g. high value mortgages in the South East of England), to portfolio level stresses (e.g. the overall commodities portfolio).

Managing capital ratio sensitivity to foreign exchange rate movements

The Group s regulatory capital ratios are sensitive to foreign exchange movements in reserves, goodwill, minority interests and other non Sterling debt capital as well as non Sterling risk weighted assets. For material currencies, the Group seeks to hold capital in currencies to match the risk weighted assets transacted in those currencies, in the same proportion as the Group capital ratio targets, also taking into account the impact of hedging net investments.

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Risk management

Barclays approach to risk management

Capital resources

In 2007, UK Retail Banking economic capital allocation increased £100m to £3,400m (2006: £3,300m), reflecting lending growth in UK mortgages offset by a reduction in consumer lending following methodology enhancements. Barclays Commercial Bank economic capital allocation increased £500m to £3,200m (2006: £2,700m) as a consequence of lending growth and implementation of updated Credit and Operational Risk models.

Barclaycard economic capital allocation increased £150m to £2,100m (2006: £1,950m), as a consequence of asset growth, predominantly in secured lending and in Barclaycard international, offset by a reduction in UK Cards following the sale of Monument card portfolio.

International Retail and Commercial Banking excluding Absa economic capital allocation increased £400m to £1,600m (2006: £1,200m). This was driven by lending growth across Western Europe and Emerging Markets and some credit deterioration in Africa. International Retail and Commercial Banking Absa economic capital allocation (excluding the risk borne by the minority interest) increased £200m to £950m (2006: £750m), reflecting lending growth in the business bank portfolio.

Barclays Capital economic capital increased £1,450m to £5,200m (2006: £3,750m). This was driven by growth in the investment portfolio, exposure to drawn leveraged finance underwriting positions and deterioration in credit quality in the US.

The average supply of capital to support the economic capital framework a

2007 2006

£m £m

Shareholders equity excluding minority interests less goodwill b 14,150 11,400 Retirement benefits liability 1,150 1,300 Cash flow hedging reserve 250 100 Available for sale reserve (150) (50) Preference shares 3,700 3,200

Available funds for economic capital excluding goodwill 19,100 15,950 Average historic goodwill and intangible assets b 8,400 7,750

Available funds for economic capital c 27,500 23,700

Average economic capital allocation by business £m

5,200 3,300 3,400 3,750 2,700 3,200

1,950 2,100 1,600 1,700 1,200 1,450 750 950 150 200 400 500 300 250

06 07 06 07 06 07 06 07 06 07 06 07 06 07 06 07 06 07 06 07

UK Retail Barclays Barclaycard International International Barclays Barclays Barclays Head office Group Banking Commercial Retail and Retail and Capital Global Wealth functions Centre e Bank Commercial Commercial Investors and other Banking Banking operations d Absa ex Absa

Average economic capital allocation by risk type £m

5,850 5,650 5,200 4,800

1,450 1,800 1,250 1,450 850 650 800 1,100 450 600

06 07 06 07 06 07 06 07 06 07 06 07 06 07

Wholesale Retail Operational Market Business Fixed asset Other credit risk credit risk risk risk risk risk risks f

Notes

a Averages for the period will not correspond to period-end balances disclosed in the balance sheet. Numbers are rounded to the nearest £50m for presentational purposes only.

b Average goodwill relates to purchased goodwill and intangible assets from business acquisitions.

c Available funds for economic capital as at 31st December 2007 stood at £29,700m (2006: £25,150m).

d Includes Transition Businesses and capital for central functional risks.

e The Group s practice is to maintain an appropriate level of excess capital held at the Group s centre, which is not allocated to business units. This variance arises as a result of capital management timing and includes capital held to cover pension contribution risk.

f Includes excess capital held of the Group centre; investments in associates; private equity risk; and insurance risk.

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1 Business review

Model governance

Barclays has a large number of models in place across the Group, covering all risk types. To minimise the risk of loss through model failure, a Group Policy for the Control of Model Risk has been developed.

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

To help ensure that sufficient management time is spent on the more material models, each model is provided with a materiality rating. Group Model Risk Policy defines the materiality ranges for all model types. The materiality ranges are based on an assessment of the impact to the Group in the event of a model error. The materiality affects the approval and reporting level for each model, with the most material models being approved by Group Executive Committee (ExCo).

The standards of model build, implementation, monitoring and maintenance do not change with the materiality level.

Documentation must be sufficiently detailed to allow an expert to recreate the model from the original data sources. 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 used in the model, and details of where the model works well and areas that are known model weaknesses.

All models are subject to a validation and independent review process before the model 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 process will also ensure that all aspects of the model development process have been performed in a suitable manner.

The sign-off process ensures that the model is technically fit for purpose as well as ensuring that the model satisfies the business requirements and all the relevant regulatory requirements. The rules for model sign-off are based on materiality, with all of a business unit s models at least initially being approved in business-led committees, and Group involvement increasing as the models become more material. The most material models receive their ultimate sign-off for implementation from Group ExCo.

All models within the Group are subject to an annual review, to ensure that the models are performing as expected, and that assumptions used in model development are still appropriate. In additional to annual review, many models are subject to more frequent performance monitoring. Model performance monitoring ensures that deficiencies in models are identified early, and that remedial action can be taken before the deficiency becomes serious and affects the decision-making process.

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

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Risk management Credit 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. Credit risk may also arise where the downgrading of an entity s credit rating causes the fair value of the Group s investment in that entity s financial instruments to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

The granting of credit is one of the Group s major sources of income and as its most significant risk, the Group dedicates considerable resources to controlling it. The importance of credit risk is illustrated by noting that two-thirds of risk-based economic capital is allocated to credit risk. Credit exposures arise principally in loans and advances.

In managing credit risk, the Group applies the five-step risk management process and internal control framework described previously (page 82). Specific credit risk management objectives are:

To gain a clear and accurate understanding and assessment of credit risk across the business, from the level of individual facilities up to the total portfolio.

To control and plan the taking of credit risk, ensuring it is coherently priced across the business and avoiding undesirable concentrations.

To support strategic growth and decision-making based on sound credit risk management principles and a pro-active approach to identifying and measuring new risks.

To ensure a robust framework for the creation, use and ongoing monitoring of the Group s credit risk measurement models.

To ensure that our balance sheet correctly reflects the value of our assets in accordance with accounting principles.

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 Risk Director.

These credit risk management teams assist Group Risk in the formulation of Group Risk policy and its implementation across the businesses.

Examples 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

policies to limit lending to certain industrial sectors

underwriting criteria for personal loans and maximum loan-to-value ratios for home loans

Within Group Risk, the Credit Risk function provides Group-wide direction of credit risk-taking. This functional team manages the resolution of all significant credit policy issues and runs the Credit Committee, which approves major credit decisions.

The principal Committees that review credit risk management, formulate overall Group credit policy and resolve all significant credit policy issues are the Group Wholesale Credit Risk Management Committee, the Group Retail Credit Risk Management Committee, the Risk Oversight Committee and the Board Risk Committee (see page 84 for more details of this Committee). The Board Audit Committee also reviews the impairment allowance as part of financial reporting.

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1 Business review

Measurement, reporting 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.

The key building blocks in this quantitative assessment are:

Probability of default (PD)

Exposure in the event of default (EAD)

Severity of loss given default (LGD)

Barclays first began to use internal estimates of PD (internal ratings) in all its main businesses in the 1990s. Internally derived estimates for PD, EAD and LGD have been used since then in all our major risk decision making processes, enabling the application of coherent risk measurement across all credit exposures, retail and wholesale.

With the advent of the Basel II accord on banking, Barclays has been given permission to use internal rating models as an input in its regulatory capital calculations. In preparation, Barclays has spent considerable time developing and upgrading a number of such models across the Group, moving towards compliance with the Basel II advanced internal ratings based approach. As part of this process, all Basel credit risk models are assessed against the Basel II minimum requirements prior to model sign-off to ensure that they are fit to be used for regulatory purposes.

Applications of internal ratings

The three components described above the probability of default, exposure at default and loss given default are building blocks used in a variety of applications that measure credit risk across the entire portfolio.

Two examples are Risk Tendency (RT) and Expected Loss (EL) which are statistical estimates of the average loss for the loan portfolio for a 12-month period, taking into account the portfolio s size and risk characteristics under either current credit conditions (RT) or average credit conditions (EL). As such, RT uses a point-in-time PD while EL uses a through-the-cycle PD but the basic calculation is the same for both:

PD x EAD x LGD

Since through-the-cycle PDs provide a measure of risk that is independent of the current credit conditions for a particular customer type, they are more stable than point-in-time ratings. RT and EL provide insight into the credit quality of the portfolio and assist management in tracking risk changes as the Group s stock of credit exposures evolves in size or risk profile in the course of business.

As our understanding and experience have developed, we have extended the use and sophistication of internal ratings. The other main business processes that use internal estimates of PD, LGD and EAD, are as follows:

Credit Grading originally introduced in the early 1990s to provide a common measure of risk across the Group using an eight point rating scale; wholesale credit grading now employs a 21 point scale (Barclays Masterscale).

Credit Approval a rating scale is used to set differentiated credit sanctioning levels based upon a PD, so that credit risks are reviewed at appropriate levels.

Risk Appetite measures of expected loss and the potential volatility of loss are used in the Group s Risk Appetite framework (see page 86).

Pricing within the corporate mass market portfolios we first developed and used risk adjusted pricing models in the early 1990s to differentiate risk reward decisions.

IAS Impairment calculations many of our collective impairment estimates incorporate the use of our PD and LGD models.

Economic capital (EC) allocation most EC calculations use the same through-the-cycle PD and EAD inputs as the regulatory capital (RC) process. The process also uses the same underlying LGD model outputs as the RC calculation, but does not incorporate the economic downturn adjustment used in RC calculations.

Risk management information Group and the main business units have for several years received either Key Information Packs or other risk reports focused on EL and EC information to inform senior management on issues such as the business performance, Risk Appetite and consumption of EC.

Calculation of internal ratings

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 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 PDs are required. However, for the purposes of pricing and risk tendency, PDs should represent the best estimate of probability of default, typically in the next 12 months, dependent on the current position in the credit cycle. Hence, point-in-time PDs are also required.

When each PD model is constructed, its output is specified as one of point-in-time (PIT) or through-the-cycle (TTC) or a hybrid, e.g. a 50:50 blend. Using this distinction between PIT and TTC, the PDs are bucketed into both PIT Default Grades (DGs) and TTC bands, adopting techniques that are relevant to the model s initial output calibration, the industry and location of the counterparty and an understanding of the current and long-term credit conditions. Two grades are therefore recorded for each client, the DG and the TTC band. A customer may therefore be rated DG 6 reflecting sectoral performance and TTC band 8 reflecting long-term credit conditions.

This same PIT/TTC distinction is applied to agency ratings. Within Barclays, an agency alphabet rating is also expressed in terms of PIT DG and TTC band. It is therefore no longer possible to produce a static mapping of agency letter ratings to either DGs or TTC bands because they are considered a hybrid of both PIT and TTC. As such, any mappings would change over time with movements in the credit cycle.

Barclays internal rating system also differentiates between corporate and retail customers.

For corporate portfolios (primarily Barclays Capital, BCB and the commercial areas of IRCB), the rating system is constructed to ensure that each client receives the same rating independent of the part of the business with which they are 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 is approved for estimating counterparty PDs. These include bespoke grading models developed within the Barclays 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.

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Risk management Credit risk management

A key element of the Barclays framework is the Masterscale. This has been developed to record differences in the probability of default risk at meaningful levels throughout the risk range (see table below).

In contrast to corporate businesses, retail areas do not bucket exposures into generic grades or bands for account management purposes (although they may be used for reporting purposes). Instead, accounts are managed based on internal, product specific segmentations of accounts, for instance, deriving from the cut-offs of the associated models. The cut-offs may be in the form of a score, a probability of default, a measure of forecast loss or a more sophisticated risk/reward based measure.

Exposure at default (EAD) represents the expected level of usage of the credit facility when default occurs. At default the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit. When the Group evaluates loans, it takes exposure at default into consideration, using its extensive historical experience. It recognises that customers may make heavier than average usage of their facilities as they approach default. 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.

When a customer defaults, some part of the amount outstanding on their loans is usually recovered. The part that is not recovered, the actual loss, together with the economic costs associated with the recovery process combine to a figure called the loss given default (LGD), which is expressed as a percentage of EAD.

Using historical information, the Group can estimate how much is likely to be lost, on average, for various types of loans. To illustrate, LGD is lower for residential mortgages than for unsecured loans because of the property pledged as collateral.

The level of LGD depends on: the type of collateral (if any); the seniority or subordination of the exposure; the industry in which the customer operates (if a business); 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 businesses can readily be refinanced or the availability of a repayment source for personal customers.

The ratings process

The term internal ratings usually refers to internally calculated estimates of PD. These ratings are combined with EAD and LGD in the range of applications described previously. The ratings process refers to the use of PD, EAD and LGD across the Group. In Barclays, the rating process is defined by each business. For central government and banks, institutions and corporate customers many of the models used in the rating process are shared across businesses as the models are customer specific. For retail exposures, the ratings models are usually unique to the business and product type e.g. mortgages, credit cards, and consumer loans.

A bespoke model has been built for PD and LGD for Sovereign ratings. For Sovereigns where there is no externally available rating we use an internally developed PD scorecard. The scorecard has been developed using historic data on Sovereigns from an external data provider covering a wide range of qualitative and quantitative information. Our LGD model is based on resolved recoveries in the public domain, with a significant element of conservatism added to compensate for the small sample size.

To construct ratings for institutions, corporates, specialised lending and purchased corporate receivables and equity exposures, we use external models, rating agencies and internally constructed models. External models employed include Moody s Credit Edge, rating agency ratings and Moody s RiskCalc. The applicability of each of these approaches to our customers has been validated by us to internal rating standards. The data used in validating these primary indicators are representative of the population of the bank s actual obligors and exposures and its long-term experience.

Internally built PD models are also widely used. We employ a range of methods in the construction of these models. The basic types of PD modelling approaches used are:

Structural models

Expert lender

Statistical

Structural models incorporate in their specification the elements of the industry accepted Merton framework to identify the distance to default for a counterparty. This relies upon the modeller having access to specific time series data or data proxies for the portfolio. Data samples used to build and validate these models are typically constructed by adding together data sets from internal default observations with externally obtained data sets from commercial providers such as rating agencies and industry gathering consortia.

The Barclays Masterscale (Wholesale)

Default Probability DG/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%

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1 Business review

Expert lender models are used for parts of the portfolio where the risk drivers are specific to a particular counterparty, but where there is insufficient data to support the construction of a statistical model. These models utilise the knowledge of credit experts that have in depth experience of the specific customer type being modelled. Where possible, the characteristics identified by the expert lenders for use in these models are linked during the modelling process to the Merton framework. This linkage ensures that the model is intuitive and that there is some economic rationale for the default process that is being captured by the model.

For any of the portfolios where we have a low number of default observations we adopt specific rules to ensure that the calibration of the model meets the Basel II and FSA criteria for conservatism. We have developed our own internal policy which describes specific criteria for the use of parametric (e.g. Pluto Tasche) and non-parametric low default portfolio calibration techniques.

Statistical models such as behavioural and application scorecards are used for our high volume portfolios such as SME. The model builds typically incorporate the use of large amounts of internal data, combined with supplemental data from external data suppliers. Where external data is sourced to validate or enhance internally-held data as part of the risk assessment process or to support model development and BAU operation, a similar approach is adopted towards ensuring data quality to that applied to the management of internal data. This entails adherence to the Group s procurement and supplier management process, including the agreement of specifications and service level agreements.

Typically, modellers do not manipulate external data before using it as input to the model estimation or validation procedure. Changes required in the estimation and validation process are documented in the model build papers.

For all the above asset classes we use the Basel II definition of default, utilising the 90 day past due criteria as the final trigger of default.

Our retail banking operations have long and extensive experience of using credit models in assessing and managing risk in their businesses and as a result models play an integral role in retail approval and customer management (e.g. limit setting, cross-sell etc.) processes.

Models used include application and behavioural scorecards and/or PD/LGD and EAD models. These may be used in isolation, in combination to produce measures of forecast loss or as part of a suite of models that underpin risk/reward based decisions. The score cut-offs will be set at the appropriate level depending on the specific objective, such as ensuring all the accepted accounts meet the minimum required return on EC. It is Barclays philosophy to embed the Basel models as extensively as possible in the portfolio management process. This is an ongoing initiative and we expect greater convergence over time.

In line with Basel II requirements, Barclays will use all available relevant data, including data relating to other Barclays accounts and external agency data. Barclays does not use pooled data.

Most retail models within Barclays are built in-house, although occasionally external consultants will be contracted to build models on behalf of the businesses. Whilst most models are statistically derived, some expert lender models are used, particularly where data limitations preclude a more sophisticated approach. For mortgage originations Barclays use a third party scorecard (Omniscore), supported by a series of policy rules, to arrive at a lending decision.

All new models, including third party models, are measured against the required Group minimum standards as detailed in the Barclays Model Risk Policy.

For retail asset classes, Basel II specifies that the definition of default must include a trigger based on days past due, with the number of days being between 90 and 180. All Barclays advanced internal ratings-based models are compliant with this, with the majority using 180 days as the trigger. In all cases LGD models are specified so that they have a definition of default aligned to that used in the corresponding PD model.

The control mechanisms for the rating system

Each of the business risk teams is responsible for the design, oversight and performance of the individual credit rating models PD, LGD and EAD that comprise the credit rating system for a particular customer within each asset class. Group-wide standards in each of these areas are set by Group Risk and are governed through a series of committees with responsibility for oversight, modelling and credit measurement methodologies.

Through their day-to-day activities, key senior management in Group Credit Risk, the businesses and the business risk teams have a good understanding of the operation and design of the rating systems used. For example:

The respective Business Risk Heads or equivalents are responsible for supplying a robust rating system.

The Group Risk Director, Credit Risk Director and Wholesale and Retail Credit Risk Directors are required to understand the operation and design of the rating system used to assess and manage credit risk in order to carry out their responsibilities effectively. This extends to the Business CEOs, Business Risk Directors and the Commercial/ Managing Directors or equivalent.

In addition, Group Model Risk Policy requires that all models be validated as part of the model build (see page 89). This is an iterative process that is carried out by the model owner. Additionally, a formal independent review is carried out after each model is built to check that it is robust, meets all internal and external standards and is documented appropriately. These reviews must be documented and conducted by personnel who are independent of those involved in the model-building process. The results of the review are required to be signed off by an appropriate authority.

In addition to the independent review, post implementation and annual reviews take place for each model. These reviews are designed to ensure compliance with policy requirements such as:

- integration of models into the business process
- compliance with the model risk policy
- continuation of a robust governance process around model data inputs and use of outputs

Model performance is monitored regularly; frequency of monitoring is monthly for those models that are applicable to higher volume or volatile portfolios, and quarterly for lower volume or less volatile portfolios. Model monitoring can include coverage of the following characteristics: utility, stability, efficiency, accuracy, portfolio and data.

Model owners set performance ranges and define appropriate actions for their models. As part of the regular monitoring, the performance of the models is compared with these operational ranges. If breaches occur the model owner reports these to the approval body appropriate for the materiality of the model. The model approver is responsible for ensuring completion of the defined action, which may ultimately be a complete rebuild of the model.

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Risk management Credit risk management

Risk tendency

In 2007, Risk Tendency increased 4% (£95m) to £2,355m (2006: £2,260m), significantly less than the 23% growth in the Group s loans and advances balances. This relatively small rise in Risk Tendency reflected, in particular, the improving risk profile of the UK unsecured loan book. Other factors influencing Risk Tendency included: methodology changes in Barclaycard, UK Retail Banking and International Retail and Commercial Banking Absa; the sale of the Monument portfolio; and a maturing credit risk profile in the international card portfolios.

UK Retail Banking Risk Tendency decreased £30m to £470m (2006: £500m). This reflected an improvement in the credit risk profile in the UK unsecured consumer lending portfolios, partially offset by the impact of methodology changes and asset growth.

Risk Tendency in Barclays Commercial Bank increased £15m to £305m (2006: £290m). This reflected some growth in loan balances offset by improvements in the credit risk profile.

Barclaycard Risk Tendency decreased £190m to £945m (2006: £1,135m). This reflected improvement in the credit risk profile of UK cards, the sale of part of the Monument portfolio and methodology changes in UK cards, partially offset by asset growth in the international portfolios.

Risk Tendency at International Retail and Commercial Banking excluding Absa increased £145m to £220m (2006: £75m), reflecting an increase to the risk profile and balance sheet growth in Emerging Markets and Western Europe.

In International Retail and Commercial Banking Absa, the increase of £110m in Risk Tendency to £255m (2006: £145m) included a change to the methodology following the introduction of Basel compliant, PD, EAD and LGD models. Excluding this change, Risk Tendency increased £90m, reflecting a weakening of retail credit conditions in South Africa after a series of interest rate rises in 2006 and 2007 and balance sheet growth.

Risk Tendency in Barclays Capital increased £45m to £140m (2006: £95m) primarily due to drawn leveraged loan positions. The drawn liquidity facilities on ABS CDO Super Senior positions are classified as credit risk loans and therefore no Risk Tendency is calculated on them.

Since Risk Tendency and impairment allowances are calculated for different parts of the portfolio, for different purposes and on different bases, Risk Tendency does not predict loan impairment.

Credit risk mitigation

The Group uses a wide variety of techniques to reduce credit risk on its lending. The most basic of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing without distress. In addition, the Group commonly obtains security for the funds advanced, such as in the case of a retail or commercial mortgage, a reverse repurchase agreement, or a commercial loan with a floating charge over book debts and inventories. The Group ensures that the collateral held is sufficiently liquid, legally effective, enforceable and regularly valued. Various forms of collateral are held and commonly include cash in major currencies; fixed income products including government bonds; Letters of Credit; property, including residential and commercial; and other fixed assets. For further discussion concerning credit risk mitigation, see credit risk Note 47.

The Group actively manages its credit exposures and when weaknesses in exposures are detected either in individual exposures or in groups of exposures action is taken to mitigate the risks. These include steps to reduce the amounts outstanding (in discussion with the customers, clients or counterparties if appropriate), the use of credit derivatives and, sometimes, the sale of the loan assets. (Credit derivatives may also be traded for profit; details of these activities may be found on page 105 and Note 14 to the accounts).

The Group also uses various forms of specialised legal agreements to reduce risk, including netting agreements which permit it to offset positive and negative balances with customers in certain circumstances to minimise the exposure at default, financial guarantees, and the use of covenants in commercial lending agreements.

Barclays manages the diversification of its portfolio to avoid unwanted credit risk concentrations. 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 or other conditions.

Credit risk mitigation to address concentrations takes several dimensions. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to highly rated borrowers than to lower rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly, and are reported to the Risk Oversight Committee and the Board Risk Committee.

Risk Tendency by business £m

1,135

945

500 470

290 305 255

220

95 140 145 75

10 10 10 10

06 07 06 07 06 07 06 07 06 07 06 07 06 07 06 07

UK Retail Barclays Barclaycard Barclays Barclays International International Head office Banking Commercial Capital b Wealth Retail & Retail & functions Bank Commercial Commercial and other Banking Banking operations a Absa ex Absa

Notes a Head office functions and other operations comprises discontinued businesses in transition.

b Excludes ABS CDO Super Senior positions as these are classified as credit risk loans and therefore no Risk Tendency is calculated on them.

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1 Business review

The Risk Oversight Committee has delegated and apportioned responsibility for risk management to the Retail and Wholesale Credit Risk Management Committees.

The Retail Credit Risk Management Committee (RCRMC) oversees exposures, which comprise unsecured personal lending (including small businesses), mortgages and credit cards. The RCRMC monitors the risk profile and performance of the retail portfolios by receipt of key risk measures and indicators at an individual portfolio level, ensuring mitigating actions taken to address performance are appropriate and timely. Metrics reviewed will consider portfolio composition at both an overall stock and new flow level.

The Wholesale Credit Risk Management Committee (WCRMC) oversees wholesale exposures, comprising lending to businesses, banks and other financial institutions. The WCRMC monitors exposure by country, industry sector, individual large exposures and exposures to sub-investment grade countries.

Country concentrations are addressed through the country risk policy, which specifies Risk Appetite by country and avoids excessive concentrations of credits in individual countries. Country risk grades are assigned to all countries where the Group has, or is likely to have, exposure and are reviewed regularly to ensure they remain appropriate.

Country grades, which are derived from long-term sovereign foreign currency ratings, range from 1 (lowest probability of default) to 21 (highest probability of default). A ceiling is applied where a country is graded 12 or worse so that the counterparty cannot receive a higher risk grading than the country, unless some form of protection is available in the event of a cross-border event, such as a significant portion of a counterparty s assets or income being held or generated in hard currency.

To manage exposure to country risk, the Group uses two country limits: the Prudential Guideline and the Country Guideline. The Prudential Guideline is identified through the strict mapping of a country grade to derive a model-driven acceptable level of loss given default. The Country Guideline for all graded countries is set by the Group Credit Committee (GCC) based on the Prudential Guideline and the internal appetite for country risk. The Country Guideline may therefore be above or below the Prudential Guideline.

Country risk is managed through the application of Country Loss Given Default (CLGD). All cross-border or domestic foreign currency transactions incur CLGD from the Country Guideline agreed at GCC. The level of CLGD incurred by a counterparty transaction will largely depend on three main factors: the country severity, the product severity and counterparty grade.

CLGD is incurred in the country of direct risk, defined as where the majority of operating assets are held. This may differ from the country of incorporation. However, where transactions are secured with collateral, the country risk can be transferred from the country of the borrower to the country of the collateral provider. This is only permitted where the collateral covers the borrowing and is not expected to decrease over time.

Country Managers are in place for all countries where the Group has exposure and they, under the direction of GCC, have responsibility for allocating country risk to individual transactions. The total allocation of country limits is monitored on a daily basis by Group Credit Risk, as headed by the Group Credit Risk Director. Discretions exist to increase the Country Guideline above the level agreed by GCC where the Country Guideline is below the Prudential Guideline. All requests to increase the Country Guideline in line with individual discretions must be submitted to and applied centrally through Group Credit Risk.

A further mitigant against undesirable concentration of risk is the mandate and scale framework described on page 86. Mandate and scale limits, which can also be set at Group level to reflect overall Risk Appetite, can relate either to the stock of current exposures in the relevant portfolio or to the flow of new exposures into that portfolio. Typical limits include the caps on UK commercial investment property lending, the proportion of lending with maturity in excess of seven years and the proportion of new mortgage business that is buy-to-let.

Concentrations of credit exposure described in this credit risk management section and the following statistical section are not proportionally related to credit loss. Some segments of the Group s portfolio have and are expected to have proportionally higher credit charges in relation to the exposure than others. Moreover, the volatility of credit loss is different in different parts of the portfolio. Thus, comparatively large credit impairment charges could arise in parts of the portfolio not mentioned here.

Securitisations

In the course of its business, Barclays undertakes securitisations of its own originated assets as well as the securitisation of third party assets via sponsored conduit vehicles and shelf programmes.

Barclays securitises its own originated assets in order to remove risk from the Group s credit position, to obtain regulatory capital relief, and to obtain term liquidity for the Group balance sheet.

For these transactions Barclays adopts the following roles in the securitisation process:

Originator of securitised assets

Executor of securitisation trades including bond marketing and syndication

Provider of securitisation trade servicing, including data management, investor payments and reporting

Barclays also acts as an administrator and manager of multi-seller conduits through which interests in third-party-originated assets are securitised and funded via the issuance of asset backed commercial paper.

In relation to such conduit activity, Barclays may also provide all or a portion of the backstop liquidity to the commercial paper, programme-wide credit enhancement and, as appropriate, interest rate and foreign currency hedging facilities.

RWAs reported for securitised assets as at December 2007 are calculated in line with rules set out in IPRU (BANK) as well as any individual guidance received from the FSA as at the end of this period.

As of 1st January 2008, Barclays calculates securitisation RWAs using the ratings based approach and/or the supervisory formula method as per the FSA s revised rules, which implement the Basel Accord and Capital Requirements Directive.

Further information about securitisation activities and accounting treatment is in Note 29. The Group s accounting policies, including those relevant to securitisation activities (policies 4 and 10), are on pages 165 and 168.

Barclays employs External Credit Assessment Institutions to provide ratings for its asset backed securities. Their use is dependant on the transaction or asset class involved. For existing transactions, we employ Standard & Poor s, Moody s and Fitch for securitisations of corporate, residential mortgage and other retail exposures and Standard & Poor s and Moody s only for securitisations of small and medium-sized entity and revolving retail exposures.

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Risk management Credit risk management

Monitoring of loans and advances

As the granting of credit is one of the Group s major sources of income and its most significant risk, 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 accounting principles. This process can be broken down into the following stages:

Measuring exposures and concentrations

Monitoring weakness in exposures

Identifying potential problem loans and credit risk loans (collectively known as potential credit risk loans or PCRLs)

Raising allowances for impaired loans

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 loans to banks, loan commitments, contingent liabilities and debt securities; see page 60). The value of outstanding loans and advances balances, their risk profile, and potential concentrations within them can therefore have a considerable influence on the level of credit risk in the Group.

As at 31st December 2007, outstanding loans and advances to customers and banks were valued at £389bn (2006: £317bn), of which £349bn (2006: £286bn) was granted to personal or corporate customers (see figure 1). Loans and advances were well distributed across the retail and wholesale portfolios.

Loans and advances were well spread across industry classifications (figure 2). Excluding Financial Services, Barclays largest sectoral exposures are to home loans, other personal and business and other services. These categories are generally comprised of small loans, have low volatility of credit risk outcomes, and are intrinsically highly diversified.

Balances are also diversified across a number of geographical regions (figure 3, based on location of customers). The majority of Barclays exposure is to the UK, which includes secured home loans exposure, followed by the United States, Africa and the rest of the European Union.

Fig. 1: Loans and advances

2007 2006

£m £m

Retail businesses

Banks Customers 164,062 139,350 Total retail businesses 164,062 139,350 Wholesale businesses Banks 40,123 30,930 Customers 185,105 146,281 Total wholesale businesses 225,228 177,211 Loans and advances 389,290 316,561

Fig. 2: Loans and advances to customers by industry %

Home loans Financial services Other personal

Business and other services

Wholesale and retail trade, distribution and leisure Property

Manufacturing

Finance lease receivables Energy and water Transport Construction Postal and Communication

Agriculture, forestry and fishing 06 Government 07

0 5 10 15 20 25 30 35 40 45

Fig. 3: Geographical analysis of loans and advances to customers %

1 UK

2 Other European Union

5 5 3 United States

4 4

4 Africa

3 3

5 Rest of the World

2 1 1 2

06 07

Fig. 4: Analysis of loans-to-value ratios of mortgages in the UK home loan portfolio at 31st December 2007 %

(At most recent credit decision)

06

67 69 07

of the mortgage portfolio

18 17

Percentage

10 9

5 5

<70% 70-80% 80-90% >90%

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Barclays risk is therefore spread across a large number of industries and customers and in the case of home loans, for example, well secured. These classifications have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even through the parent s predominant sphere of activity may be in a different industry.

UK exposure to home loans accounts for just over 60 per cent of the Group s total home loans exposure. The loan-to-value ratios (LTV) on the Group s UK home loan portfolio are shown in figure 4. The valuations in the chart are those which applied at the last credit decision on each loan, i.e. when the customer last requested an increase in the limit or, if there has been no increase, at inception of the loan. Business flows (new business versus loans redeemed) have not materially changed the risk profile of the portfolio.

The impact of house price inflation will result in a reduction in LTV ratios within the mortgage book on a current valuation basis. On this basis, LTV on the residential mortgage book averaged 33% at the end of 2007 (2006: 34%). This ratio is a point-in-time analysis of the stock with LTV updated to current house prices by reference to an external price index and as a result may be influenced by external market conditions as well as changes in the stock of loans.

Barclays also actively monitors the risk profile of its loans and advances to customers, with a view to the early detection of any concentrations in higher risk segments. Figure 5 depicts Barclays wholesale loan profile by existing risk grade (see page 82 for a description of the rating system). The majority of Barclays exposure is to the higher quality names with just under 70% of exposure to customers with a DG of 10 or better. It is important to note that Barclays prices loans to risk. Thus, higher risk loans will usually have higher interest rates or fees or both. The profitability of a higher risk portfolio may, therefore, equal or exceed that of a lower-risk portfolio.

Barclays also actively monitors exposure and concentrations to sub-investment grade countries (see country risk policy, page 81). Details of the 15 largest sub-investment grade countries, by limit, are shown in figure 6.

Contractual maturity represents a further area of potential concentration. The analysis shown in figure 7 indicates that just over 40% of loans to customers have a maturity of more than five years; the majority of this segment comprises secured home loans.

Fig. 5: Loans and advances, balances and limits to wholesale customers by internal risk rating %

Loan balances by internal rating Loan limits by internal rating % of Total % of Total

1 2 3 4 5 6 7 8 9 10 credit quality 11 Improving 12 13 14 15 16 17 18 19 20 21

0 5 10 15 0 5 10 15

Fig. 6: Credit exposure to sub-investment grade countries £m

Egypt Brazil

Kenya Indonesia Turkey Ghana Tanzania Zambia Morocco Bolivia Colombia Ukraine Uganda

Philippines

06

Peru

07

0 500 1,000 1,500 2,000 2,500 3,000

Fig. 7: Maturity analysis of loans and advances to customers %

1 On demand

2 Not more than three months

1 1 3 Over three

5 2 5 months but

2 not more than

3 3

4 4 one year

4 Over one year but not more than five years

06 07 5 Over five years

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Risk management Credit risk management

Monitoring weaknesses in exposures

Barclays actively manages its credit exposures. Corporate accounts that are deemed to contain heightened levels of risk are recorded on graded early warning or watch lists comprising three categories of increasing concern. These are updated monthly and circulated to the relevant risk control points. Once listing has taken place, exposure is very carefully monitored and, where appropriate, exposure reductions are effected. Should an account become impaired, it will normally, but not necessarily, have passed through all three categories, which reflect the need for ever-increasing caution and control.

Where an obligor s financial health gives grounds for concern, it is immediately placed into the appropriate category. 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.

Within 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/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.

Within the personal portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow potential weaknesses to be monitored on a portfolio basis. This applies in parts of UK Retail Banking, Barclays Wealth, International Retail and Commercial Banking and Barclaycard. The approach is consistent with the Group s policy of raising a collective impairment allowance as soon as objective evidence of impairment is identified.

Potential credit risk loans

If the credit quality of a loan on an early warning or watch list deteriorates to the highest category, consideration is given to including it within the Potential Problem Loan (PPL) list. PPLs are loans where payment of principal and interest is up to date but where serious doubt exists as to the ability of the borrowers to continue to comply with repayment terms in the near future.

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

Impaired loans comprise loans where individual 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.

CRL and PPL balances by geography

Fig. 8: CRLs balances by geography £m

Non-UK

9,641 UK 4,305 5,210 5,088 4,115

03 a 04b 05 c 06 07 UK GAAP IFRS

CRLs and PPLs as a percentage of Loans and Advances Fig. 10: CRLs/Loans and Advances Ratio %

2.5 2.3 1.8 1.7 1.6

03a 04b 05c 06 07 UK GAAP IFRS

Fig. 9: PPLs balances by geography £m

Non-UK

1,797 UK 1,327 798 929 761

03a 04b 05c 06 07 UK GAAP IFRS

Fig. 11: PPLs/Loans and Advances Ratio %

0.7

0.5 0.4 0.3 0.2

03 a 04 b 05 c 06 07 UK GAAP IFRS

Notes

a In 2003, credit risk loans and potential problem loans were disclosed based on the location of the booking office. In 2004-2007 they were disclosed by location of customers.

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

c From 1st January 2005, the application of IAS 39 required interest to be recognised on the remaining balance of an impaired financial asset (or group of financial assets) at the effective interest rate for that asset. As a result, interest is credited to the income statement in relation to impaired loans, therefore these loans technically are not classified as non-accrual . In 2005, the Group replaced the non-accrual category with one termed impaired loans . The SEC requires loans to be classified, where applicable, as non-accrual, accruing past due 90 days or more, troubled debt restructurings and potential problem loans.

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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 it 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.

The term Credit Risk Loans has replaced the term Non-Performing Loans (NPLs) as the collective term for the total of these three classes since it recognises the fact that the impaired loan category may include loans, which, while impaired, are still performing. This category includes drawn ABS CDO Super Senior positions.

Potential Credit Risk Loans (PCRLs) comprise potential problem loans (PPLs) and credit risk loans (CRLs). Figures 8 and 9 show CRL and PPL balances by geography. The amounts are shown before deduction of value of security held, impairment allowances (from 2005 onwards) and provisions or interest suspense (2004 and earlier), all of which might

reduce the impact of an eventual loss, should it occur. The significant increase to non-UK CRL and PPL balances is principally due to the inclusion of US-located ABS CDO Super Senior positions and other credit market exposures.

Figures 12 and 13 show impairment allowances as a percentage of CRLs and PCRLs. Including the drawn ABS CDO Super Senior positions, allowance coverage of CRLs and PCRLs decreased to 39.1% (31st December 2006: 65.6%) and 33.0% (31st December 2006: 57.0%), respectively. These movements reflect the fact that allowance coverage of ABS CDO Super Senior credit risk loans was low relative to allowance coverage of other credit risk loans since substantial protection against loss is also provided by subordination and hedges. On ABS CDO Super Senior exposures, the combination of subordination, hedges and write-downs provided protection against loss levels to 72% on US sub-prime collateral as at 31st December 2007.

Figures 14 and 15 show allowance coverage of CRLs and PCRLs excluding the drawn ABS CDO Super Senior positions decreased to 55.6% (31st December 2006: 65.6%) and 49.0% (31st December 2006: 57.0%), respectively. The decrease in these ratios reflected a change in the mix of CRLs and PCRLs. Unsecured retail exposures, where the recovery outlook is low, decreased as a proportion of the total as the collections and underwriting processes were improved. Secured retail and wholesale and corporate exposures, where the recovery outlook is relatively high, increased as a proportion of PCRLs.

Fig. 12: Impairment/provisions coverage of CRLs %

(including drawn ABS CDO Super Senior positions)

71.5 66.9 66.2 65.6

39.1

03 a 04 b 05 06 07

UK GAAP IFRS

Fig. 13: Impairment/provisions coverage of PCRLs %

(including drawn ABS CDO Super Senior positions)

54.6 56.0 56.2 57.0

33.0

03 a 04 b 05 06 07

UK GAAP IFRS

Fig. 14: Impairment/provisions coverage of CRLs %

(excluding drawn ABS CDO Super Senior positions)

71.5 66.9 66.2 65.6

55.6

03 a 04 b 05 06 07

UK GAAP IFRS

Fig. 15: Impairment/provisions coverage of PCRLs %

(excluding drawn ABS CDO Super Senior positions)

54.6 56.0 56.2 57.0

49.0

03 a 04 b 05 06 07

UK GAAP IFRS

Notes a In 2003, credit risk loans and potential problem loans were disclosed based on the location of the booking office. In 2004-2007 they were disclosed by location of customers. b Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

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Risk management Credit risk management

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 is 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 and the timing of all asset realisations, after allowing for all attendant costs. This method applies in the corporate portfolios Barclays Commercial Bank, Barclays Capital and certain areas within International Retail and Commercial Banking and Barclaycard.

For collective assessment, the trigger point for impairment is the missing of a contractual payment. 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 experience. Recovery amounts and contractual interest rates are calculated using a weighted average for the relevant portfolio. This method applies to parts of International Retail and Commercial Banking, Barclaycard and UK Banking and is consistent with Barclays policy of raising an allowance as soon as impairment is identified.

Unidentified impairment allowances, albeit significantly lower in amount than those reported above, 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 only captures the loss incurred at the balance sheet date.

These impairment allowances are reviewed and adjusted at least 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.

As one of the controls of ensuring that adequate impairment allowances are held, movements in impairment allowances to individual names above £10m are presented to the Group Credit Committee for agreement. The Group Credit Risk Impairment Committee (GCRIC), on a semi-annual basis, obtains assurance on behalf of the Group that all businesses are recognising impairment in their portfolios accurately and promptly in their recommendations and in accordance with policy, accounting standards and established governance.

GCRIC exercises the authority of the Barclays Risk Director, as delegated by the Chief Executive, and is chaired by Barclays Credit Risk Director. GCRIC reviews the movements to impairment in the businesses, including those already agreed at Group Credit Committee, Potential Credit Risk Loans and Risk Tendency.

These committees are supported by a number of Group Policies including: Group Retail Impairment and Provisioning Policy; Group Wholesale Impairment and Provisioning Policy; and, Group Model Policy.

GCRIC 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 against peer banks.

Fig. 16: Impairment charges for bad and doubtful debts

2007 2006 2005

£m £m £m

UK Banking 849 887 671

Barclaycard 838 1,067 753

International Retail and

Commercial Banking 252 167 33

Barclays Capital 846 42 111

Barclays Global Investors

Barclays Wealth 7 2 2

Head office functions and other operations 3 (11) 1

Total impairment charges 2,795 2,154 1,571

Fig. 17: Impairment/provisions charges over five years £m

2,795

1,347 1,571 2,154

1,093

03 04 a 05 06 07

UK GAAP IFRS

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

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GCRIC has delegated the detailed review of loan impairment in the businesses to the Retail and Wholesale Credit Risk Management Committees.

In 2007, total impairment charges on loans and advances and other credit provisions increased 30% (£641m) to £2,795m (2006: £2,154m) reflecting charges of £782m against ABS CDO Super Senior and other credit market positions.

Impairment charges on loans and advances and other credit provisions as a percentage of Group total loans and advances rose to 0.71% (2006: 0.65%); total loans and advances grew by 23% to £389,290m (2006: £316,561m).

Retail impairment charges on loans and advances fell 11% (£204m) to £1,605m (2006: £1,809m). Retail impairment charges as a percentage of period-end total loans and advances reduced to 0.98% (2006: 1.30%); total retail loans and advances rose by 18% to £164,062m (2006: £139,350m).

Barclaycard impairment charges improved £229m (21%) to £838 (2006: £1,067m) reflecting reduce flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. We made changes to our impairment methodologies to standardise our approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by the increase in impairment charges in Barclaycard International and secured consumer lending.

Impairment charges in UK Retail Bank decreased by £76m (12%) to £559m (2006: £635m), reflecting lower charges in unsecured Consumer Lending and Local Business driven by improved collection processes, reduced flows into delinquency, lower trends of arrears and stable charge-offs. In UK Home Finance, asset quality remained strong and mortgage charges remained negligible. Mortgage delinquencies as a percentage of outstandings remained stable and amounts charged-off were low. Impairment charges in International Retail and Commercial Banking excluding Absa rose by £38m (93%) to £79m (2006: £41m) reflecting very strong balance sheet growth in 2006 and 2007 and the impact of lower releases in 2007.

Arrears in some of International Retail and Commercial Banking Absa s key retail portfolios deteriorated in 2007, driven by interest rate increases in 2006 and 2007 resulting in pressure on collections.

Wholesale and corporate impairment charges on loans and advances increased £436m to £701m (2006: £265m). Wholesale and corporate impairment charges as a percentage of period-end total loans and advances increased to 0.31% (2006: 0.15%); total loans and advances grew by 27% to £225,228m (2006: £177,211m).

Barclays Capital impairment charges and other credit provisions of £846m included a charge of £782m against ABS CDO Super Senior and other credit market exposure and £58m relating to drawn leveraged finance positions. The impairment charge in Barclays Commercial Bank increased by £38m (15%) to £290m (2006: £252m), primarily due to higher gross impairment charges in Larger Business, partially offset by a lower charge in Medium Business due to a tightening of the lending criteria.

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.

Total write-offs of impaired financial assets decreased by £211m to £1,963m (2006: £2,174m).

Fig. 18: Total write-offs of impaired financial assets £m

2,174 1,963

1,474 1,582 1,587

03 04a 05 06 07

UK GAAP IFRS

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

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Risk management

Market risk management

Market risk management

Market risk is the risk that Barclays earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The main market risk arises from trading activities. Barclays is also exposed to interest rate risk in the banking book and the pension fund.

Barclays market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of position limits.
- Facilitate business growth within a controlled and transparent risk management framework.
- Ensure traded market risk resides primarily in Barclays Capital.
- Minimise non-traded market risk.

Organisation and structure

The Board approves market risk appetite for trading and non-trading activities. The Market Risk Director is responsible for the market risk control framework and, under delegated authority from the Risk Director, sets a limit framework within the context of the approved market risk appetite. A daily market risk report summarises Barclays market risk exposures against agreed limits. This daily report is sent to the Risk Director, the Market Risk Director, the Finance Director and the appropriate Business Risk Directors.

The Head of each business, assisted by the business risk management team, is accountable for all market risks associated with its activities. Each business is responsible for the identification, measurement, management, control and reporting of market risk as outlined in the Barclays Market Risk Control Framework. Oversight and support is provided to the business by the Market Risk Director, assisted by the central market risk team. The Market Risk Committee reviews, approves, and makes recommendations concerning the market risk profile across Barclays including risk appetite, limits and utilisation. The Committee is held monthly and is chaired by the Market Risk Director. Attendees include the Risk Director, respective business risk managers and senior managers from the central market risk team.

In Barclays Capital, the Head of Market Risk is responsible for implementing the market risk control framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Market Risk Management team that operates independently of the trading areas. Daily market risk reports are produced for the main Barclays Capital business areas covering the different risk categories including interest rate, credit spread, commodity, equity and foreign exchange. A more detailed trading market risk presentation is produced fortnightly and discussed at the Barclays Capital Traded Products Risk Review meeting. The attendees at this meeting include senior managers from Barclays Capital and the central market risk team. Outside Barclays Capital, Global Retail and Commercial Banking is responsible for the non-structural interest rate risk in the banking book and Group Treasury is responsible for structural risk (interest rate and FX). The chart below right gives an overview of the business control structure.

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Traded market risk

Barclays policy is to concentrate trading activities in Barclays Capital. This includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, Barclays manages client and market activities together. In Barclays Capital, trading risk occurs in both the trading book and the banking book as defined for regulatory purposes. In anticipation of future customer demand, Barclays maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital market and treasury instruments, including a broad range of cash, securities and derivatives. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, credit derivatives, options and combinations of these instruments. For a description of the nature of derivative instruments, see page 105.

Traded market risk measurement

The measurement techniques used to measure and control traded market risk include Daily Value at Risk and Stress Testing.

Daily Value at Risk (DVaR) is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

DVaR uses the historical simulation method with a historic sample of two years. The credit spread calculation takes into account specific risks associated with different business names.

There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are: historical simulation assumes that the past is a good representation of the future which may not always be the case.

the assumed one day time horizon will not fully capture the market risk of positions that cannot be closed out or hedged within one day.

DVaR does not indicate the potential loss beyond the 98th percentile.

To complement DVaR, stress testing is performed and there is a large set of non-DVaR limits including foreign exchange concentration limits and interest rate delta limits.

DVaR is an important market risk measurement and control tool and consequently the model is regularly assessed. The main approach employed is the technique known as back-testing which counts the number of days when trading losses exceed the corresponding DVaR estimate.

On the basis of DVaR estimated to a 98% confidence level, on average there would be five days each year when trading losses would be expected to exceed DVaR and would therefore be reflected as back-testing exceptions. For Barclays Capital s trading book, there were seven instances of a daily trading loss exceeding the corresponding 98% back-testing DVaR.

These back-testing exceptions in 2007 reflected the increased volatility across a number of markets in which Barclays Capital operates. There were no instances of back-testing exceptions on a similar basis in 2006. Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. The three main types of stress test are: risk factor: historical stress moves are applied to each of the risk categories which include interest rate, credit spread, commodity, equity and foreign exchange rate emerging market contagion: historical stress moves combined with contagion factors are applied to the emerging markets portfolio scenario: stress scenarios are applied to the trading book Stress results are produced at least fortnightly and are included in the Traded Products Risk Review meeting information pack. If a potential stress loss exceeds the corresponding trigger limit, the positions captured by the stress test are reviewed and discussed by Barclays Capital market risk and the respective Barclays Capital Business Head(s). The minutes of the discussion, including the merits of the position and the appropriate course of action, are then sent to the Market Risk Director for review.

and reviewed by

Risk type .managed by market risk and.

Traded Barclays Capital Traded Products Risk

Review Meeting

Non-traded Global Retail and Asset and Liability Committees

Banking book interest rate risk Commercial Banking New product process team

FX risk Supervisory visits from a central

risk team

Banking book interest rate risk Group Treasury Treasury Committee

FX risk Treasury Hedge Committee

Market Risk Director

Pension risk Pension Fund Trustees and Investment Committee

Barclays Central Functions

Barclays Pensions Board

Investment risk BGI BGI Global Risk and Compliance

Committee

Asset management risk

BGI Global Risk Investment

Committee

1 Business review

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Risk management

Market risk management

Analysis of traded market risk exposures

The analysis of traded market risk exposures is given in Note 46.

Analysis of trading revenue

The histograms show the distribution of daily trading revenue for Barclays Capital in 2007 and 2006. Revenue includes net trading income, net interest income and net fees and commissions relating to primary trading. The average daily revenue in 2007 was £26.2m (2006: £22.0m) and there were 224 positive revenue days out of 253 (2006: 243 out of 252). The number of negative revenue days increased in 2007 largely as a result of volatile markets in the second half of the year. The number of large positive revenue days also increased but these were spread across the year.

Interest rate risk in the banking book

Interest rate risk arises from the provision of retail and wholesale (non-traded) banking products and services, as well as structural exposures within Barclays balance sheet.

The management approach of Barclays with respect to interest rate risk is to transfer the risk from the businesses either into local treasuries or to Group Treasury using an internal transfer price or interest rate swap. The methodology used to transfer this risk depends on whether the product contains yield curve risk, basis risk or customer optionality. Limits exist to ensure no material risk is retained within any business or product area. Once each business s risk has been transferred, the treasuries manage any residual yield curve and basis risks subject to modest risk limits and other controls. Market risk is also taken in overseas treasuries, within these limits, to support and facilitate customer activity.

Risk measurement

The techniques used to measure and control interest rate risk in the banking book include Annual Earnings at Risk, Daily Value at Risk and Stress Testing.

Annual Earnings at Risk (AEaR) measures the sensitivity of net interest income (NII) over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 50 basis points increase or decrease in interest rates.

Outside Barclays Capital, Barclays uses a simplified approach to calculate DVaR. It is used as a complementary tool to AEaR. Both AEaR and DVaR are supplemented by stress testing and a range of non-DVaR limits.

Stress testing is carried out by the business centres and is reviewed by senior management and business-level asset and liability committees. The stress testing is tailored to the business and typically incorporates scenario analysis and historical stress movements applied to respective portfolios.

Analysis of interest rate risk in the banking book exposures

The analysis of interest rate risk in the banking book is given in Note 46.

Other market risks

Barclays maintains a number of defined benefit pension schemes for past and current employees. The ability of the Pension Fund to meet the projected pension payments is maintained through investments and regular Bank contributions. Pension risk arises because: the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. In these circumstances, Barclays could be required or might choose to make extra contributions to the pension fund. Financial details of the pension fund are in Note 30.

Investment risk is the risk of financial volatility arising from changes in the market value of investments, principally occurring in Barclays insurance companies. These investments may comprise various liquid instruments, such as cash, bonds and listed equities, to cover future insurance liability flows, and may therefore give rise to a mismatch between the revaluation of assets and liabilities. It is Barclays policy to hedge such exposures in line with a defined risk appetite.

Barclays policy is for foreign exchange trading risk to be concentrated and managed in Barclays Capital. Some transaction foreign exchange risk exposure arises within the local treasury operations in Global Retail and Commercial Banking to support and facilitate client activity. This is minimised in accordance with modest risk limits and was not material as at end 2007. Other non-Barclays Capital foreign exchange exposure is covered in Note 46.

Asset management structural market risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. Where support agreements exist, the Group is exposed to the performance of the underlying asset. This exposure arises mainly within Barclays Global Investors, but also in Global Retail and Commercial Banking, and Barclays Wealth. It is Barclays policy that businesses monitor and report this risk against a defined risk appetite and regularly assess potential hedging strategies.

Barclays Capital s trading revenue 2007 £m

37

35

33

29

20 21 20

of days 19

18

Number 14

7

<0 0 to 5 to 10 to 15 to 20 to 25 to 30 to 35 to 40 to 45+

<5 <10 <15 <20 <25 <30 <35 <40 <45

Barclays Capital s trading revenue 2006 £m

49

42

of days 30 31

23 24

Number

12 13

10 10

8

<0 0 to 5 to 10 to 15 to 20 to 25 to 30 to 35 to 40 to 45+

<5 <10 <15 <20 <25 <30 <35 <40 <45

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Risk management Derivatives

Derivatives

The use of derivatives and their sale to customers as risk management products are an integral part of the Group s trading activities. These instruments are also used to manage the Group s own exposure to fluctuations in interest, exchange rates and commodity and equity prices as part of its asset and liability management activities.

Barclays Capital manages the trading derivatives book as part of the market risk book. This includes foreign exchange, interest rate, equity, commodity and credit derivatives. The policies regarding market risk management are outlined in the market risk management section on pages 102 to 104.

The policies for derivatives that are used to manage the Group s own exposure to interest and exchange rate fluctuations are outlined in the asset and liability market risk section on page 239.

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group s net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

The Group participates both in exchange traded and over the counter derivatives markets.

Exchange traded derivatives

The Group buys and sells financial instruments that are traded or cleared on an exchange, including interest rate swaps, futures and options on futures. Holders of exchange traded instruments provide margin daily with cash or other security at the exchange, to which the holders look for ultimate settlement.

Over the counter traded derivatives

The Group also buys and sells financial instruments that are traded over the counter, rather than on a recognised exchange.

These instruments range from commoditised transactions in derivative markets, to trades where the specific terms are tailored to the requirements of the Group s customers. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give the Group protection in situations where a counterparty is in default.

Foreign exchange derivatives

The Group s principal exchange rate related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

Interest rate derivatives

The Group s principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features.

An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. A basis swap is a form of interest rate swap, in which both parties exchange interest payments based on floating rates, where the floating rates are based upon different underlying reference indices. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

Credit derivatives

The Group s principal credit derivative-related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection.

A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer in return receives a predetermined amount.

Equity derivatives

The Group s principal equity-related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date.

Commodity derivatives

The Group s principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are base metals, precious metals, oil and oil-related products, power and natural gas.

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Risk management

Disclosures about certain trading activities

Disclosures about certain trading activities including non-exchange traded commodity contracts

The Group provides a fully integrated service to clients for base metals, precious metals, oil, power, natural gas, coal, freight, emission credits, structured products and other related commodities. This service offering continues to expand, as market conditions allow, through the addition of new products and markets.

The Group offers both over the counter (OTC) and exchange traded derivatives, including swaps, options, forwards and futures and enters into physically settled contracts in base metals, power and natural gas, with 2007 seeing the addition of oil and related products to this portfolio. Physical commodity positions are held at fair value and reported under the Trading Portfolio in Note 12.

Fair value measurement

The fair values of physical and derivative positions are primarily determined through a combination of recognised market observable prices, exchange prices, and established inter-commodity relationships. Further information on fair value measurement of financial instruments can be found in Note 49.

Credit risk

Credit risk exposures are actively managed by the Group. Refer to Note 47 for more information on the Group s approach to credit risk management and the credit quality of derivative assets.

Fair value of the commodity derivative contracts

The tables below analyse the overall fair value of the commodity derivative contracts by movement over time and maturity. As at 31st December 2007 the fair value of the commodity derivative contracts reflects a gross positive fair value of £23,571m (2006: £17,501m) and a gross negative value of £22,759m (2006: £15,940m).

Movement in fair value of commodity derivative positions

	2007	2006
	£m	£m
Fair value of contracts outstanding at the beginning of the period	1,561	527
Contracts realised or otherwise settled during the period	(764)	379
Fair value of new contracts entered into during the period	243	808
Other changes in fair values	(228)	(153)
Fair value of contracts outstanding at the end of the period	812	1,561

Maturity analysis of commodity derivative fair value

	2007	2006
	£m	£m
Not more than one year	(279)	902
Over one year but not more than five years	773	327
Over five years	318	332
Total	812	1,561

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Risk management Liquidity management

Liquidity management

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Liquidity risk management and measurement

Liquidity management within the Group has several components.

Intraday liquidity

The need to monitor, manage and control intraday liquidity in real time is recognised by the Group as a mission critical process: any failure to meet specific intraday commitments would have significant consequences. The Group policy is that each operation must ensure that it has access to sufficient intraday liquidity to meet any obligations it may have to clearing and settlement systems. Major currency payment flows and payment system collateral are monitored and managed in real time to ensure that at all times there is sufficient collateral to make payments. The Group actively engages in payment system development to help ensure that new payment systems are robust.

Day to day funding

Day to day funding, managed by short term mismatch limits for the next day, week and month which control expected cash flows to ensure that requirements can be met. These requirements include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets and monitors and manages the wholesale money market capacity for the Group s name to enable that to happen.

In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquid assets

The Group maintains a portfolio of highly marketable assets including UK, US and Euro-area government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The Group accesses secured funding markets in these assets on a regular basis to ensure market access. The Group does not rely on committed funding lines for protection against unforeseen interruption to cash flow.

Diversification of liquidity sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. In addition, to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors confidence. Such confidence is based on a number of factors including the Group s reputation and relationship with those clients, the strength of earnings and the Group s financial position.

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Risk management Liquidity management

Structural liquidity

An important source of structural liquidity is provided by our core retail deposits in the UK, Europe and Africa, mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts at short notice, the Group s broad base of customers numerically and by depositor type helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group s operations and liquidity needs.

The Group policy is to fund the balance sheet of the retail and commercial bank on a global basis with customer deposits without recourse to the wholesale markets. This provides protection from the liquidity risk of wholesale market funding. The exception to this policy is Absa, which has a large portion of wholesale funding due to the structural nature of the South African financial sector.

Stress tests

Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group s liquidity at risk.

Treasury develops and monitors a range of stress tests on the Group s projected cash flows. These stress scenarios include Barclays-specific scenarios such an unexpected rating downgrade and operational problems, and external scenarios such as Emerging Market crises, payment system disruption and macro-economic shocks. The output informs both the liquidity mismatch limits and the Group s contingency funding plan. This is maintained by Treasury and is aligned with the Group and country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

The ability to raise funds is in part dependent on maintaining the Bank s credit rating. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered material in Group terms.

For further details see contractual obligations and commercial commitments of the Group on page 60.

Recent market events

The second half of last year saw a sustained period of severe stress in international financial markets characterised by increased volatility and impaired liquidity. Issuance of debt, particularly structured credit and mortgage related, fell sharply. The asset-backed commercial paper market was severely disrupted, resulting in the drawn down of committed liquidity lines from banks, while primary issuance of mortgage-backed securities and covered bonds stopped for a time. The repo markets including tri-party were also disrupted with the repo market for corporate debt closing for a time. Term money market funding became difficult to obtain and spreads over official rates widened.

The Group maintained its strong liquidity profile throughout and saw some benefit from a flight to quality in financial markets. Nevertheless, Barclays, like its peers, was affected by the increased volatility and impaired liquidity in financial markets. During this period the Group s balance sheet expanded due to:

The disruption of the Asset Backed Commercial Paper (ABCP) market led to liquidity facilities for third party conduits being drawn down.

Liquidity facilities were provided to three client SIV-lites which were restructured during the period.

A number of loan syndications were delayed and remained on our balance sheet.

The demand for ABCP issued by Barclays-sponsored conduits weakened temporarily with the result that a small portion of their funding was provided by Barclays.

These liquidity demands were all successfully managed within overall funding requirements despite occasional disruption of access to some funding markets. Although term funding in interbank markets substantially disappeared, liquidity remained good for Barclays.

Barclays diversified portfolio of highly marketable securities enabled the Group to continue accessing the repo market. Securitisation accounts for a modest proportion of the Group s funding so the disruption to the securitisation market has not significantly impacted the Group s liquidity position.

Assessment of liquidity

Barclays liquidity position remains very strong both for its own paper and paper issued by its sponsored conduits. We have benefited from significant inflows of deposits, increased credit lines from counterparties, increased client flows and continued full funding of our conduits.

The markets in 2008 have substantially improved with the passing of the year end, and a degree of normality has returned to the term interbank markets. However we expect there to continue to be dislocations through 2008, and we remain vigilant to ensure that our liquidity profile remains strong.

The FSA published a discussion paper in December 2007 setting out draft proposals for a new quantitative framework for regulating liquidity of banks in the UK in the light of the experiences of 2007. We welcome the FSA intention to update the liquidity regime.

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Risk management

Operational risk management

Operational risk management

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems.

Operational risks are inherent in Barclays operations and are typical of any large enterprise. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Barclays is committed to the advanced management of operational risks. In particular, it has implemented improved management and measurement approaches for operational risk to strengthen control, improve customer service and minimise operating losses. Barclays was granted a Waiver to operate an Advanced Measurement Approach (AMA) under Basel II, which commenced in January 2008.

The Group s operational risk management framework aims to:

- Understand and report the operational risks being taken by the Group.
- Capture and report operational errors made.
- Understand and minimise the frequency and impact, on a cost benefit basis, of operational risk events.

Barclays works closely with peer banks to benchmark our internal Operational Risk practices and to drive the development of advanced Operational Risk techniques across the industry. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Events of small significance are expected to occur and are accepted as inevitable; events of material significance are rare and the Group seeks to reduce the risk from these in a framework consistent with its agreed Risk Appetite.

Organisation and structure

Barclays has a Group Operational Risk Framework, which is consistent with and part of the Group Internal Control and Assurance Framework. Minimum control requirements have been established for all key areas of identified risk by Principal Risk owners (see page 85). The risk categories relevant to operational risks are Financial Crime, Financial Reporting, Taxation, Legal, Operations, People, Regulatory, Technology and Change. In addition the following risk categories are used for business risk: Brand Management, Corporate Responsibility and Strategic.

Responsibility for implementing and overseeing these policies is positioned throughout the organisation. The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. Frontline risk managers are widely distributed throughout the Group in business units. They service and support these areas, assisting line managers in managing these risks.

Business Risk Directors in each business are responsible for overseeing the implementation of and compliance with Group policies. Governance and Control Committees in each business monitor control effectiveness. The Group Governance and Control Committee receives reports from the committees in the businesses and considers Group-wide control issues and their remediation.

In the corporate centre, each Principal Risk is owned by a senior individual who liaises with Principal Risk owners within the businesses. In addition, the Operational Risk Director oversees the range of operational risks across the Group in accordance with the Group Operational Risk Framework. Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the key risks to their business objectives, control issues of Group-level significance, and operational risk events. Specific reports are prepared on a regular basis for the Group Risk Oversight Committee, the Board Risk Committee and the Board Audit Committee. In particular, the Group Operational Risk Profile and Group Operating Committee Report is provided quarterly to the Group Risk Oversight Committee. The Internal Audit function provides further assurance for operational risk control across the organisation and reports to the Board and senior management.

Operational risk measurement and capital modelling

Barclays applies a consistent approach to the identification and assessment of key risks and controls across all business units. Managers in the businesses use self-assessment techniques to identify risks, evaluate control effectiveness and monitor capability. Business management determines whether particular risks are effectively managed within business risk appetite and otherwise takes remedial action. The risk assessment process is consistent with the principles in the integrated framework published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are loaded onto a central database and reported monthly to the Operational Risk Executive Committee. Barclays also uses a database of external public risk events and is a member of the Operational Risk Data Exchange (ORX), an association of international banks that share anonymised loss data information to assist in risk identification, assessment and modelling.

By combining internal data, including internal loss experience, risk and control assessments, key indicators and audit findings, with external loss data and expert management judgement, Barclays is able to generate Key Risk Scenarios (KRSs), which identify the most significant operational risks

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Risk management

Operational risk management

across the Group. The KRSs are validated at business unit and at Group level to ensure that they appropriately reflect the level of operational risk. It is these that are the main input to our capital model.

Operational risk capital is allocated, on a risk sensitive basis, to business units in the form of economic capital charges, providing an incentive to manage these risks within appetite levels.

Operational Risk Events

A high proportion of Barclays operational risk events have a low financial cost associated with them and a very small proportion of operational risk events have a material impact. Figure 1 shows that in 2007, 79% of reported operational loss events had a value of £50,000 or less. Figure 2 shows that this 79% of risk events by count only amounted to 15% of risk events by value. In contrast, 2% of the operational risk events had a value of £1m or greater but accounted for 50% of the overall loss. This was consistent with 2006 risk events and, from our analysis of external data, is in line with industry experience.

Analysis of Barclays operational risk events in 2007 by Basel II category, as shown in figure 3, highlights that the highest frequency of events occurred in External Fraud (54%) and Execution, Delivery and Process Management (37%). These two areas also accounted for the majority of losses by value (figure 4), with Execution, Delivery and Process Management accounting for 52% of total operational risk losses and External Fraud accounting for 24%. This again was consistent with 2006 internal risk events and, from our analysis of external data, is in line with industry experience.

Barclays has been granted a waiver by the UK FSA to apply an Advanced Measurement Approach (AMA) for Group-wide consolidated and solus regulatory capital reporting. Barclays has applied the AMA Group-wide. The two areas where roll-out of AMA is still continuing are Banco Austral (Mozambique) and National Bank of Commerce Limited (Tanzania), where the Standardised Approach is currently applied. In certain joint ventures and associates, Barclays may not be able to apply the Advanced Operational Risk Framework. Barclays does not currently use insurance or expected losses to offset its regulatory capital requirement.

Fig. 1: Operational risk events > £10k   % of total risk events by count

% of 06 loss

82 79 events (count)

% of 07 loss events (count)

14 16

3 3

1 2

£10k-£50k £50k-£250k £250k-£1m £1m+

Fig. 2: Operational risk events > £10k   % of total by value

1 £10k-£50k

2 £50k-£250k

3 £250k-£1m

1 1 4 £1m+

4 2 4 2

3 3

06 07

Fig. 4: Operational risk events by category % of total by value

1 Business Disruptions and System Failures

2 Clients, Products and

6 1 6 1 Business Practices

5 5 2 3 Execution, Delivery and 2

4 Process Management 4

4 Employment Practices 3 and Workplace Safety 3 and Damage to Physical Assets

5 External Fraud

6 Internal Fraud

06 07

Fig. 3: Operational risk events by risk category % of total risk events by count

% of 06 loss 59 events (count)

54

% of 07 loss events (count)

37 32

3 3 3 4

1 1 0.3 0.3 1 0.4

Business Clients, products Damage to Employment Execution, External fraud Internal fraud disruptions and and business physical assets practices and delivery and system failures practices workplace safety process management

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Risk management

Financial crime risk management

Financial crime risk management

Barclays adopts an integrated approach to financial crime risk management. In line with the five-step risk management model, Group Financial Crime Management (GFCM) has the responsibility to direct, assess, control, report and manage/challenge financial crime risks, which are structured into three strands: anti-money laundering (AML) and sanctions; fraud; and security.

Each business unit within Barclays develops its own capability to tackle financial crime, providing regular reporting on performance, incidents and the latest trends impacting business. This integrated model allows us to:

- Develop a clear profile of financial crime risk across the Group.
- Share intelligence, adopt common standards and respond promptly to emerging issues.
- Drive forward law enforcement and other Government initiatives.
- Benchmark ourselves against other financial institutions facing similar challenges.

Anti-money laundering and sanctions risk

The Group assesses the implications of all emerging legal and regulatory requirements that impact it and establishes policies and procedures in respect of AML, terrorist financing and sanctions, updating these regularly.

It operates an AML assurance programme to ensure a system of effective controls to comply with the overarching policies, providing technical guidance and support to each business unit.

GFCM collates and oversees the preparation of Group-wide management information on AML and sanctions. This information includes risk indicators, such as volumes of suspicious activity reports (SARs) and is supplemented by trend analysis, which highlights high-risk or emerging issues so that prompt action can be taken to address them.

Three committees (the Sanctions Cross Cluster Operational Review Board, the AML Steering Committee and the Policy Review Forum) review business performance, share intelligence, develop and agree controls, and discuss emerging themes and the implementation status of policies and procedures.

All businesses contribute towards the Group Money Laundering Reporting Officers Annual Report, which is provided to Group Senior Executive Management and is available to the FSA. Together with regular management information and conformance testing, this report updates senior management with evidence that the Group s money laundering and terrorist financing risks are being appropriately, proportionally and effectively managed.

During 2007, the Group augmented its AML capability, implementing third EU money laundering directive, with its guiding principle of a risk-based approach. For AML, this must be proportionate to the perceived risks and threats, including terrorist financing.

A new Group AML Policy, launched in December 2007 and encapsulating the risk-based approach, has further improved the Group s customer due diligence procedures and standards, transaction monitoring and staff training and awareness.

The Group also implemented EU Regulation 1781/2006, which aims to ensure thorough and robust audit trails concerning electronic transfers. This assists the Group in monitoring its AML and terrorist financing and improves the information available to law enforcement authorities. Barclays continues to upgrade its sanctions screening capabilities, in line with best international practice and changing regulatory requirements. The Group has invested substantial resources to further enhance its monitoring capabilities in this area and will continue to do so.

In 2008, the Group will review procedures to ensure compliance with forthcoming legislation concerning the Single European Payments Area (SEPA). Should the US enact current draft legislation outlawing the use of the international payments and clearing systems for perceived illegal US internet gaming transactions, further enhancements to payments activity monitoring will follow.

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Risk management

Financial crime risk management

Fraud risk

The Group establishes and operates a fraud risk control framework which measures overall fraud risk exposure and controls. Together with Group-wide policies, this directs how fraud is managed.

The Group Financial Crime Management team (GFCM) is responsible for delivering the overall fraud strategy and providing oversight to Group and Business Units in order to manage fraud risk. The strategy is designed to:

Identify emerging threats in order that effective controls are embedded across the Group and build up capability to manage risk.

Identify and manage fraud incidents, ensuring regulatory and legal conformance, appropriate escalation and control issues are addressed to prevent further loss.

Work proactively to highlight areas of concern in order that remediation can take place.

GFCM assesses the fraud risk of existing and emerging products, services, processes and jurisdictions to drive down fraud losses as turnover/growth increases. It also represents Barclays at trade, industry and Government bodies providing a conduit to maximise the flow of information and intelligence. GFCM also provides technical expertise to business areas whether to drive through Group solutions or provide assistance with specific incidents and investigations.

Business Units, together with product holders and channels identify their appetite for fraud loss which informs and determines the overall fraud plan. Objectives are then set around these plans.

At a business level, fraud risk/loss committees track fraud (and in some cases operational) loss. The Barclays Group Fraud Risk profile is exercised regularly through the review and challenge of the net losses and key risk metrics; these are then viewed against the overall Fraud Risk Profile (Fraud Oversight Committee).

Fraud is reported monthly to senior management both within the Business Units and to Group who provide a global oversight of fraud loss. Fraud is measured against plan for both net and gross losses and in line with the Principal Risk Policy; Key Risk Indicators (KRIs) are embedded in order that overall exposure can be established.

As a result of this process, fraud performance both at Business Unit and Group level can be measured and appropriate action taken to minimise or track significant issues.

Externally there are in country industry-wide forums to which Barclays contributes and in some cases can benchmark performance, controls and current and emerging issues.

Barclays overall reported fraud losses fell in 2007, with most of the reduction coming from significant falls in internet banking fraud. As part of its efforts to enhance security, Barclays offers all its personal customers complimentary internet security software to reduce phishing attacks. The Group has also rolled out two-factor authentication technology using the new PINsentry device to make online transactions more secure. Enhanced transaction profiling has further improved our ability to identify where customer accounts have been targeted by fraudsters and take preventative action to protect funds.

Following the loss of personal data, including bank details, by both Government agencies and other third parties, data protection and security was a prominent theme in 2007. Barclays treats any incident of this nature with the utmost importance and has worked closely with industry and the Government to take steps to:

Reassure customers and provide points of contact for help and guidance.

Protect any customer accounts, whose details may have been compromised.

Develop a standard approach for dealing with accounts that may be impacted by data security breaches.

Security risk

Group Financial Crime Management (GFCM) also manages security risk. Its fundamental objective is to allow Barclays to operate in a safe and secure manner in all existing and potential future markets.

In pursuit of this objective, the Security Risk team gathers and shares current threat assessments across business areas, using intelligence from Security and Government Agencies and in country teams. It ensures that suitable policies and control systems are in place to protect Group business and that plans to protect high-risk personnel are fit for purpose and in line with accepted best practice.

Barclays has developed and continues to improve a robust people screening process to protect the bank from those people who want to harm the organisation, by either joining as staff members or becoming involved with its operations.

Security Risk is regularly reported by the businesses and reviewed via the Security Risk Management Committee, whose objectives are to:

Consider the latest management information and security threat assessments.

Drive forward mitigating action to protect the Group from potential threats.

Provide guidance to the design and effectiveness of the overall Barclays Security Risk framework.

Ensure all Security Risk workstreams have been effectively integrated and implemented.

Monitor corporate security profiles against the agreed plan, tracking issues in order that remedial action can be taken.

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Statistical and other risk information

This section of the report contains supplementary information that is more detailed or contains longer histories than the data presented in the discussion. For commentary on this information, please refer to the preceding text (pages 90 to 101).

Barclays applied International Financial Reporting Standards (IFRS) with effect from 1st January 2004, with the exception of IAS 32, IAS 39 and IFRS 4, which were applied from 1st January 2005.

Credit risk management

Table 1: Risk Tendency by business

2007 2006

£m £m

UK Banking 775 790 UK Retail Banking 470 500 Barclays Commercial Bank 305 290 Barclaycard 945 1,135 International Retail and Commercial Banking 475 220 International Retail and Commercial Banking excluding Absa 220 75 International Retail and Commercial Banking Absa 255 145 Barclays Capital 140 95 Barclays Wealth 10 10 Head office functions and other operations a 10 10

Risk Tendency by business 2,355 2,260

Table 2: Loans and advances

2007 2006

£m £m

Retail businesses

Banks Customers 164,062 139,350 Total retail businesses 164,062 139,350 Wholesale businesses Banks 40,123 30,930 Customers 185,105 146,281 Total wholesale businesses 225,228 177,211 Loans and advances 389,290 316,561

Note a Head office functions and other operations comprises discontinued business in transition.

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Table 3: Maturity analysis of loans and advances to banks

Over three Over six Over one Over three Over five months months but year years years Not more but not not more but not but not but not than three more than than one more than more than more than Over

On demand months six months year three years five years ten years ten years Total

At 31st December 2007 £m £m £m £m £m £m £m £m £m

United Kingdom 796 4,069 56 92 114 20 1 370 5,518 Other European Union 2,977 7,745 74 88 95 116 7 11,102 United States 321 5,736 95 1,255 343 98 5,498 97 13,443 Africa 283 1,260 131 114 196 439 158 2,581 Rest of the World 1,505 3,336 90 1,640 512 362 15 19 7,479 Loans and advances to banks 5,882 22,146 446 3,189 1,260 1,035 5,679 486 40,123

Over three Over six Over one Over three Over five months months but year years years Not more but not not more but not but not but not than three more than than one more than more than more than Over

On demand months six months year three years five years ten years ten years Total

At 31st December 2006 £m £m £m £m £m £m £m £m £m

United Kingdom 524 5,211 110 18 43 10 313 6,229 Other European Union 619 7,514 90 130 81 78 1 8,513 United States 431 2,592 363 2,634 5 809 923 1,299 9,056 Africa 701 1,027 83 91 188 85 44 2,219 Rest of the World 612 2,465 154 191 1,278 148 44 21 4,913 Loans and advances to banks 2,887 18,809 800 3,064 1,595 1,130 1,012 1,633 30,930

Table 4: Interest rate sensitivity of loans and advances 2007 2006

Fixed Variable Fixed Variable rate rate Total rate rate Total

At 31st December £m £m £m £m £m £m

Banks 16,447 23,676 40,123 12,176 18,754 30,930 Customers 77,861 271,306 349,167 66,000 219,631 285,631

Table 5: Loans and advances to customers by industry

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

Financial services 71,160 45,954 43,102 25,132 9,872 Agriculture, forestry and fishing 3,319 3,997 3,785 2,345 2,115 Manufacturing 16,974 15,451 13,779 9,044 7,844 Construction 5,423 4,056 5,020 3,278 2,534 Property 17,018 16,528 16,325 8,992 6,728 Government 2,036 2,426 1,718 Energy and water 8,632 6,810 6,891 3,709 3,150 Wholesale and retail, distribution and leisure 17,768 15,490 17,760 11,099 9,628 Transport 6,258 5,586 5,960 3,742 3,654 Postal and communication 5,404 2,180 1,313 834 698 Business and other services 30,363 26,999 22,529 23,223 13,913 Home loans b 112,087 94,635 87,003 79,164 72,318 Other personal 41,535 35,377 38,069 29,293 23,922 Overseas customers c 8,666 Finance lease receivables 11,190 10,142 9,088 6,938 5,877 Loans and advances to customers excluding reverse repurchase agreements 349,167 285,631 272,342 206,793 170,919 Reverse repurchase agreements n/a n/a n/a 58,304 n/a Trading business n/a n/a n/a n/a 58,961

Loans and advances to customers 349,167 285,631 272,342 265,097 229,880

Notes a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective c Overseas customers are now classified as part of other industry segments. from 1st January 2005. b Excludes commercial property mortgages.

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Table 6: Loans and advances to customers in the UK

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

Financial services 21,131 14,011 11,958 8,774 7,721 Agriculture, forestry and fishing 2,220 2,307 2,409 1,963 1,766 Manufacturing 9,388 9,047 8,469 5,684 5,967 Construction 3,542 2,761 3,090 2,285 1,883 Property 10,203 10,010 10,547 7,912 6,341 Government 201 6 6 Energy and water 2,203 2,360 2,701 802 1,286 Wholesale and retail distribution and leisure 13,800 12,951 12,747 9,356 8,886 Transport 3,185 2,745 2,797 1,822 2,579 Postal and communication 1,416 899 455 440 476 Business and other services 20,485 19,260 15,397 13,439 12,030 Home loans b 71,755 64,150 58,730 61,348 61,905 Other personal 26,810 26,088 29,250 26,872 21,905 Overseas customers c 5,477 Finance lease receivables 4,008 3,923 5,203 5,551 5,587

Loans and advances to customers in the UK 190,347 170,518 163,759 146,248 143,809

The category other personal now includes credit cards, personal loans, second liens and personal overdrafts.

The industry classifications in Tables 5-9 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent s predominant business may be in a different industry.

Table 7: Loans and advances to customers in other European Union countries

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

Financial services 7,585 5,629 3,982 2,419 1,205 Agriculture, forestry and fishing 141 786 155 280 147 Manufacturing 4,175 3,147 2,254 2,021 1,275 Construction 1,159 639 803 716 609 Property 2,510 2,162 3,299 344 346 Government 6 Energy and water 2,425 2,050 1,490 940 409 Wholesale and retail distribution and leisure 1,719 776 952 810 426 Transport 1,933 1,465 1,695 640 566 Postal and communication 662 580 432 111 40 Business and other services 3,801 2,343 3,594 3,795 1,251 Home loans b 24,115 18,616 16,488 11,828 10,334 Other personal 3,905 3,672 1,909 1,369 1,769 Overseas customers c 438 Finance lease receivables 2,403 1,559 1,870 937 212

Loans and advances to customers in other European Union countries 56,533 43,430 38,923 26,210 19,027

See note under Table 6.

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective b Excludes commercial property mortgages. from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. c Overseas customers are now classified as part of other industry segments.

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Table 8: Loans and advances to customers in the United States

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

Financial services 29,342 17,516 16,229 9,942 919 Agriculture, forestry and fishing 2 2 1 1 Manufacturing 818 519 937 388 341 Construction 18 13 32 139 2 Property 568 1,714 329 394 1 Government 221 153 300 Energy and water 1,279 1,078 1,261 891 1,358 Wholesale and retail distribution and leisure 398 403 794 466 77 Transport 137 128 148 186 468 Postal and communication 2,446 36 236 63 153 Business and other services 1,053 1,432 885 1,565 220 Home loans b 458 349 2 5,768 Other personal 3,256 2,022 1,443 845 Finance lease receivables 304 312 328 335 33

Loans and advances to customers in the United States 40,300 25,677 22,925 20,982 3,573

See note under Table 6.

Table 9: Loans and advances to customers in Africa

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

Financial services 3,472 2,821 4,350 186 27 Agriculture, forestry and fishing 956 889 1,193 102 201 Manufacturing 1,351 1,747 1,501 313 261 Construction 637 591 1,068 76 40 Property 2,433 1,987 1,673 87 40 Government 967 785 625 Energy and water 356 156 193 184 97 Wholesale and retail distribution and leisure 1,326 1,050 2,774 165 239 Transport 116 354 394 137 41 Postal and communication 231 241 27 52 29 Business and other services 1,285 2,631 1,258 1,012 412 Home loans b 15,314 11,223 11,630 214 79 Other personal 6,366 2,976 4,955 190 248 Finance lease receivables 4,357 4,240 1,580 41 45

Loans and advances to customers in Africa 39,167 31,691 33,221 2,759 1,759

See note under Table 6.

Table 10: Loans and advances to customers in the Rest of the World

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

Loans and advances 22,702 14,207 13,407 10,520 2,751 Finance lease receivables 118 108 107 74

Loans and advances to customers in the Rest of the World 22,820 14,315 13,514 10,594 2,751

Notes a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements. b Excludes commercial property mortgages.

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Table 11: Maturity analysis of loans and advances to customers

Over three Over six Over one Over three Over five months months but year years years Not more but not not more but not but not but not than three more than than one more than more than more than Over

On demand months six months year three years five years ten years ten years Total

At 31st December 2007 £m £m £m £m £m £m £m £m £m

United Kingdom

Corporate lending a 26,557 15,737 2,453 3,834 8,474 8,358 10,718 11,643 87,774

Other lending to customers in the

United Kingdom 4,384 4,717 2,106 3,597 11,517 8,699 19,325 48,228 102,573 Total United Kingdom 30,941 20,454 4,559 7,431 19,991 17,057 30,043 59,871 190,347 Other European Union 4,016 7,665 2,229 3,284 5,842 4,883 8,842 19,772 56,533 United States 3,053 20,205 3,430 5,938 1,904 2,498 2,658 614 40,300 Africa 6,806 4,243 881 1,969 5,568 4,124 2,285 13,291 39,167 Rest of the World 1,085 9,733 1,695 859 2,223 2,586 3,685 954 22,820 Loans and advances to customers 45,901 62,300 12,794 19,481 35,528 31,148 47,513 94,502 349,167

Over three Over six Over one Over three Over five months months but year years years Not more but not not more but not but not but not than three more than than one more than more than more than Over

On demand months six months year three years five years ten years ten years Total

At 31st December 2006 £m £m £m £m £m £m £m £m £m

United Kingdom

Corporate lending a 22,923 13,569 2,262 2,850 7,562 8,499 8,349 10,342 76,356 Other lending to customers in the United Kingdom 3,784 4,427 2,110 3,586 11,937 7,459 16,358 44,501 94,162 Total United Kingdom 26,707 17,996 4,372 6,436 19,499 15,958 24,707 54,843 170,518 Other European Union 2,137 6,254 1,744 2,869 4,783 4,397 6,565 14,681 43,430 United States 2,489 11,630 1,689 3,402 1,949 1,871 1,464 1,183 25,677 Africa 2,575 2,471 1,272 2,177 5,212 4,177 3,555 10,252 31,691 Rest of the World 86 6,377 1 ,015 1,020 1,116 1,465 1,800 1,436 14,315 Loans and advances to customers 33,994 44,728 10,092 15,904 32,559 27,868 38,091 82,395 285,631

Table 12: Loans and advances in currencies other than the local currency of the borrower for countries where this exceeds 1% of total Group assets

Commercial Banks industrial and other Governments and other financial and official private As % of Total institutions institutions sectors assets £m £m £m £m

At 31st December 2007

United States 2.1 26,249 7,151 6 19,092

At 31st December 2006

United States 1.7 16,579 7,307 89 9,183

At 31st December 2005

United States 2.6 24,274 15,693 8,581

At 31st December 2007, 2006 and 2005, there were no countries where Barclays had cross-currency loans to borrowers between 0.75% and 1% of total Group assets.

Note a In the UK, finance lease receivables are included in Other lending , although some leases are to corporate customers.

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Table 13: Off-balance sheet and other credit exposures as at 31st December

2007 2006 2005

£m £m £m

Off-balance sheet exposures

Contingent liabilities 45,774 39,419 47,143 Commitments 192,639 205,504 203,785

On-balance sheet exposures

Trading portfolio assets 193,691 177,867 155,723 Financial assets designated at fair value held on own account 56,629 31,799 12,904 Derivative financial instruments 248,088 138,353 136,823 Available for sale financial investments 43,072 51,703 53,497

Table 14: Notional principal amounts of credit derivatives as at 31st December

2007 2006 2005

£m £m £m

Credit derivatives held or issued for trading purposes a 2,472,249 1,224,548 609,381 Total 2,472,249 1,224,548 609,381

Table 15: Credit risk loans summary

IFRS UK GAAP 2007 2006 2005 2004 b 2003

At 31st December £m £m £m £m £m

Impaired loans c 8,574 4,444 4,550 n/a n/a Non-accruing loans n/a n/a n/a 2,115 2,261 Accruing loans where interest is being suspended with or without provisions n/a n/a n/a 492 629 Other accruing loans against which provisions have been made n/a n/a n/a 943 821 Subtotal 8,574 4,444 4,550 3,550 3,711 Accruing loans which are contractually overdue 90 days or more as to principal or interest 794 598 609 550 590 Impaired and restructured loans 273 46 51 15 4 Credit risk loans 9,641 5,088 5,210 4,115 4,305

Notes a Includes credit derivatives held as economic hedges which are not designated as b 2004 does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became hedges for accounting purposes. effective from 1st January 2005. c Includes £3,344m of ABS CDO Super Senior exposures.

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Table 16: Credit risk loans

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m Impaired loans: b

United Kingdom 3,605 3,340 2,965 n/a n/a Other European Union 472 410 345 n/a n/a United States 3,703 129 230 n/a n/a Africa 757 535 831 n/a n/a Rest of the World 37 30 179 n/a n/a Total 8,574 4,444 4,550 n/a n/a

Non-accrual loans:

United Kingdom n/a n/a n/a 1,509 1,572 Other European Union n/a n/a n/a 243 143 United States n/a n/a n/a 258 383 Africa n/a n/a n/a 74 86 Rest of the World n/a n/a n/a 31 77 Total n/a n/a n/a 2,115 2,261

Accruing loans where interest is being suspended with or without provisions:

United Kingdom n/a n/a n/a 323 559 Other European Union n/a n/a n/a 31 29 Africa n/a n/a n/a 21 37 Rest of the World n/a n/a n/a 117 4 Total n/a n/a n/a 492 629

Other accruing loans against which provisions have been made:

United Kingdom n/a n/a n/a 865 760 Other European Union n/a n/a n/a 27 35 United States n/a n/a n/a 26 Africa n/a n/a n/a 21 22 Rest of the World n/a n/a n/a 4 4 Total n/a n/a n/a 943 821

Accruing loans which are contractually overdue 90 days or more as to principal or interest:

United Kingdom 676 516 539 513 566 Other European Union 79 58 53 34 24 United States 10 3 1 Africa 29 21 17 1 Rest of the World 1 Total 794 598 609 550 590

Impaired and restructured loans:

United Kingdom 179 5 2 4 Other European Union 14 10 7 United States 38 22 16 13 Africa 42 14 23 Total 273 46 51 15 4

Total credit risk loans:

United Kingdom 4,460 3,856 3,509 3,212 3,461 Other European Union 565 478 405 335 231 United States 3,751 154 246 298 383 Africa 828 570 871 117 145 Rest of the World 37 30 179 153 85 Credit risk loans 9,641 5,088 5,210 4,115 4,305

Notes a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective b Includes £3,344m of ABS CDO Super Senior Exposures. from 1st January 2005.

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Table 17: Potential problem loans

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

United Kingdom 419 465 640 658 989 Other European Union 59 32 26 32 23 United States 964 21 12 27 259 Africa 355 240 248 67 53 Rest of the World 3 3 14 3

Potential problem loans b 1,797 761 929 798 1,327

Table 18: Interest foregone on credit risk loans

2007 2006 2005

£m £m £m

Interest income that would have been recognised under the original contractual terms

United Kingdom 340 357 304 Rest of the World 91 70 52 Total 431 427 356

Interest income of approximately £48m (2006: £72m, 2005: £29m) from such loans was included in profit, of which £26m (2006: £49m, 2005: £20m) related to domestic lending and the remainder related to foreign lending.

In addition, a further £113m (2006: £98m, 2005: £76m) was recognised arising from impaired loans. Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the expected future cash flows for the purpose of measuring the impairment loss. £93m (2006: £88m, 2005: £70m) of this related to domestic impaired loans and the remainder related to foreign impaired loans.

Table 19: Analysis of impairment/provision charges

IFRS UK GAAP 2007 2006 2005 2004 a 2003

At 31st December £m £m £m £m £m

Impairment charge/net specific provisions charge

United Kingdom 1,593 1,880 1,382 1,021 1,132 Other European Union 123 92 75 102 37 United States 374 12 76 57 84 Africa 214 143 37 27 21 Rest of the World 2 (53) 4 103 46 Impairment on loans and advances 2,306 2,074 1,574 n/a n/a Impairment on available for sale assets 13 86 4 n/a n/a Impairment charge 2,319 2,160 1,578 n/a n/a Total net specific provisions charge n/a n/a n/a 1,310 1,320 General provisions (release)/charge n/a n/a n/a (206) 27 Other credit provisions charge/(release) 476 (6) (7) (11)

Impairment/provision charges 2,795 2,154 1,571 1,093 1,347

Notes a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective b Includes £951m of ABS CDO Super Senior and SIV-lites exposures. from 1st January 2005.

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Table 20: Impairment/provisions charges ratios (Loan loss ratios)

IFRS UK GAAP 2007 2006 2005 2004 a 2003

% % % % %

Impairment/provisions charges as a percentage of average loans and advances for the year:

Specific provisions charge n/a n/a n/a 0.40 0.46 General provisions charge n/a n/a n/a (0.07) 0.01 Impairment charge 0.64 0.66 0.58 n/a n/a Total 0.64 0.66 0.58 0.33 0.47

Amounts written off (net of recoveries) 0.49 0.61 0.50 0.40 0.48

Table 21: Analysis of allowance for impairment/provision for bad and doubtful debts

IFRS UK GAAP 2007 2006 2005 2004 a 2003

£m £m £m £m £m

Impairment allowance/Specific provisions

United Kingdom 2,526 2,477 2,266 1,683 1,856 Other European Union 344 311 284 149 97 United States 356 100 130 155 121 Africa 514 417 647 70 79 Rest of the World 32 30 123 90 80

Specific provision balances n/a n/a n/a 2,147 2,233 General provision balances n/a n/a n/a 564 795 Allowance for impairment provision balances 3,772 3,335 3,450 2,711 3,028 Average loans and advances for the year 357,853 313,614 271,421 328,134 285,963

Table 22: Allowance for impairment/provision balance ratios

IFRS UK GAAP 2007 2006 2005 2004 a 2003

% % % % %

Allowance for impairment/provision balance at end of year as a percentage of loans and advances at end of year:

Specific provision balances n/a n/a n/a 0.62 0.77 General provision balances n/a n/a n/a 0.16 0.27 Impairment balance 0.97 1.05 1.14 n/a n/a Total 0.97 1.05 1.14 0.78 1.04

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

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Table 23: Movements in allowance for impairment/provisions charge for bad and doubtful debts

IFRS UK GAAP 2007 2006 2005 2004 a 2003

£m £m £m £m £m

Allowance for impairment/provision balance at beginning of year 3,335 3,450 2,637 2,946 2,998 Acquisitions and disposals (73) (23) 555 21 62 Unwind of discount (113) (98) (76) n/a n/a Exchange and other adjustments 53 (153) 125 (33) (18) Amounts written off (1,963) (2,174) (1,587) (1,582) (1,474) Recoveries 227 259 222 255 113 Impairment/provision charged against profit b 2,306 2,074 1,574 1,104 1,347

Allowance for impairment/provision balance at end of year 3,772 3,335 3,450 2,711 3,028

Table 24: Amounts written off

IFRS UK GAAP 2007 2006 2005 2004 a 2003

£m £m £m £m £m

United Kingdom (1,530) (1,746) (1,302) (1,280) (1,175) Other European Union (143) (74) (56) (63) (54) United States (145) (46) (143) (50) (215) Africa (145) (264) (81) (15) (13) Rest of the World (44) (5) (174) (17) Amounts written off (1,963) (2,174) (1,587) (1,582) (1,474)

Table 25: Recoveries

IFRS UK GAAP 2007 2006 2005 2004 a 2003

£m £m £m £m £m

United Kingdom 154 178 160 217 95 Other European Union 32 18 13 9 7 United States 7 22 15 14 10 Africa 34 33 16 4 1 Rest of the World 8 18 11 Recoveries 227 259 222 255 113

Notes a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective b Does not reflect the impairment of available for sale assets or other credit from 1st January 2005. risk provisions.

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Table 26: Impairment allowances/provision charged against profit

IFRS UK GAAP 2007 2006 2005 2004 a 2003

£m £m £m £m £m

New and increased impairment allowance/specific provision charge:

United Kingdom 1,960 2,253 1,763 1,358 1,373 Other European Union 192 182 113 131 57 United States 431 60 105 85 118 Africa 268 209 109 47 33 Rest of the World 20 18 39 134 47 2,871 2,722 2,129 1,755 1,628 Reversals of impairment allowance/specific provision charge: United Kingdom (213) (195) (221) (120) (146) Other European Union (37) (72) (25) (20) (13) United States (50) (26) (14) (14) (24) Africa (20) (33) (56) (16) (10) Rest of the World (18) (63) (17) (20) (2) (338) (389) (333) (190) (195) Recoveries (227) (259) (222) (255) (113) Net impairment allowance/specific provision charge b 2,306 2,074 1,574 1,310 1,320 General provision (release)/charge n/a n/a n/a (206) 27

Net charge to profit 2,306 2,074 1,574 1,104 1,347

Table 27: Total impairment/specific provision charges for bad and doubtful debts by industry

IFRS UK GAAP 2007 2006 2005 2004 a 2003

£m £m £m £m £m

United Kingdom:

Financial services 32 64 22 (1) 13 Agriculture, forestry and fishing 5 9 (3) Manufacturing 72 1 120 28 79 Construction 14 17 14 10 (23) Property 36 15 18 (42) (3) Energy and water 1 (7) 1 3 13 Wholesale and retail distribution and leisure 118 88 39 66 38 Transport 3 19 (27) (19) 100 Postal and communication 15 15 3 (1) 1 Business and other services 81 133 45 64 76 Home loans 1 4 (7) 17 9 Other personal 1,187 1,526 1,142 894 757 Overseas customers c 66 Finance lease receivables 33 3 2 9 1,593 1,880 1,382 1,021 1,132 Overseas 713 194 192 289 188

Impairment/specific provision charges c 2,306 2,074 1,574 1,310 1,320

The category other personal now includes credit cards, personal loans, second liens and personal overdrafts.

The industry classifications in Tables 27, 28 and 29 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent s predominant business may be in a different industry.

Notes a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective b Does not reflect the impairment of available for sale assets or other credit risk provisions. from 1st January 2005. c Overseas customers are now classified as part of other industry segments.

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Table 28: Allowance for impairment/specific provision for bad and doubtful debts by industry

IFRS UK GAAP 2007 2006 2005 2004a 2003

£m % £m % £m % £m % £m %

United Kingdom:

Financial services 103 2.7 67 2.0 26 0.8 7 0.3 12 0.5 Agriculture, forestry and fishing 5 0.1 17 0.5 12 0.3 4 0.2 5 0.2 Manufacturing 65 1.7 85 2.5 181 5.2 37 1.7 58 2.6 Construction 16 0.4 16 0.5 13 0.4 6 0.3 7 0.3 Property 54 1.4 26 0.8 24 0.7 26 1.2 3 0.1 Energy and water 1 18 0.5 23 1.0 27 1.2 Wholesale and retail distribution and leisure 102 2.7 81 2.4 99 2.9 70 3.3 52 2.3 Transport 11 0.3 24 0.7 32 0.9 55 2.6 103 4.6 Postal and communication 25 0.7 12 0.4 2 0.1 13 0.6 15 0.7 Business and other services 158 4.2 186 5.6 102 3.0 105 4.9 121 5.4 Home loans 15 0.4 10 0.3 50 1.4 58 2.7 55 2.5 Other personal b 1,915 50.8 1,953 58.6 1,696 49.2 1,265 58.9 1,359 60.9 Overseas customers c 24 1.1 Finance lease receivables 56 1.5 11 0.3 14 0.7 15 0.7 2,526 67.0 2,477 74.3 2,266 65.7 1,6 78.4 1,856 83.1 Overseas 1,246 33.0 858 25.7 1,184 34.3 464 21.6 377 16.9 Total 3,772 100.0 3,335 100.0 3,450 100.0 2,147 100.0 2,233 100.0

See note under Table 27.

Table 29: Analysis of amounts written off and recovered by industry

Amounts written off for the year Recoveries of amounts previously written off

IFRS UK GAAP IFRS UK GAAP 2007 2006 2005 2004a 2003 2007 2006 2005 2004a 2003

£m £m £m £m £m £m £m £m £m £m

United Kingdom:

Financial services 6 13 2 7 14 1 1 3 12 Agriculture, forestry and fishing 5 8 3 2 2 1 1 1 Manufacturing 83 73 47 79 126 7 21 11 30 8 Construction 23 17 15 13 19 3 2 1 2 14 Property 16 23 4 2 5 10 6 1 69 1 Energy and water 1 22 9 15 2 2 Wholesale and retail distribution and leisure 109 120 85 55 45 12 14 25 7 5 Transport 13 11 29 44 5 1 10 15 1 Postal and communication 3 5 15 2 1 1 Business and other services 83 124 83 96 58 22 17 14 16 11 Home loans 1 2 19 11 1 7 4 5 3 Other personal 1,164 1,351 992 948 790 96 107 92 65 38 Overseas customers b 82 Finance lease receivables 24 3 4 4 1 1 1 1,530 1,746 1,302 1,280 1 154 178 160 217 95 Overseas 433 428 285 302 299 73 81 62 38 18 Total 1,963 2,174 1,587 1,582 1,474 227 259 222 255 113

See note under Table 27.

Notes a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective b Overseas customers are now classified as part of other industry segments. from 1st January 2005.

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Table 30: Total impairment allowance/(provision) coverage of credit risk loans

IFRS UK GAAP 2007 2006 2005 2004 a 2003

% % % % %

United Kingdom 56.6 64.2 64.6 68.1 74.2 Other European Union 60.9 65.1 70.1 60.9 71.4 United States 9.5 64.9 52.8 57.0 39.2 Africa 62.1 73.2 74.3 68.4 54.5 Rest of the World 86.5 100.0 68.7 71.9 94.1

Total coverage of credit risk loans 39.1 65.6 66.2 66.9 71.5 Total coverage of credit risk loans excluding ABS CDO Super Senior exposure 55.6 65.6 66.2 66.9 71.5

Table 31: Total impairment allowance/(provision) coverage of potential credit risk lending (CRLs and PPLs)

IFRS UK GAAP 2007 2006 2005 2004 a 2003

% % % % %

United Kingdom 51.8 57.3 54.6 56.5 57.7 Other European Union 55.1 61.0 65.9 55.6 65.0 United States 7.6 57.1 50.4 52.3 23.4 Africa 43.4 51.5 57.8 43.5 39.9 Rest of the World 86.5 91.0 67.6 65.9 90.9

Total coverage of potential credit risk lending 33.0 57.0 56.2 56.0 54.6 Total coverage of potential credit risk lenders excluding ABS CDO

Super Senior exposure 49.0 57.0 56.2 56.0 54.6

Allowance coverage of credit risk loans and potential credit risk loans excluding the drawn ABS CDO Super Senior exposure decreased to 55.6% (31st December 2006: 65.6%) and 49.0% (31st December 2006: 57.0%), respectively. The decrease in these ratios reflected a change in the mix of credit risk loans and potential credit risk loans: unsecured retail exposures, where the recovery outlook is relatively low, decreased as a proportion of the total as the collections and underwriting processes were improved. Secured retail and wholesale and corporate exposures, where the recovery outlook is relatively high, increased as a proportion of credit risk loans and potential credit risk loans.

Allowance coverage of ABS CDO Super Senior credit risk loans was low relative to allowance coverage of other credit risk loans since substantial protection against loss is also provided by subordination and hedges. On ABS CDO Super Senior exposures, the combination of subordination, hedging and writedowns provide protection against loss levels to 72% on US sub-prime collateral as at 31st December 2007.

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

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Risk management

Supervision and regulation

Supervision and regulation

The Group s operations, including its overseas offices, subsidiaries and associates, are subject to rules and regulations, including reserve and reporting requirements and conduct of business requirements, imposed by the relevant central banks and regulatory authorities.

In the UK, the FSA is the independent body responsible for the regulation of deposit taking, life insurance, home mortgages, general insurance and investment business. The FSA was established by the Government and it exercises statutory powers under the Financial Services and Markets Act 2000.

Barclays Bank PLC is authorised by the FSA to carry on a range of regulated activities within the UK and is subject to consolidated supervision. In its role as supervisor, the FSA seeks to ensure the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers. The FSA s continuing supervision of financial institutions authorised by it is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The FSA adopts a risk-based approach to supervision. The starting point for supervision of all financial institutions is a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogeneous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment are used by the FSA to develop a risk mitigation programme for a firm. The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy, limits on large exposures to individual entities and groups of closely connected entities, liquidity and rules of business conduct. Certain of these requirements derive from EU directives as described below.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme) where an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Different levels of compensation are available to eligible claimants depending upon whether the protected claim is in relation to a deposit, a contract of insurance or protected investment business and certain types of claims are subject to maximum levels of compensation. Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in Sterling or other EEA currencies (including the euro) are covered by the Scheme. Most claims made in respect of designated investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The arrangements for compensating depositors and for dealing with failed banks are currently subject to consultation by the UK Tripartite Authorities HM Treasury, the FSA and the Bank of England. The Government has committed to presenting proposals for legislation to Parliament on these matters in the course of 2008.

Outside the UK, the Group has operations (and main regulators) located in continental Europe, in particular France, Germany, Spain, Switzerland, Portugal and Italy (local central banks and other regulatory authorities); Asia Pacific (various regulatory authorities including the Hong Kong Monetary Authority, the Financial Services Agency of Japan, the Australian Securities and Investments Commission , the Monetary Authority of Singapore, the China Banking Regulatory Commission and the Reserve Bank of India); Africa and the Middle East (various regulatory authorities including the South African Reserve Bank and the Financial Services Board and the regulatory authorities of the United Arab Emirates) and the United States of America (the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC) and the Securities and Exchange Commission).

In Europe, the UK regulatory agenda is considerably shaped and influenced by the directives emanating from the EU. A number of EU directives have recently been implemented, for example the Capital Requirements Directive and the Markets in Financial Instruments Directive (MiFID). These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework, which continues to evolve, is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays operations in Europe are authorised and regulated by a combination of both home (the FSA) and host regulators.

Barclays operations in South Africa, including Absa Group Limited, are supervised and regulated by the South African Reserve Bank (SARB) and the Financial Services Board (FSB). SARB oversees the banking industry and follows a risk-based approach to supervision whilst the FSB oversees the non-banking financial services industry and focuses on enhancing consumer protection and regulating market conduct.

In the United States, Barclays PLC, Barclays Bank PLC, and certain US subsidiaries and branches of the Bank are subject to a comprehensive regulatory structure, involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956, as amended, the Foreign Bank Supervision Enhancement Act of 1991 and the USA PATRIOT Act of 2001. Such laws and regulations impose limitations on the types of businesses, and the ways in which they may be conducted, in the United States and on the location and expansion of banking business there. The Bank s branch operations are subject to extensive federal and state supervision and regulation by the FRB, the New York State Banking Department and the OCC (in the case of Barclays Global Investors, NA); and the Delaware State Banking Commissioner and the Federal Deposit Insurance Corporation (in the case of Barclays Bank

Delaware). The investment banking and asset management operations are subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC) as well as a comprehensive scheme of regulation under the US federal securities laws, as enforced by, for example, the Financial Industry Regulatory Authority (FINRA) and the OCC.

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Governance

2 Governance

Board and Executive Committee

1.Marcus Agius

Group Chairman (Age 61)

Marcus joined the Board on 1st September 2006 and succeeded Matthew Barrett as Chairman from 1st January 2007. Marcus is the senior non-executive Director of the BBC and was Chairman of Lazard in London and a Deputy Chairman of Lazard LLC until 31st December 2006. He was formerly Chairman of BAA PLC, a position he held from 2002 until December 2006. Marcus is Trustee to the Board of the Royal Botanic Gardens, Kew and Chairman of The Foundation and Friends of the Royal Botanic Gardens, Kew. Marcus is Chairman of the Board Corporate Governance and Nominations Committee and a member of the Board HR and Remuneration Committee.

2.David Booth

Non-executive Director (Age 53)

David joined the Board on 1st May 2007. He became a member of the Board Risk Committee on 1st January 2008. He currently manages his own venture capital investments, having retired from the Management Committee of Morgan Stanley in 1997. David was employed by Morgan Stanley from 1982 to 1992 and again from 1995 to 1997. He held various positions there, including Head of Government Bond Trading, Head of Mortgage Trading, Sales and Finance and Head of Global Operations and Technology. In 1992-93, he was President and a Director of Discount Corporation of New York. In 1994-95, he was a consultant to Morgan Stanley regarding the relocation of its New York City headquarters. David is also a Trustee of the Brooklyn Botanic Garden and Chair of its Investment Committee.

3.Sir Richard Broadbent

Senior Independent Director (Age 54)

Sir Richard joined the Board in September 2003. He was appointed Senior Independent Director on 1st September 2004. Sir Richard is Chairman of Arriva PLC and was previously the Executive Chairman of HM Customs and Excise from 2000 to 2003. He was formerly a member of the Group Executive Committee of Schroders PLC and a non-executive Director of the Securities Institute. Sir Richard is Chairman of the Board Risk Committee and the Board HR and Remuneration Committee. He is also a member of the Board Corporate Governance and Nominations Committee.

4.Leigh Clifford, AO

Non-executive Director (Age 60)

Leigh joined the Board on 1st October 2004. He joined Rio Tinto in 1970 and was a Director of Rio Tinto PLC from 1994 and Rio Tinto Limited from 1995 and was Chief Executive of the Rio Tinto Group from 2000 until May 2007. Leigh was appointed to the Bechtel Board of Counsellors in May 2007 and as a non-executive Director of Qantas Airways in September 2007. He became Chairman of Qantas in November 2007. He is a member of the Board HR and Remuneration Committee and a member of the Barclays Asia Pacific Advisory Committee.

5.Fulvio Conti

Non-executive Director (Age 60)

Fulvio joined the Board on 1st April 2006. Fulvio is Chief Executive Officer and General Manager of Enel SpA, the Italian energy group, a position he has held since May 2005. He became Chief Financial Officer of Enel SpA in 1999. Fulvio was formerly Chief Financial Officer and General Manager of Telecom Italia and between 1996 and 1998 was General Manager and Chief Financial Officer of

Ferrovie dello Stato, the Italian national railway. From 1991 to 1993 he was head of the accounting, finance, and control department of Montecatini and was subsequently in charge of finance at Montedison-Compart, overseeing the financial restructuring of the group. He has been a non-executive Director of AON Corporation since January 2008. Fulvio is a member of the Board Audit Committee.

6.Dr Daniël Cronjé

Non-executive Director (Age 61)

Daniël joined the Board on 1st September 2005 following the acquisition by Barclays of a majority stake in Absa, where he was Chairman. Daniël joined Absa in 1987 and was formerly Deputy Chief Executive and Group Chief Executive until 1997. He joined Volkskas in 1975 and held various positions in Volkskas Merchant Bank and Volkskas Group. Daniël retired as Chairman of Absa on 1st July 2007 and from the Absa Board on 31st July 2007. He is currently a Director of TSB Sugar RSA Limited and Sappi Limited. He is a member of the Board Risk Committee. Daniël does not intend to seek re-election at the 2008 Annual General Meeting and will therefore leave the Board at the conclusion of the Annual General Meeting in April 2008.

7.Professor Dame Sandra Dawson Non-executive Director (Age 61)

Sandra joined the Board in March 2003. She is currently KPMG Professor of Management Studies at the University of Cambridge and has been Master of Sidney Sussex College, Cambridge since1999. She is also a Trustee and Director of Oxfam, and is a member of the UK-India Round Table, the Advisory Board of UK India Business Council and Chair of the Executive Steering Committee of the Advanced Institute of Management. Until September 2006, Sandra was Director of the Judge Business School at Cambridge, a position she had held since 1995. Sandra has held a range of non-executive posts in organisations including Rand Europe (UK), JP Morgan Fleming Claverhouse Investment Trust, and Riverside Mental Health Trust. She was also a member of the Senior Salaries Review Board. She is a member of the Board Audit Committee.

8.Sir Andrew Likierman

Non-executive Director (Age 64)

Sir Andrew joined the Board on 1st September 2004. He was previously Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury. He is Professor of Management Practice in Accounting at the London Business School and a non-executive Director of the Bank of England. Sir Andrew was formerly a non-executive Director and Chairman of MORI Group Limited. He is also a non-executive Director and Vice-Chairman of the Tavistock and Portman NHS Trust and non-executive Chairman of Applied Intellectual Capital PLC. Sir Andrew is a member of the Board Audit and Board Risk Committees.

9.Sir Michael Rake

Non-executive Director (Age 60)

Sir Michael was appointed to the Board with effect from 1st January 2008. He also became a member of the Board Audit Committee. Sir Michael is a former Chairman of KPMG International and is currently Chairman of BT Group plc and Chairman of the UK Commission for Employment and Skills. He is also a Director of The McGraw-Hill Companies and the Financial Reporting Council. Sir Michael was Chairman of Business in the Community from 2004 to 2007.

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10.Sir Nigel Rudd, DL

Deputy Chairman

Non-executive Director (Age 61)

Sir Nigel joined the Board in February 1996 and was appointed Deputy Chairman on 1st September 2004. He is non-executive Chairman of Pendragon PLC and BAA Limited. He is also a non-executive Director of BAE Systems PLC and Sappi Limited. He was formerly Chairman of Alliance Boots PLC, a position he held until June 2007. He is a member of the Board Corporate Governance and Nominations Committee and also chairs the Group s Brand and Reputation Committee.

11.Stephen Russell

Non-executive Director (Age 62)

Stephen joined the Board in October 2000 on completion of the acquisition of Woolwich PLC. He was Chief Executive of Boots Group PLC from 2000 until 2003, having worked for Boots since 1967. Stephen is a trustee of St. John s Ambulance and Tommy s the Baby Charity and is on the Council of Nottingham University. He joined the Board of Network Rail as a non-executive Director in September 2007 and became Chairman of Business Control Solutions Group in October 2007. Stephen is Chairman of the Board Audit Committee and is a member of the Board Risk and Board Corporate Governance and Nominations Committees.

12.Sir John Sunderland

Non-executive Director (Age 62)

Sir John joined the Board on 1st June 2005. He has been Chairman of Cadbury Schweppes PLC since May 2003. Sir John joined Cadbury Schweppes in 1968 and was appointed Chief Executive in September 1996. He is President of the Chartered Management Institute and Deputy President of the CBI, having retired as President on 31st December 2006. He is a former President of both ISBA (the Incorporated Society of British Advertisers) and the Food and Drink Federation. Sir John is a Director of the Financial Reporting Council, an Adviser to CVC Capital Partners, an Advisory Board Member of Trinsum Group and an Association Member of BUPA. He is a member of the Board HR and Remuneration and Board Corporate Governance and Nominations Committees.

13.Patience Wheatcroft

Non-executive Director (Age 56)

Patience was appointed to the Board on 1st January 2008. An established financial journalist and national newspaper editor, Patience is a former Editor of The Sunday Telegraph and was Business and City Editor of The Times between 1997 and 2006. She is a non-executive Director of Shaftesbury PLC, a member of the UK/India Round Table and a member of the British Olympic Association Advisory Board.

14.John Varley

Group Chief Executive

Executive Director and Chairman of Executive Committee (Age 51)

John was appointed as Group Chief Executive on 1st September 2004, prior to which he had been Group Deputy Chief Executive from 1st January 2004. He held the position of Group Finance Director from 2000 until the end of 2003. John joined the Executive Committee in September 1996 and was appointed to the Board in June 1998. He was Chief Executive of Retail Financial Services from 1998 to 2000 and Chairman of the Asset Management Division from 1995 to 1998. He is Chairman of Business Action on Homelessness, President of the Employer s Forum on Disability and a member of the International Advisory Panel of the Monetary Authority of Singapore. John is also a non-executive Director of AstraZeneca PLC.

15.Robert E Diamond Jr

President, Barclays PLC and CEO, Investment Banking and Investment Management

Executive Director and member of Executive Committee (Age 56)

Bob was appointed President of Barclays and became an executive Director on 1st June 2005. He is responsible for the Investment Banking and Investment Management business of the Barclays Group. He has been a member of the Executive Committee since September 1997. He joined Barclays in July 1996 from CSFB, where he was Vice-Chairman and Head of Global Fixed Income and Foreign Exchange. Bob is Chairman of Old Vic Productions PLC.

16.Gary Hoffman

Group Vice-Chairman

Executive Director (Age 47)

Gary was appointed as Group Vice-Chairman in July 2006. He was formerly Chairman of UK Banking and of Barclaycard and prior to that was Chief Executive of Barclaycard. He joined the Board on 1st January 2004. As Group Vice-Chairman, Gary is accountable on the Board for a range of responsibilities including Corporate Sustainability, Public Policy, Equality and Diversity, leading the Group s response to the FSA s Treating Customers Fairly initiative, chairing the Group s Governance and Control Committee and franchise health with customers, employees and communities. Gary joined the Group in 1982. Gary is also a non-executive Director of Trinity Mirror PLC.

17.Christopher Lucas

Group Finance Director

Executive Director and member of Executive Committee (Age 47)

Chris joined the Board on 1st April 2007. Chris came from

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

18.Frederik (Frits) Seegers

Chief Executive, Global Retail and Commercial Banking

Executive Director and member of Executive Committee (Age 49)

Frits was appointed as Chief Executive of Global Retail and Commercial Banking and became an executive Director on 10th July 2006. He is responsible for all Barclays retail and commercial banking operations globally, including UK Retail Banking, Barclays Commercial Bank, International Retail and Commercial Banking and Barclaycard. He is also a non-executive Director of Absa Group Limited. Frits joined the Board from Citigroup, where he previously held a number of senior positions, latterly CEO Global Consumer Group with a remit covering all retail operations in Europe, Middle East and Africa. He was also a member of the Citigroup Operating Committee and the Citigroup Management Committee.

19.Paul Idzik

Chief Operating Officer

Member of Executive Committee (Age 47)

Paul joined the Executive Committee and became Chief Operating Officer in November 2004. He is also Chairman of the Group Operating Committee. Paul was formerly Chief Operating Officer of Barclays Capital. He joined Barclays Capital in August 1999 following a career with Booz Allen & Hamilton, where he was a partner and senior member of the Financial Institutions Practice.

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Directors report

Directors report Business Review

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31st December 2007 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a Business Review).

The information that fulfils the requirements of the Business Review can be found in the following sections of the Annual Report:

Pages

Key performance indicators 10-13

Financial Review 15-71

Risk factors 78-79

Sustainability 72-74 which are incorporated into this report by reference.

Profit Attributable

The profit attributable to equity shareholders of Barclays PLC for the year amounted to £4,417m, compared with £4,571m in 2006.

Dividends

The final dividends for the year ended 31st December 2007 of 22.5p per ordinary share of 25p each and 10p per staff share of £1 each have been agreed by the Directors. The final dividends will be paid on 25th April 2008 in respect of the ordinary shares registered at the close of business on 7th March 2008 and in respect of the staff shares so registered on 31st December 2007. With the interim dividends of 11.5p per ordinary share and of 10p per staff share that were paid on 1st October 2007, the total distribution for 2007 is 34.0p (2006: 31.0p) per ordinary share and 20p (2006: 20p) per staff share. The dividends for the year absorb a total of £2,253m (2006: £1,973m).

Dividend Reinvestment Plan

Ordinary shareholders may have their dividends reinvested in Barclays PLC ordinary shares by participating in the Dividend Reinvestment Plan.

The plan is available to all ordinary shareholders provided that they do not live in, and are not subject to the jurisdiction of, any country where their participation in the plan would require Barclays or The Plan Administrator to take action to comply with local government or regulatory procedures or any similar formalities. Any shareholder wishing to obtain details of the plan and a mandate form should contact The Plan Administrator to Barclays at Aspect House, Spencer Road, Lancing BN99 6DA. Those wishing to participate for the first time in the plan should send their completed mandate form to The Plan Administrator so as to be received by 4th April 2008 for it to be applicable to the payment of the final dividend on 25th April 2008. Existing participants should take no action unless they wish to alter their current mandate instructions, in which case they should contact The Plan Administrator.

Share Capital

During the year Barclays PLC purchased in the market for cancellation 299,547,510 of its ordinary shares of 25p each, at a total cost of £1,802,173,355, in order to minimise the dilutive effect on existing shareholders of the issuance of a total of 336,805,556 Barclays ordinary shares to Temasek Holdings and China Development Bank. These transactions represent 4.5% of the issued share capital at 31st December 2007. As at 27th February 2008 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase shares up to a maximum of 645.1 million ordinary shares.

The issued ordinary share capital was increased by 65.5m ordinary shares during the year as a result of the exercise of options under the Sharesave and Executive Share Option Schemes. At 31st December 2007 the issued ordinary share capital totalled 6,600,181,801 shares. Ordinary shares represent 99.99% of the total issued share capital and Staff shares represent the remaining 0.01% as at 31st December 2007.

The Barclays PLC Memorandum and Articles of Association, a summary of which can be found in the Shareholder Information section on pages 284-286, contain the following details, which are incorporated into this report by reference:

The structure of the Company s capital, including the rights and obligations attaching to each class of shares.

Restrictions on the transfer of securities in the Company, including limitations on the holding of securities and requirements to obtain approvals for a transfer of securities.

Restrictions on voting rights.

The powers of the Directors, including in relation to issuing or buying back shares in accordance with the Companies Act 1985. It will be proposed at the 2008 AGM that the Directors be granted new authority to allot under the Companies Act 1985.

Rules that the Company has about the appointment and removal of Directors or amendments to the Company s Articles of Association.

Employee Benefit Trusts (EBTs) operate in connection with certain of the Group s Employee Share Plans (Plans). The Trustees of the EBTs may exercise all rights attached to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. Further information on the EBTs voting policy can be found on page 148.

Substantial Shareholdings

As at 27th February 2008, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the FSA of the following holdings of voting rights in its shares:

China Development Bank

(via its subsidiary Upper Chance Group Ltd) 3.02% Legal & General Group plc 4.02% Lloyds TSB Group Plc 5.01%

Substantial shareholders do not have different voting rights from those of other shareholders. As at 27th February 2008, the Company had been notified that Lloyds TSB Group Plc held voting rights over 329,648,746 of its ordinary shares, amounting to 5.01% of the Company s total voting rights, as shown above.

Board Membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical and biographical details of the Board members are set out on pages 128 and 129.

Chris Lucas joined the Board as Group Finance Director on 1st April 2007 and Naguib Kheraj left the Board on 31st March 2007.

David Booth joined the Board as a non-executive Director on 1st May 2007 and Patience Wheatcroft and Sir Michael Rake were appointed as non-executive Directors with effect from 1st January 2008.

Retirement and Re-election of Directors

In accordance with its Articles of Association, one-third (rounded down) of the Directors of Barclays PLC are required to retire by rotation at each Annual General Meeting (AGM), together with Directors appointed by the Board since the last AGM. The retiring Directors are eligible to stand for re-election. In addition, the UK Combined Code on Corporate Governance (the Code), recommends that every Director should seek re-election by shareholders at least every three years.

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The Directors retiring by rotation at the 2008 AGM and offering themselves for re-election are Fulvio Conti, Gary Hoffman and Sir John Sunderland. Sir Nigel Rudd retires annually as recommended by the Code and is offering himself for re-election. In addition, David Booth, Sir Michael Rake and Patience Wheatcroft, who were appointed as Directors since the last AGM, will be offering themselves for re-election at the 2008 AGM. Danie Cronjé is retiring at the AGM and is not offering himself for re-election.

Directors Interests

Directors interests in the shares of the Group on 31st December 2007 are shown on page 158.

Directors Emoluments

Information on emoluments of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the Listing Rules of the United Kingdom Listing Authority, is given in the Remuneration report on pages 144 to 158 and in Note 42 to the accounts.

Directors Indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31st December 2007 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Activities

Barclays PLC Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The Group operates through branches, offices and subsidiaries in the UK and overseas.

Community Involvement

Barclays has an extensive community programme covering many countries around the world. The Group provides funding and support to over 7,140 charities and voluntary organisations, ranging from small, local charities, like Passage (UK), to international organisations like the Red Cross. We also have a very successful employee programme which in 2007 saw more than 43,700 employees and pensioners worldwide taking part in Barclays-supported volunteering, giving and fundraising activities. Further information on our community involvement is given on pages 72 and 74.

The total commitment for 2007 was £52.4m (2006: £46.5m). The Group committed £38.9m in support of the community in the UK (2006: £39.6m) and £13.5m was committed in international support (2006: £6.9m). The UK commitment includes £30.4m of charitable donations (2006: £35.2m).

Political Donations

The Group did not give any money for political purposes in the UK nor did it make any donations to EU political organisations or incur any EU political expenditure during the year. Absa Group Limited, in which the Group acquired a majority stake in 2005, made donations totalling £170,142 in 2007 (2006: £212,729) in accordance with its policy of making political donations to the major South African political parties to support the development of democracy in South Africa. The Group made no other political donations in 2007.

At the AGM in 2007, shareholders gave a limited authority for Barclays Bank PLC to make political donations and incur political expenditure, within an agreed limit, as a precautionary measure in light of the wide definitions in The Political Parties, Elections and Referendums Act 2000. This was similar to an authority given by shareholders in 2006. This authority, which has not been used, expires at the conclusion of the AGM held this year, or, if earlier, 26th July 2008. The Companies Act 2006 largely restates the provisions of The Political Parties, Elections and Referendums Act 2000. The risk of inadvertently breaching the Companies Act 2006 remains and the Directors consider it prudent to seek a similar authority from shareholders. A resolution to authorise Barclays PLC and its subsidiaries to make EU political donations and incur EU political expenditure up to a maximum aggregate sum of £125,000 is therefore being proposed at the Barclays PLC 2008 AGM.

Employee Involvement

Barclays is committed to ensuring that employees share in the success of the Group. Staff are encouraged to participate in share option and share purchase schemes and have a substantial sum invested in Barclays shares. Employees are kept informed of matters of concern to them in a variety of ways, including the corporate news magazines, intranets, briefings and mobile phone SMS messaging. These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of Barclays.

Barclays is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. An annual Employee Opinion Survey is undertaken with results being reported to the Board HR and Remuneration Committee, all employees and to Unite (Amicus section), our recognised union in the UK. Roadshows and employee forums also take place.

In addition, Barclays undertakes regular and formal Group, business unit and project specific consultations with Unite (Amicus section).

Diversity and Inclusion

The diversity agenda at Barclays seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people, regardless of (but not limited to) race, religion, age, gender, sexual orientation or disability. We strive to ensure our workforce reflects the communities in which we operate and the international nature of the organisation. We recognise that diversity is a key part of responsible business strategy in support of our increasingly global business.

Barclays is committed to providing additional support to employees with disabilities and making it easier for them to inform us of their specific requirements, including the introduction of a dedicated intranet site and disability helpline. Through our Reasonable Adjustments Scheme, appropriate assistance can be given, including both physical workplace adjustments, and relevant training and access to trained mentors is also provided for disabled employees. A wide range of recruitment initiatives have been taken to increase the number of people with disabilities working in Barclays.

Health and Safety

Barclays is committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. Barclays regards legislative compliance as a minimum and, where appropriate, we seek to implement higher standards. Barclays also recognises its responsibilities towards all persons on its premises, such as contractors, visitors and members of the public, and ensures, so far as is reasonably practicable, that they are not exposed to significant risks to their health and safety.

Barclays regularly reviews its Statement of Health and Safety Commitment, issued with the authority of the Board and which applies to all business areas in which Barclays has operational control. In this statement Barclays commits to: demonstrate personal leadership that is consistent with this commitment; provide the appropriate resources to fulfil this commitment; carry out risk assessments and take appropriate actions to mitigate the risks identified; consult with our employees on matters affecting their health and safety; ensure that appropriate information, instruction, training and supervision are provided; appoint competent persons to provide specialist advice; and review Barclays Health and Safety Group Process and the Statement of Commitment, at regular intervals.

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Directors report

Barclays monitors its health and safety performance using a variety of measurements on a monthly basis and the Board HR and Remuneration Committee receives annual reports on health and safety performance from the Human Resource Director. As part of its Partnership Agreement with Unite (Amicus section), Barclays currently funds full time Health and Safety Representatives.

Creditors Payment Policy

Barclays values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses, in a timely manner. It is the Group s practice to agree terms with suppliers when entering into contracts. We negotiate with suppliers on an individual basis and meet our obligations accordingly. The Group does not follow any specific published code or standard on payment practice.

Paragraph 12(3) of Schedule 7 of the Companies Act 1985 requires disclosure of trade creditor payment days. Disclosure is required by the Company, rather than the Group. The Group s principal trading subsidiary in the UK is Barclays Bank PLC, the accounts for which are prepared in accordance with International Financial Reporting Standards. The components for the trade creditor calculation are not easily identified. However, by identifying as closely as possible the components that would be required if Schedule 4 of the Companies Act 1985 applied, the trade creditor payment days for Barclays Bank PLC for 2007 were 27 days (2006: 28 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

Financial Instruments

The Group s financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in pages 75 to 108 under the headings, Barclays approach to risk management , Credit Risk Management , Market risk management , Liquidity Management and Derivatives and in Note 14 and Notes 45 to 48 to the accounts.

Events after the Balance Sheet Date

On 3rd March 2008, Barclays entered into an agreement with Petropavlovsk Finance (Limited Liability Society) to acquire 100% of the Russian bank, Expobank, for a consideration of approximately $745m (£373m). The transaction is expected to close in summer 2008 after the receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994, it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group s use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. More details on this can be found on pages 138 and 139 and Note 9 to the accounts. Having reviewed the independence and effectiveness of the external auditors, the Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2008 AGM.

So far as each of the Directors are aware, there is no relevant audit information of which the Company s auditors are unaware. Each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company s auditors are aware of that information. For these purposes, relevant audit information means information needed by the Company s auditors in connection with preparing their report.

The Annual General Meeting and

Class Meeting of Ordinary Shareholders

The Barclays PLC AGM will be held at The Queen Elizabeth II Conference Centre on Thursday 24th April 2008. The Notice of AGM is included in a separate document sent to shareholders with this report. A summary of the resolutions being proposed at the 2008 AGM is set out below:

Ordinary Resolutions

To receive the Directors and Auditors Reports and the audited accounts for the year ended 31st December 2007.

To approve the Directors Remuneration Report for the year ended 31st December 2007.

To re-elect the following Directors: David Booth; Sir Michael Rake; Patience Wheatcroft; Fulvio Conti; Gary Hoffman; Sir John Sunderland; and Sir Nigel Rudd.

To reappoint PricewaterhouseCoopers LLP as auditors of the Company.

To authorise the Directors to set the remuneration of the Auditors.

To authorise Barclays PLC and its subsidiaries to make EU political donations and incur EU political expenditure.

To renew the authority given to the Directors to allot securities.

Special Resolutions

To renew the authority given to the Directors to allot securities for cash other than on a pro-rata basis to shareholders and to sell treasury shares.

To renew the Company s authority to purchase its own shares.

To authorise the purchase of staff shares.

To create preference shares.

To adopt new Articles of Association.

A Class Meeting of ordinary shareholders will be held at the conclusion of the AGM to consider an extraordinary resolution approving the creation of preference shares.

This is only a summary of the business to be transacted at the meetings and you should refer to the Notice of Shareholder Meetings for full details. By order of the Board

Lawrence Dickinson Company Secretary

7th March 2008

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Group Chairman s Introduction

I am pleased to report to you on the activities of the Board and its Committees over the past 12 months, my first year as Group Chairman. It has been an eventful and busy year but we have continued to apply the high standards of corporate governance that we set both for ourselves as a Board and for our Company.

Since I last reported to you, there have been a number of changes to the Board. Chris Lucas succeeded Naguib Kheraj as Group Finance Director in April 2007 and we have significantly strengthened the independent non-executive presence on the Board with the appointments of David Booth, Sir Michael Rake and Patience Wheatcroft.

We report below on how we have complied in 2007 with the UK Combined Code on Corporate Governance (the Code). We are committed to promoting good corporate governance. We seek to be at the forefront of global best practice and to respond, in a timely fashion, to corporate governance developments. To gain a greater understanding of the corporate governance framework within Barclays I encourage you to read Corporate Governance in Barclays , which is available from our website.

Statements of Compliance

UK Combined Code on Corporate Governance

As Barclays is listed on the London Stock Exchange we comply with the UK Combined Code on Corporate Governance (the Code). The Code was revised in June 2006 and the revised Code applied to Barclays with effect from 1st January 2007. For the year ended 31st December 2007, we have complied with the relevant provisions set out in section 1 of the Code and applied the principles of the Code as described in this report.

NYSE Corporate Governance Rules

Barclays has American Depositary Receipts listed on the New York Stock Exchange (NYSE) and is therefore subject to the NYSE s Corporate Governance rules (NYSE Rules). As a non-US company listed on the NYSE, we are exempt from most of the NYSE Rules, which domestic US companies must follow. We are required to provide an Annual Written Affirmation to the NYSE of our compliance with the applicable NYSE Rules and also to disclose any significant ways in which our corporate governance practices differ from those followed by domestic US companies listed on the NYSE. As our main listing is on the London Stock Exchange, we follow the UK s Combined Code. Key differences between the NYSE Rules and the Code are set out later in this report.

Marcus Agius Group Chairman

7th March 2008

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Corporate Governance Framework

Board

(Group Chairman, Five executive Directors,

Board Audit Committee 12 non-executive Directors) Board HR and

Remuneration Committee Group Chief Executive

Board Corporate Governance Board Risk Committee and Nominations Committee Executive Committee

Management committees

(including Disclosure Committee)

The overall governance framework within which the Group operates is set out above. Details of the Group s risk management framework can be found on pages 80 to 112.

The Board manages the Company on behalf of the shareholders. In order to run the business effectively, the Board delegates responsibility for the day-to-day management of the Company to the Group Chief Executive, who is supported by the Executive Committee, which he chairs. The Executive Committee is supported by various management committees, including the Disclosure Committee. Details of the Disclosure Committee are set out on page 141. The rest of this report describes the way in which the Board and its Committees operate within the governance framework.

The terms of reference for each of the principal Board Committees are available from the Corporate Governance section at: http://www.aboutbarclays.com

There are eight scheduled Board meetings each year. One of these meetings is a day and a half off-site meeting for the purposes of considering and approving the Group s strategy. The Group Chairman meets privately with the non-executive Directors before each scheduled Board meeting in order to brief them on the business of the meeting and identify any shared areas of concern. In addition to the scheduled Board meetings in 2007, there were a further 13 Board meetings held in relation to the proposed merger with ABN AMRO and ten meetings of a specially appointed Committee of the Board (the Transaction Committee), comprising the Group Chairman, Group Chief Executive, Deputy Chairman and Senior Independent Director, which was established for the purpose of overseeing the proposed merger with ABN AMRO and considering various aspects of the proposed transaction. Attendance at the additional Board meetings, which were often called at short notice, was 88.1%. Attendance at the Transaction Committee was 100%.

Scheduled Board and Committee meetings are arranged well in advance to ensure, as far as possible, that Directors can manage their time commitments. All Directors are provided with supporting papers and relevant information for each meeting and are expected to attend, unless there are exceptional circumstances that prevent them from doing so. Attendance at the scheduled Board meetings is set out on page 137. Reasons for non-attendance are generally prior business or personal commitments. In the event that a Director is unable to attend a meeting, they will still receive the papers for the meeting and will normally discuss any matters they wish to raise with the Chairman of the meeting to ensure their views are taken into account. In addition, all Directors are able to discuss any issues with the Group Chairman and Group Chief Executive at any time. In the case of Leigh Clifford, who was unable to attend two meetings of the Board HR and Remuneration Committee in 2007 because of other commitments, including his relocation to Australia following his retirement as Chief Executive of Rio Tinto, he received the papers for the meetings he was unable to attend and provided comments to the Committee Chairman ahead of both meetings. In 2007, all Directors contributed the time necessary to discharge their responsibilities to the Board.

The Group Chairman works closely with the Company Secretary to ensure that accurate, timely and clear information flows to the Board. Supporting papers for scheduled meetings are distributed the week before each meeting. Directors may also access electronic copies of meeting papers and other key documents quickly and securely via a dedicated Directors Intranet. Examples include past and current Board and Committee papers, reports, minutes, press coverage, analyst reports and material from training sessions. All Directors have access to the services of the Company Secretary and his team, and can take independent professional advice on request, at the Company s expense.

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The Board

Role of the Board

Under UK company law, Directors must act in a way they consider, in good faith, would be most likely to promote the success of Barclays for the benefit of the shareholders as a whole. In doing so, the Directors must have regard (amongst other matters) to: the likely consequences of any decision in the long-term; the interests of Barclays employees; the need to foster Barclays business relationships with suppliers, customers and others; the impact of Barclays operations on the community and the environment; the desirability of Barclays maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of Barclays. The role and responsibilities of the Barclays Board, which encompass the duties of Directors described above, are set out in Corporate Governance in Barclays. The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Group s businesses. It therefore determines the goals and policies of the Group to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board aims to ensure that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In carrying out this responsibility, the Board has regard to what is appropriate for the Group s business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is also the decision-making body for all other matters of such importance as to be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences. There is a formal schedule of matters reserved for the Board s decision, which is summarised in the panel above right.

The chart below left illustrates how the Board allocated its time at its eight scheduled meetings during 2007. If the additional meetings relating to the proposed merger with ABN AMRO are taken into account, 49% of the Board s time in 2007 was spent on M&A. A typical Board meeting receives reports from the Group Chief Executive and Group Finance Director and will also be presented with an update on the execution of strategy in one or two of the main businesses and functions. It will also receive reports from each of the principal Board Committees and may also receive a report from the Company Secretary on any relevant corporate governance matters.

Summary of matters reserved for the Board

- Approval of interim and final financial statements, dividends and any significant change in accounting policies or practices.
- Approval of strategy.
- Major acquisitions, mergers or disposals.
- Major capital investments and projects.
- Board appointments and removals.
- Role profiles of key positions on the Board.
- Terms of reference and membership of Board Committees.
- Remuneration of auditors and recommendations for appointment or removal of auditors.
- Changes relating to capital structure or status as a PLC.
- Approval of all circulars, prospectuses and significant press releases.
- Principal regulatory filings with stock exchanges.
- Rules and procedures for dealing in Barclays securities.

Any share dividend alternative.

Major changes in employee share schemes.

Appointment (or removal) of company secretary.

Board structure and composition

The roles of the Group Chairman and Group Chief Executive are separate. The Group Chairman s main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Board has delegated the responsibility for the day-to-day management of the Group to the Group Chief Executive, who is responsible for recommending strategy to the Board, leading the executive Directors and for making and implementing operational decisions.

The Board of Directors has collective responsibility for the success of the Group. However, executive Directors have direct responsibility for business operations, whereas non-executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board, providing objective challenge to management. The Board can draw on the wide range of skills, knowledge and experience they have built up as Directors of other companies, as business leaders, in government or in academia. It is the intention to have a broad spread of geographical experience represented on the Board. The chart below right illustrates the geographical experience of the current non-executive Directors. Barclays has adopted a Charter of Expectations, which sets out, in detail, the roles of each of the main positions on the Board including that of the Group Chairman, Deputy Chairman, Senior Independent Director and both non-executive and executive Directors. Sir Richard Broadbent continued in the role of Senior Independent Director in 2007. The Senior Independent Director is an additional contact point for shareholders and also monitors the performance of the Group Chairman on behalf of the Board. Sir Nigel Rudd continued in the role of Deputy Chairman during 2007. The Charter of Expectations, including role profiles for key Board positions, is available from: http://www.aboutbarclays.com

Board allocation of time

1 Strategy Formulation and Implementation Monitoring 39%

2 Operational and Financial

5 Performance 27%

4 3 Governance and Risk 9% 1

4 M&A 16% 3

5 Other 9% 2

Geographical mix (main experience) of non-executive Directors

1 UK 8

2 Continental Europe 1

3 US 1

4 4 Other 2 3 2 1

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There is a strong independent element on the Board and, in line with the recommendations of the Code, at least half the Board are independent non-executive Directors. At the date of this report, the Board is comprised of the Group Chairman, five executive Directors and 12 non-executive Directors. The balance of the Board is illustrated by the chart below left. The Board Corporate Governance and Nominations Committee is responsible for reviewing the composition and balance of the Board and its principal Committees and for recommending to the Board the appointment of new Directors. These regular reviews aim to ensure that there is an appropriate mix of skills and experience on the Board, taking into account the need to progressively refresh the Board. Details of the experience and skills of each of the current Directors are set out in their biographies on pages 128 to 129. The length of tenure of the current non-executive Directors is illustrated by the chart below right.

All Directors are required to seek re-election every three years and any Directors appointed during the year seek re-election at the next annual general meeting (AGM). Sir Nigel Rudd, who has served on the Board since 1996, seeks re-election annually. These periods are in line with the recommendations of the Code. Details of Directors proposed for re-election are given in the Notice of Shareholder Meetings, which is enclosed separately with this Report.

Executive Directors are allowed to serve on one other listed company board, in addition to their role at Barclays.

Independence of non-executive Directors

The Code sets out circumstances which the Board may find relevant when determining the independence of a non-executive Director. The Board considers that the following behaviours, as set out in our Charter of Expectations, are essential for the Board to conclude an individual is independent: provides objective challenge to management; is prepared to challenge others assumptions, beliefs or viewpoints as necessary for the good of the organisation; questions intelligently, debates constructively, challenges rigorously and decides dispassionately; is willing to stand up and defend their own beliefs and viewpoints in order to support the ultimate good of the organisation; and has a good understanding of the organisation s business and affairs to enable them properly to evaluate the information and responses provided by management.

The Board considers non-executive Director independence on an annual basis, as part of each Director s performance review.

The Corporate Governance and Nominations Committee and subsequently the Board reviewed the independence of non-executive Directors in early 2008 and concluded that each of them continues to demonstrate these essential behaviours. In determining that each of the non-executive Directors remains independent, the Board considered in particular the following:

Sir Nigel Rudd has served as a non-executive Director since 1996. The Code suggests that length of tenure is a factor to consider when determining independence. As recommended by the Code, it is our policy that any Director who serves for more than nine years should seek annual re-election by shareholders and that all Directors subject to re-election should undergo a rigorous performance evaluation.

At the time of his appointment to the Board, Dr Danie Cronjé was Chairman of Absa. The Code suggests that such a business relationship is a factor to be considered by the Board when determining independence. The Code further suggests that cross-directorships may affect independence. Sir Nigel Rudd and Dr Cronjé are both non-executive Directors of Sappi Limited. Dr Cronjé retired as Chairman of Absa and left the Absa Board in 2007 and will not submit himself for re-election as a Director of Barclays when he retires at the 2008 AGM.

As a result of the annual performance review, the Board concluded that Sir Nigel Rudd and Dr Cronjé both continue to demonstrate the essential characteristics of independence expected by the Board. Sir Nigel s length of service, and his resulting experience and knowledge of Barclays, is viewed by the Board as being especially valuable, particularly as only one other non-executive Director has served for more than six years and the Board continues to be regularly refreshed.

All Directors must report any changes in their circumstances to the Board and the Board reserves the right to terminate the appointment of a non-executive Director if there are any material changes in their circumstances that may conflict with their commitments as a Barclays Director or that may impact on their independence.

Balance of non-executive and executive Directors

1 Chairman 1

2 Executive Directors 5

3 Independent non-executive

1 Directors 12 2

3

Length of tenure of non-executive Directors

1 0-3 years 6

2 3-6 years 4

3 6-9 years 1

4 4 Over 9 years 1 3 1 2

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Board and Committee Membership and Attendance

The table below sets out attendance of Directors at scheduled Board and Committee meetings in 2007.

Board Board HR & Corporate

Board Remuner- Governance & Board Audit ation Nominations Risk Independent Board Committee Committee Committee Committee Number of scheduled meetings 8 8 4 2 4

Group Chairman

Marcus Agius OA 8 4 2

Executive Directors

John Varley (Group Chief Executive) ED 8 Robert E Diamond Jr ED 8 Gary Hoffman ED 8 Chris Lucas (joined the Board 1st April 2007) ED 6 Seegers ED 8 Naguib Kheraj (left the Board 31st March 2007) ED 2

Non-executive Directors

David Booth (joined the Board 1st May 2007) I 5 Sir Richard Broadbent (Senior Independent Director) I 8 4 2 4 Leigh Clifford I 7 2 Fulvio Conti I 7 6 D Danie Cronjé I 8 4 Professor Dame Sandra Dawson I 8 8 Sir Andrew Likierman I 8 8 4 Sir Nigel Rudd (Deputy Chairman) I 8 2 Stephen Russell I 8 8 Sir John Sunderland I 8 4 2

Key

OA Independent on appointment ED Executive Director

I Independent non-executive Director

Board Committees

In order for the Board to carry out its functions, and to ensure independent oversight of internal control and risk management, certain aspects of its role are delegated to Board Committees, whose members are non-executive Directors. The specific matters for which delegated authority has been given are set out in each Board Committee s terms of reference, which are reviewed annually.

The Board has delegated authority to four principal Board Committees:

Board Audit Committee

Board Risk Committee

Board Corporate Governance and Nominations Committee

Board HR and Remuneration Committee

The Board appoints Committee members on the recommendation of the Board Corporate Governance and Nominations Committee, which regularly reviews Committee composition and balance and the need for refreshment. The number of scheduled meetings held and attendance at the Committee meetings is set out above in Board and Committee Membership and Attendance . The Board Committees report on their activities on the following pages.

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Board Audit Committee

Stephen Russell (Chairman) Fulvio Conti Professor Dame Sandra Dawson Sir Andrew Likierman

Sir Michael Rake (from 1st January 2008) Secretary: Lawrence Dickinson

The Board Audit Committee terms of reference are available from the Corporate Governance section at: http://www.aboutbarclays.com There are a number of regular attendees at each meeting, including the Group Chief Executive, Group Finance Director, Barclays Internal Audit Director, Barclays Risk Director, Barclays General Counsel and the lead external audit partner. The Board Audit Committee members meet with the external auditors and the Barclays Internal Audit Director, without management present, as part of most Committee meetings. Sir Andrew Likierman continued in his role as financial expert as defined by the US Sarbanes-Oxley Act of 2002 and has recent and relevant financial experience as recommended by the Code, as a result of his accountancy background and his career with HM Treasury. Since the year end, Sir Michael Rake, a former Chairman of KPMG International, has been appointed a member of the Committee.

Activities in 2007

The chart below illustrates how the Committee spent its time in 2007. During 2007, the Committee: considered control issues of Group level significance for different areas of the business; received reports on the control environment in each of the following areas: Barclaycard, BGI, Barclays Commercial Bank, Western Europe, Emerging Markets, GRCB IT, UK Retail Banking and Barclays Capital; reviewed the effectiveness and independence of the Group statutory auditor; monitored the performance of the Internal Audit function; reviewed internal control and risk management systems; considered the provision of non-audit services by the Group statutory auditor more details can be found in the panel opposite; approved the re-appointment, remuneration and engagement letter of the Group statutory auditor; reviewed the Annual Report and Accounts and Preliminary and Interim Results; considered the effectiveness of internal controls over financial reporting; received reports from the external and internal auditors; reviewed the Global Internal Audit Plan; received regular reports on concerns raised by employees (whistleblowing more details can be found on page 139); and considered the Fraud Risk Control Framework.

The Committee also received regular updates during 2007 on:

Basel II;

MiFID;

Sarbanes-Oxley compliance; and

Sanctions compliance.

In February 2008, the Committee reviewed its activities in 2007 against its terms of reference and concluded that it had discharged the responsibilities delegated to it under those terms of reference.

Non-audit services policy

The Committee takes seriously its responsibility to put in place safeguards to auditor objectivity and independence. It has therefore established a policy on the provision of services by the Group s statutory auditor. The Policy describes the circumstances in which the Auditor may be permitted to undertake non-audit work for the Group. The Committee oversees compliance with the Policy and considers and approves requests to use the Auditor for non-audit work.

Allowable non-audit services require pre-approval before they can be carried out. For allowable services, the Committee has pre-approved all assignments where the expected fee does not exceed £100,000, or £10,000 in the case of certain taxation services. Any assignment where the expected fee is above the relevant threshold requires specific approval from the Committee or a member of the Committee. The Company Secretary and his team deal with day-to-day administration of the Policy, facilitating requests for approval by the Committee. The Committee receives a report at each meeting on the non-audit services provided by the Auditor and the Policy is reviewed by the Committee annually. Details of the services that are prohibited and allowed are set out below.

Services that are prohibited include: bookkeeping design and implementation of financial information systems appraisal or valuation services actuarial services internal audit outsourcing management and Human Resource functions

broker or dealer, investment advisor or investment banking services legal, expert and tax services involving advocacy Allowable services that may be approved include: statutory and regulatory audit services and regulatory non-audit services other attest and assurance services accountancy advice and training risk management and controls advice transaction support taxation services business support and recoveries translation services

Board Audit Committee allocation of time

1 Internal control issues 9%

2 Financial results 33%

3 Internal audit matters 9%

6 7 1 4 External audit matters 9%

5 Business control environment 25%

5 2 6 Governance and compliance 14%

7 Other 1%

4 3

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Approval of financial statements

Barclays has in place a strong governance process to support its framework of disclosure controls and procedures. That process, in which the Board Audit Committee plays a key role, is illustrated below.

Legal and Technical Disclosure Executive Board Audit Board Review Committee Committee Committee Committee

Reviews the Reviews and Reviews Disclosure Receives a report on Approves the results annual results agrees the Group s Committee the review of Group announcement announcement and disclosures to ensure conclusions and internal controls and Annual Report Annual Report for they are appropriate provides further for publication and Reviews the financial technical accounting, and correct challenge as needed ensures relevant statements prior to legal and regulatory disclosures have Reviews and Agrees annual results approval by the Board compliance been made evaluates the announcement Reviews Disclosure Reports its Group s disclosure and Annual Report Committee conclusions to controls and subject to Board conclusions and the Disclosure procedures and Board Audit provides further Committee Committee Reports conclusions challenge as approval to Executive necessary Committee and CEO and FD take Board Audit opportunity to Committee challenge Executive Committee members

2 Governance

The membership of the Disclosure Committee and its role is set out on page 141. The Legal and Technical Review Committee is an accounting, legal and regulatory compliance committee, which is responsible for reviewing the Group s financial reports and disclosures and for ensuring they have been subject to adequate verification. Meetings are attended by the Group s external US lawyers and auditors. This governance process ensures that there is sufficient opportunity for both management and the Board to review and challenge the Group s financial statements and other significant disclosures before publication. It also provides assurance for the certifications made by the Group Chief Executive and Group Finance Director as required under the Sarbanes-Oxley Act 2002 and recommended by the Turnbull Guidance on Internal Control. Further details of the Group s system of internal control and an assessment of its effectiveness may be found on page 159.

Whistleblowing

Barclays takes any concerns of employees about the integrity and honesty of other employees very seriously and will investigate where appropriate. Information leaflets are distributed encouraging employees to report any behaviours or actions that they reasonably believe might be against accounting or regulatory requirements, as well as our internal policies. Dedicated whistleblowing hotlines and email addresses are in place so employees can talk about what has happened, or is happening, directly and in confidence. The Board Audit Committee receives reports of instances of whistleblowing and any resulting investigations.

Board Audit Committee Chairman s Statement

We had eight scheduled meetings in 2007 and the report set out above describes in some detail how we used our meetings. Our reviews of the control environment in each of our businesses in 2007 had a particular focus on those areas where the Group s business is expanding or which are deemed to be higher risk. We also continued to review the controls around our key regulatory programmes, in particular, Sarbanes-Oxley and Basel II. The second half of the year saw significant disruption to the credit markets and we held two additional meetings to review and consider the statements made by the Group on its exposures to the sub-prime market. The Committee discussed the timing and content of the statements and the process that had been followed to prepare the statements, including the internal reviews conducted. We also reviewed Barclays Capital s control environment and how effectively it had operated during the difficult market conditions.

In light of market events in 2007, in February 2008 we held a separate session for Committee members on accounting for and valuation of derivatives and complex investment banking instruments and subsequently considered a report reviewing the loan impairment and mark-to-market valuations ahead of the Group s 2007 preliminary results.

Stephen Russell

Chairman of the Board Audit Committee

7th March 2008

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Corporate governance report

Board Risk Committee

Sir Richard Broadbent (Chairman) David Booth (from 1st January 2008) Dr Danie Cronjé Sir Andrew Likierman Stephen Russell Secretary: Lawrence Dickinson

Risk is a key parameter of Barclays business. Accordingly, the Board has established a Board Risk Committee to provide Board level monitoring and oversight of all Barclays risk activities.

The Board Risk Committee s terms of reference are available from the Corporate Governance section at: http://www.aboutbarclays.com. In addition to its members, all meetings are attended by the Group Finance Director and the Barclays Risk Director. Attendees at meetings may also include Barclays Internal Audit Director, Barclays General Counsel and the Barclays external auditor, as well as other senior executives, who join for specific topics.

Approach

The Committee approaches its task primarily by:

receiving from the Barclays Risk Director and discussing a detailed risk report at every meeting; reviewing in depth specific topics or areas of risk that the Committee identifies as meriting detailed analysis; reviewing stress scenarios; reviewing historic risk tendencies and experiences; monitoring risk appetite and the Group s risk profile. The Committee recommends to the Board each year an appropriate level and composition of risk for the coming year.

In addition, the Committee:

reviews the internal control framework;

examines the risk control framework, and approves Group policies including the trading book policy, liquidity policy, credit impairment policy and principal risks policy; and receives updates on risk measurement methodologies.

Activities in 2007

The Committee requested at the end of 2006 that the US mortgage business be reviewed early in the year as one of the key risk issues. This was presented in March 2007 and included an analysis of stress loss scenarios under adverse market conditions. Management took decisions during the first half of 2007 to reduce limits in this business and, given the volatility in the credit markets during 2007, the Committee subsequently received regular reports on market conditions.

During 2007, the Committee also reviewed, in depth, leveraged credit and asset backed securities markets, including the Group s counterparty exposures. It considered whether there were any signs of material contagion in other markets in which the Group operates. The Committee examined how the Group s risk controls and stress limits had operated in the prevailing market conditions and was satisfied that risk controls had operated as anticipated. The Committee reviewed the impact on impairment and mark-to-market positions and the impact on the Group s balance sheet of the market conditions. The Committee also monitored progress in meeting the new capital regime introduced under Basel II and continued to review the retail credit experience.

The chart below left shows how the Committee allocated its time at its meetings in 2007.

In March 2008, the Committee will review its activities in 2007 against its terms of reference.

More information on risk management and the internal control framework can be found in the Risk management report on pages 80 to 89.

Board Corporate Governance and Nominations Committee

Marcus Agius (Chairman) Sir Richard Broadbent Sir Nigel Rudd Stephen Russell Sir John Sunderland Secretary: Lawrence Dickinson

The Board Corporate Governance and Nominations Committee terms of reference are available from the Corporate Governance section at: http://www.aboutbarclays.com

The meetings are also attended by the Group Chief Executive.

Activities in 2007

The chart below right shows how the Committee allocated its time at its meetings in 2007. During 2007, the Committee: regularly reviewed Board and Board Committee composition to ensure the right mix of skills and experience are present; recommended the appointment of David Booth, Sir Michael Rake and Patience Wheatcroft as non-executive Directors; monitored the progress of the action plan arising from the 2006 Board Effectiveness Review and oversaw the conduct of the 2007 Board Effectiveness Review; reviewed the corporate governance disclosures for the 2006 Annual Report and considered the proposed disclosures for 2007; reviewed and updated Corporate Governance in Barclays and the Charter of Expectations; and reviewed succession plans for the Executive Committee and the position of Group Chief Executive.

Board Risk Committee allocation of time

1 Risk profile/Risk appetite 40%

2 Key Risk issues 40%

3 Internal control/Risk policies 3%

5 4 Regulatory frameworks 12% 4

3 5 Other 5% 1

2

Board Corporate Governance and Nominations Committee allocation of time

1 Corporate Governance matters 23%

2 Board and Committee composition (including succession planning) 46%

4 3 Board effectiveness 20% 1

4 Other 11% 3

2

The Committee received updates on:

the status of the Companies Act 2006 and, in particular, the new statutory statement of Directors Duties; and the FRC s review of the Combined Code. During 2007, the Committee reviewed the composition of the Board and its principal Committees at each of its meetings. Following those deliberations the Committee recommended to the Board the appointments of David Booth (May 2007), Sir Michael Rake and Patience Wheatcroft (January 2008) as non-executive Directors. In the case of David Booth, the Committee had concluded that a non-executive Director with US banking experience would bring the skills and experience to the Board that had been lost on the retirement of Robert Steel as a non-executive Director in late 2006. In the case of Sir Michael Rake, the Committee sought a non-executive Director with a financial and auditing background. Patience Wheatcroft has extensive experience of the highest levels of business and politics, which will bring additional valuable skills and a wider perspective to the Board. When considering appointments, the Committee typically engages external search consultants, who are provided with a specification of the skills and experience required, to assist with identifying potential candidates, although candidates may be recommended to the Committee from other sources. Each of David Booth, Sir Michael Rake and Patience Wheatcroft met with members of the Committee prior to the Committee considering their appointments and recommendations being made to the Board.

In January 2008, the Committee reviewed its activities in 2007 against its terms of reference and concluded that it had discharged the responsibilities delegated to it under those terms of reference.

Board HR and Remuneration Committee

Sir Richard Broadbent (Chairman) Marcus Agius Leigh Clifford Sir John Sunderland Secretary: Patrick Gonsalves

The Board HR and Remuneration Committee terms of reference are available from the Corporate Governance section at: http://www.aboutbarclays.com

The Committee s independent advisers, from Towers Perrin MGMC and Kepler Associates, attended 2 meetings and 1 meeting of the Committee respectively in 2007.

Activities in 2007

The chart below shows how the Committee allocated its time at its meetings in 2007. During 2007, the Committee: held discussions with external advisers to the Committee; reviewed executive compensation; considered resourcing, compensation and incentives for staff; considered pensions, mobility and relocation matters; and reviewed the compensation frameworks and overall level of bonus pools for each of the Group s principal businesses.

The Committee received updates on:

revised ABI Guidelines on Executive Remuneration; talent; health and safety; and equality and diversity.

In February 2008, the Committee reviewed its activities in 2007 against its terms of reference and concluded that it had discharged the responsibilities delegated to it under those terms of reference.

Detailed information on the role and activities of the Committee can be found in the Remuneration Report on pages 144 to 158.

Management

Executive Committee

The executive Directors bear the responsibility (under the leadership of the Group Chief Executive) for making and implementing operational decisions and running the Group s business. The Executive Committee supports the Group Chief Executive. It meets fortnightly to develop strategies and policies to recommend to the Board and to implement approved strategy. The Executive Committee is supported by other Committees, including the Disclosure Committee.

Executive Committee

John Varley (Chairman)

Bob Diamond

Chris Lucas

Frits Seegers

Paul Idzik

Disclosure Committee

The Disclosure Committee is chaired by Chris Lucas, the Group Finance Director. Members include the Company Secretary, Barclays General Counsel, Head of Investor Relations, Barclays Risk Director, Head of Corporate Affairs, Financial Controller and Treasurer. The Committee: considers and reviews the preliminary and interim results, Annual Report/Annual Report on Form 20F and the Annual Review; considers Interim Management Statements released to the Stock Exchange; and considers the content, accuracy and tone of any other announcement that is proposed to be made in accordance with the FSA s Disclosure and Transparency Rules.

The Committee reports to the Executive Committee and the Board Audit Committee.

Board HR and Remuneration Committee allocation of time

1 Talent 6%

2 Remuneration (incentive) 61%

3 Remuneration

4 1 (other including pensions) 17%

4 Other 16% 3 2

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Board Effectiveness

Performance Review

An annual evaluation of Board and Committee effectiveness is conducted, as recommended by the Code. The evaluation in 2006 was independently facilitated by Egon Zehnder International and comprised a questionnaire, supplemented by individual interviews and peer reviews. The following actions were set for 2007: provision of additional training on risk issues for non-executive Directors, including specific awareness of risk management and measurement methodologies for Board Risk Committee members; and continued work on Board meeting agenda management to ensure there is time for rigorous debate and exchange of ideas.

Training on risk issues was provided in April 2007 and feedback sought from the participants. The time allocated to Board meetings has been increased to allow for extended debate and discussion. The Board Corporate Governance and Nominations Committee monitored the progress of the action plan during 2007 and are satisfied with the steps taken to tackle the issues highlighted by the evaluation.

The 2007 evaluation was again independently facilitated by Egon Zehnder International. The evaluation took the form of detailed questionnaires completed by each Director, individual interviews and peer evaluation of fellow Directors. The results of the evaluation were presented to the Board in February 2008 and continued to demonstrate the improving trend since the current process of evaluation was adopted in 2004. The Board concluded that the Board and the principal Board Committees continue to operate effectively. Minor enhancements were recommended around: the form and content of Board papers and presentations; and refinement to the Board calendar of business, particularly in respect of the timing and content of presentations on stakeholder management.

The Board Corporate Governance and Nominations Committee will recommend an action plan to the Board to deliver these improvements in 2008.

The Group Chairman will hold private meetings with each Director to discuss the results and to agree areas for development relating to their own individual performance. Feedback on the Group Chairman s performance was provided to the Senior Independent Director, who discussed the results privately with the other non-executive Directors and the Group Chief Executive before meeting with the Group Chairman.

Training and Business Awareness

A three part training programme is in place for Directors. This comprises: induction training, when they join the Board; training and awareness of the business of Barclays; and training and awareness of external technical matters.

Induction

All new Directors receive an information pack that explains those disclosures they are obliged to make to the Company to comply with various laws and regulations. A presentation is given to all new Directors, which outlines their responsibilities as a Director of a global, listed company and provides an overview of the Group and its businesses. Each new Director then has a tailored induction programme to further familiarise themselves with the Group and its businesses. This takes the form of sessions with each of the executive Directors and the heads of the main Group functions and includes opportunities to visit operational sites to meet with senior management and employees. Once they have completed the first part of their induction, and have a good overview of the Group, they then have further sessions with the executive Directors and senior managers from each of the principal business units to gain a detailed and in depth understanding of their business, which includes the challenges, opportunities and risks that are faced by each. Marcus Agius and David Booth undertook their induction training in 2007. A report on the Group Chairman s induction programme is set out in the panel above.

Group Chairman s Induction

Since joining the Barclays Board in September 2006 and becoming Group Chairman in January 2007, I have been involved in a wide-ranging programme of meetings and familiarisation visits to help me get to know Barclays, our colleagues and customers.

The programme began in 2006, when I met with each member of the Executive Committee and senior management across each of the business areas and head office functions of Barclays. To broaden my understanding of the Barclays businesses, I have this year visited Retail Banking branches in the UK and Africa, Barclays Commercial Bank services in Stratford and Gadbrook Park, Barclaycard in Northampton, Barclays Capital in New York, Barclays Global Investors in San Francisco, Barclays France, Barclays Spain and the Barclays operations in Tokyo and Singapore.

As well as the induction meetings with senior management, I have met with shareholders and analysts and other stakeholders to gauge their views of Barclays and assess market opinion.

I am also Chairman of the Board Corporate Governance and Nominations Committee, a member of the Board HR and Remuneration Committee and I have attended meetings of both the Board Audit and Board Risk Committees during the year to observe at first hand how these Committees operate and the key issues they examine.

Marcus Agius

Barclays businesses and operations

During 2007, two off-site Board meetings were held. In March, the Board met at the New York offices of Barclays Capital, where Directors were given a tour of the site, including the trading floor, and had the opportunity to meet with staff, senior management and major clients. In September, the Board met at the London office of Barclays Wealth.

National Branch Week was held in September, where over 300 senior executives from the Group went back to the floor to find out what successes and challenges employees in the branches are facing at the sharp end of the business. A number of Directors participated and worked alongside cashiers, personal bankers and co-ordinators for the day. To keep them informed of issues relevant to front line employees and up to date with news around the Group, Directors receive copies of The Globe, the magazine for employees.

External matters

Directors are regularly briefed on market opinion and receive copies of analyst research and press commentary. Attendance at results presentations, analyst rehearsals and corporate governance receptions enables Directors to meet with analysts and investors to enhance their awareness of market sentiment and the views of major shareholders. External speakers were invited to brief the Board in 2007 on the global economic outlook. All Directors were made aware in 2007 of their responsibilities under the FSA s Prospectus Rules in connection with the proposed merger with ABN AMRO. A number of briefings were given to the Board on the changes being introduced by the Companies Act 2006 and, in particular, the new statutory statement of Directors Duties, to ensure that Directors are aware of their responsibilities. Guidance was provided to management and to the Board on the desired content of supporting Board and Committee papers, to ensure that Directors are provided with sufficient information to allow them to have regard to (amongst others) the stakeholders of the Group and the long term consequences of any decisions they make.

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Statement on US Corporate Governance Standards

The statement required by NYSE is set out below.

Director independence

Under the NYSE Rules the majority of the Board should be independent. Under the Code, at least half of the Board (excluding the Chairman) is required to be independent. The NYSE Rules contain detailed tests for determining Director independence, whereas the Code requires the Board to determine whether each Director is independent in character and judgement and sets out criteria that may be relevant to that determination. We follow the Code s recommendations as well as developing best practices among other UK public companies. Our Board annually reviews the independence of our non-executive Directors, taking into account the guidance in the Code and the criteria we have established for determining independence, which are described on page 136.

Board Committees

We have a Board Corporate Governance and Nominations Committee and a Board HR and Remuneration (rather than Compensation) Committee, both of which are broadly comparable in purpose and constitution to those required by the NYSE Rules and whose terms of reference comply with the Code s requirements. Beyond the fact that the Board Corporate Governance and Nominations Committee is chaired by the Chairman of the Board and that the Chairman is a member of the Board HR and Remuneration Committee, both of which are permitted by the Code, both Committees are composed solely of non-executive Directors whom the Board has determined to be independent. We follow the Code recommendation that a majority of the Nominations Committee should be independent non-executive Directors, whereas the NYSE Rules state that the Committee must be composed entirely of independent Directors. We comply with the NYSE Rules regarding the obligation to have a Board Audit Committee that meets the requirements of Rule 10A-3 of the US Securities Exchange Act, including the requirements relating to the independence of Committee members. In April 2007, we made an Annual Written Affirmation of our compliance with these requirements to the NYSE. The Code also requires us to have a Board Audit Committee comprised solely of independent non-executive Directors. We follow the Code recommendations, rather than the NYSE Rules, however, regarding the responsibilities of the Board Audit Committee, although both are broadly comparable. We also have a Board Risk Committee, comprised of independent non-executive Directors, which considers and discusses policies with respect to risk assessment and risk management.

Corporate Governance Guidelines

The NYSE Rules require domestic US companies to adopt and disclose corporate governance guidelines. There is no equivalent recommendation in the Code. The Board Corporate Governance and Nominations Committee has, however, developed corporate governance guidelines, entitled Corporate Governance in Barclays, which have been approved and adopted by the Board.

Code of Ethics

The NYSE Rules require that domestic US companies adopt and disclose a code of business conduct and ethics for Directors, officers and employees. Rather than a single consolidated code as envisaged in the NYSE Rules, we have a number of values based business conduct and ethics policies, which apply to all employees. In addition, we have adopted a Code of Ethics for the Group Chief Executive and senior financial officers as required by the US Securities and Exchange Commission.

Shareholder approval of equity-compensation plans

The NYSE listing standards require that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions to those plans. We comply with UK requirements, which are similar to the NYSE standards. The Board, however, does not explicitly take into consideration the NYSE s detailed definition of what are considered material revisions .

Relations with Shareholders

Institutional investors

The Board s priorities include communicating with shareholders, to keep them well informed about the Company s prospects and strategy, and staying abreast of the views of major shareholders. To achieve this, executive Directors and senior executives hold group and one to one meetings with major investors. Analyst research notes are distributed to Directors and our corporate brokers provide annual feedback to the Board. The Investor Relations team organise roadshows, seminars, conferences, presentations and other activities that enable the Directors to interact with investors. Prior to each AGM, the Group Chairman, Senior Independent Director and Company Secretary have a series of meetings with the corporate governance representatives of our major institutional shareholders.

Private shareholders

A change in the law now allows us to communicate electronically with our shareholders, unless they advise us that they prefer to receive paper. We have given shareholders a choice of how to receive shareholder communications going forward and those that receive documents electronically will have access to shareholder documents as soon as they are published. These new arrangements will enable us to use less paper, which benefits the environment and lowers distribution costs for the Group. This year we will continue to post the Annual Review, Notice of Shareholder Meetings and proxy forms to all shareholders.

We encourage shareholders to hold their shares in Barclays Sharestore, where shares are held electronically in a cost-effective environment. Our e-view service enables shareholders to receive their shareholder documents electronically. It also gives shareholders immediate access to information relating to their personal shareholding and dividend history. Participants can also change their details and dividend mandates online and receive dividend tax vouchers electronically.

Shareholder Meetings

The 2007 AGM was held on 26th April 2007 at the Queen Elizabeth II Conference Centre in London. In accordance with best practice, all resolutions were considered on a poll and the results were made available on our website the same day. 54 percent of the shares in issue were voted and all resolutions were approved. All Directors are encouraged to attend the AGM and are available to answer shareholder questions. All Directors attended the 2007 AGM, with the exception of Leigh Clifford, who, as Chief Executive of Rio Tinto, was attending that company s AGM and Board meeting in Australia on that day.

An extraordinary general meeting (EGM) was held on 14th September 2007, at our head office in London, where shareholders were asked to approve resolutions in connection with the proposed merger with ABN AMRO. 58 percent of the shares in issue were voted on a poll and all resolutions were approved. The Group Chairman, Senior Independent Director and a majority of the executive Directors attended the EGM. The EGM was followed by a Class Meeting of ordinary shareholders, at which 57 percent of the ordinary shares in issue were voted on a poll and the resolution was approved.

The 2008 AGM will be held on 24th April 2008 at the Queen Elizabeth II Conference Centre in London. The AGM will be followed by a Class Meeting of ordinary shareholders. The Notice of Shareholder Meetings is enclosed with this Annual Report as a separate document. The resolutions will be considered on a poll and the results will be available on our website on 24th April 2008.

Signed on behalf of the Board

Marcus Agius Group Chairman

7th March 2008

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Corporate governance Remuneration report

Statement from the Chairman of the Board HR and Remuneration Committee (the Committee)

The Committee provides governance and strategic oversight of remuneration, Barclays Human Resource activities and senior management development. The Committee s terms of reference are available in the Corporate Governance section of the Barclays Investor Relations website (www.aboutbarclays.com).

The Committee meets a minimum of four times a year. Marcus Agius became a member of the Committee on 1st January 2007. Marcus Agius was considered independent (for the purposes of the Combined Code) on his appointment as Chairman of the Board. All other Committee members are independent non-executive Directors.

The Committee s objective in relation to remuneration is to ensure that it incentivises excellence in business and personal performance and enables the Group to attract and retain employees of ability and experience.

The Committee aims to achieve this by:

ensuring clear and quantified individual and Group performance goals are in place supported by rigorous performance appraisal systems; creating externally benchmarked remuneration frameworks for each major business that provide an evidence based approach to decisions; reviewing past remuneration decisions against objectives; and approving the specific remuneration packages of executive Directors and other senior executives.

The Committee s work is supported by independent professional advice from Kepler Associates, who were re-appointed in 2007, and Towers Perrin MGMC who were appointed in 2007.

In relation to HR and senior management development, the Committee s objective is to ensure that the Group s people resources are managed to maximise business performance, support the long-term success and growth of the business and protect the welfare of all employees.

The Committee aims to achieve this by:

ensuring there are appropriate succession and talent management plans in place; providing oversight of Group level policy on HR matters including those related to the mobility of employees within the Group; and monitoring health and safety and equality and diversity issues across the Group.

Barclays employee remuneration is performance based. Important context to this report and the disclosures that follow is provided below:

Group profit before tax was £7.1bn, broadly in line with the prior year;

Group profit before business disposals increased by 3%; and

careful management of performance related remuneration has resulted in a reduction in key remuneration ratios relative to 2006, including the absorption of 2007 headcount investment.

The Committee takes seriously its commitment to clear and comprehensive disclosure. This report details the remuneration of the individual Directors who served Barclays in 2007. Barclays Remuneration Policy remains unchanged, including the commitment to transparency and to policies and programmes that serve well the interests of shareholders.

The Committee unanimously recommends that you vote to approve the report at the 2008 AGM.

Signed on behalf of the Board

Sir Richard Broadbent

Chairman, Board HR and Remuneration Committee

7th March 2008

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Board HR and Remuneration Committee Members

During 2007, the Committee comprised both independent non-executive Directors and the Chairman of the Board. Membership of the Committee was as follows:

Sir Richard Broadbent (Chairman) Marcus Agius Leigh Clifford Sir John Sunderland

The non-executive Directors who were Committee members were considered by the Board to be independent of management and free from any business or other relationship that could materially affect the exercise of their independent judgement. The constitution and operation of the Committee complies with the Provisions on the Design of Performance Related Remuneration in the Combined Code adopted by the Financial Reporting Council.

Marcus Agius was appointed as a member of the Committee with effect from 1st January 2007.

The Chairman of the Committee presents a report of each meeting to the full Board.

Advisers to the Committee

The Committee has access to independent consultants to ensure that it receives independent advice. Advisers are appointed by the Committee for specific work, as necessary, and are required to disclose to the Committee any potential conflict of interest.

In 2007, Kepler Associates a were re-appointed by the Committee to provide independent advice to Committee members on remuneration matters. Towers Perrin MGMC a were appointed to provide advice to the Committee in 2007, primarily in relation to the provision of remuneration for employees below Board level and in the global financial services industry.

The Group Chief Executive, the Human Resources Director and, as necessary, members of the Executive Committee, also advise the Committee, supported by their teams. They are not permitted to participate in discussions or decisions relating to their own remuneration. The Human Resources Director is responsible for providing professional support to line management in HR policy and operations and for monitoring compliance with prescribed policy and programmes across Barclays. The Human Resources Director is not a Board Director and is not appointed by the Committee.

Remuneration Policy

Barclays policy is to use remuneration to drive a high-performance culture. Executive Directors can expect outstanding remuneration if performance is outstanding and below median remuneration for below median performance. This philosophy applies to remuneration policies and practices for all employees in the Group. The Committee considers remuneration levels across the Group when determining remuneration for executive Directors.

The aims of the Barclays Remuneration Policy are to:

incentivise excellence in and balance between both short-term (one year) and longer-term (three years plus) performance such that Group financial goals and the goal of achieving top quartile total shareholder return (TSR) are met and sustained; enable the Group to attract and retain people of proven ability, experience and skills in the pools in which it competes for talent; encourage behaviour consistent with Barclays Guiding Principles b which leads to excellence and the appropriate balance in financial performance, governance, controls, risk management, customer service, people management, brand and reputation management; promote attention to maximising personal contribution, contribution to the business in which the individual works and contribution to the Group overall; and ensure, both internally and externally, that remuneration policies and programmes are transparent, well communicated, easily understood and aligned with the interests of shareholders.

The graph below shows the value, at 31st December 2007, of £100 invested in Barclays on 31st December 2002 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year ends. The FTSE 100 Index is the index of the 100 largest UK quoted companies by market capitalisation. It is a widely recognised performance comparison for large UK companies such as Barclays and this is why it has been chosen as a comparator to illustrate Barclays TSR. The graph shows that, at the end of 2007, a hypothetical £100 invested in Barclays on 31st December 2002 would have generated a total return of £63, compared with a gain of £95 if invested in the FTSE 100 Index.

Remuneration for executive Directors

Remuneration for the executive Directors comprises: base salary;

annual bonus including mandatory deferral into Barclays shares through the Executive Share Award Scheme (ESAS); long-term incentives through the Performance Share Plan (PSP); and pension and other benefits.

Total Shareholder Return £

Year ended 31st December Barclays PLC

FTSE 100 Index

226

195 181 167 181 136 158 163 100 131 118 100

02 03 04 05 06 07

Source: Datastream

Schedule 7A of the Companies Act 1985 requires that the graph shows TSR for the five years ending with the relevant financial year.

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Notes a Kepler Associates and Towers Perrin MGMC have given and not withdrawn their written consent to the inclusion of references to their name in the form and context in which it appears. Towers Perrin MGMC also provided remuneration benchmarking data to Barclays Group companies during the year. b Barclays Guiding Principles were introduced during 2005 and provide all parts of the Group with a unifying set of values. They are: Winning Together, Best People, Client/Customer Focused, Pioneering and Trusted.

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Corporate governance Remuneration report

The Committee reviews the elements of remuneration relative to the policies stated in this report and to the practice of other comparable organisations. Remuneration is benchmarked against the markets in which we compete for talent. This includes benchmarking against other leading international banks and financial services organisations, and other companies of similar size to Barclays in the FTSE 100 Index.

The component parts for each executive Director are detailed in the tables accompanying this report.

The Committee guideline that executive Directors should hold, as a minimum, the equivalent of one times their base salary in Barclays shares, including shares held under award through ESAS, was met by all executive Directors. Each element of remuneration is important and has a specific role in achieving the aims of the remuneration policy. The combined potential remuneration from bonus and PSP outweighs the other elements, and is subject to personal and Group performance, thereby placing the majority of total remuneration at risk.

Of the key elements of remuneration (salary, annual performance bonus, ESAS and PSP), salary made up a maximum of 30% of the 2007 remuneration for executive Directors and 1.4% in respect of Robert E Diamond Jr s arrangements, which reflects general practice in the investment banking and investment management industry. The remaining proportion of the key compensation elements for executive Directors is at risk. The relative weighting summarised in this paragraph does not include pension and benefits.

The purpose of each element of remuneration for executive Directors is summarised in the table below and discussed in greater detail in the sections that follow.

Remuneration element Purpose Delivery Programme detail

Base salary To reflect the market value of the Cash Reviewed annually, with changes typically individual and their role Monthly effective on 1st April

Pensionable

Annual performance To incentivise the delivery of annual Typically 75% cash a Based on annual business unit bonus and ESAS goals at the Group, business division Typically 25% performance, performance of the Group and individual levels deferred Barclays as a whole and leadership contribution shares under ESAS

Annual

Non-pensionable

PSP b To reward the creation of above Free shares Discretionary awards median, sustained growth in subject to a Participation reviewed annually shareholder value performance Barclays performance over three years condition determines the number of performance

Annual awards shares eligible for release to each individual that vest after For awards made in 2007, and awards to three years be made in 2008, EP threshold,

Non-pensionable thereafter 50% under a TSR performance condition and 50% under an EP performance condition Pension c To provide market competitive Deferred cash or Non-contributory, defined benefit post-retirement benefit cash allowance scheme and/or defined contribution

Monthly scheme, or cash allowance in lieu of pension contributions

Changes to Group Chairman and executive Directors

Marcus Agius was appointed Group Chairman with effect from 1st January 2007.

Marcus Agius receives a fee of £750,000 (inclusive of Director s fees). He is also eligible for private health insurance. The minimum time commitment is equivalent to 60% of a full time role. Marcus Agius is not eligible to participate in Barclays bonus and share incentive plans, nor will he participate in Barclays pension plans or receive any pension contributions. The letter of appointment provides for a notice period of 12 months from Barclays and six months from Marcus Agius.

Naguib Kheraj ceased to be an executive Director on 31st March 2007. Naguib Kheraj was succeeded by Chris Lucas, who was appointed to the position of Group Finance Director with effect from 1st April 2007. The key terms of executive Directors service contracts are on page 149.

Base Salary

The annual base salaries for the current executive Directors are shown in the table below:

Date of As at As at previous 31st Dec 2007 1st April 2008 increase

John Varley £1,000,000 £1,100,000 1st Apr 2007 Robert E Diamond Jr £250,000 £250,000 1st Mar 1999 Gary Hoffman £625,000 £625,000 1st Apr 2006 Frits Seegers £700,000 £700,000 n/a Chris Lucas £600,000 £650,000 n/a

In respect of John Varley and Chris Lucas, having regard to the levels of salary and total compensation in comparable organisations, the Committee approved an increase to base salary effective from 1st April 2008.

Notes a Eligible executives may request that all or part of the cash bonus to which they would b Please refer to Note 44 to the accounts for further information on PSP. otherwise become entitled, be granted in the form of an additional award under ESAS c Please refer to Note 30 to the accounts for further information on the Group s or as a pension contribution by way of Special Company Contribution (Bonus Sacrifice). pension plans.

For 2007 Robert E Diamond Jr received 43% of his annual bonus in cash and 57% as a recommendation for an award of Barclays shares under Mandatory ESAS.

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Annual Bonus and ESAS

The maximum bonus opportunity for executive Directors is tailored to the relevant market; this is typically 250% of base salary. The annual bonus is based on a qualitative and quantitative assessment of performance (including EP and PBT results) with the quantitative assessment comprising the majority. EP and PBT are considered to be good measures of value creation for shareholders.

ESAS is a deferred share award plan which operates in conjunction with the annual Barclays Group cash bonus plans (and various other cash long-term incentive plans operated by Barclays Group companies). Currently, for executive Directors, typically 75% of the annual bonus is delivered as cash. A recommendation may be made to the ESAS trustee that the remaining 25% is delivered as an award under ESAS (Mandatory ESAS award).

In addition, executive Directors may request that any cash bonus, to which they may have otherwise become entitled, be granted as an additional award under ESAS (Voluntary ESAS award).

Both Mandatory and Voluntary ESAS awards will normally include additional shares called bonus shares with a value of up to 30% of the bonus amount awarded in shares. The ESAS trustee may apply dividends it receives on shares held in trust in purchasing additional Barclays shares which may also be released to participants.

A Mandatory ESAS award is a provisional allocation of Barclays shares which does not give rise to any right or interest in those shares. Normally, under a Mandatory ESAS award, the ESAS trustee grants participants the right to call for the shares plus two-thirds of any bonus shares, in the form of a nil-cost option following the third anniversary of the award date. If this right is not exercised, the ESAS trustee may, following the fifth anniversary, release all the Barclays shares including all bonus shares and dividend shares to the participant.

Awards under Voluntary ESAS are granted in the form of a nil-cost option which is a right to acquire Barclays shares which will become fully exercisable after five years.

Neither the exercise of nil-cost options granted under Mandatory or Voluntary ESAS nor the release of Barclays shares under award is subject to performance conditions. As ESAS is a deferred share award plan, it would not be appropriate to attach a performance condition to options or awards.

If an executive ceases to be employed he may forfeit his award depending on why he leaves.

PSP

The PSP was approved by shareholders at the 2005 AGM and replaced the ISOP as the main performance linked share incentive plan. PSP awards to date have been granted in the form of provisional allocations of Barclays shares which do not give a participant any right to acquire, or an interest in, shares until such time as the PSP trustee decides to release the shares to the participant (i.e. when the PSP awards vest). Participants do not pay to receive an award or to receive a release of shares. Performance share awards are communicated to participants as an initial allocation. Normally, the maximum expected value of an award at the date of grant will be the higher of 150% of base salary or 75% of base salary and target bonus. Expected value is a single value for the award at grant which takes account of the various possible performance and vesting outcomes, although it is Barclays performance over a three-year period which determines the final number of shares that may be released to participants. Dividend shares may also be released in respect of the vested shares.

Awards normally vest on the third anniversary of the date of grant, if and to the extent that the performance conditions are satisfied. Note that: relative TSR and EP are both considered to be good measures of value creation to shareholders; before any shares are released, Barclays cumulative EP over the performance period must normally be greater than the total for the previous three-year period; for PSP awards made in 2005, the award depended on Barclays TSR relative to a peer group of 11 other international banks. These awards are due to lapse in 2008 as the TSR performance condition was not satisfied; the performance conditions for PSP awards made in 2006 and 2007 will be measured over the three-year performance period (2006 to 2008 and 2007 to 2009 respectively); for PSP awards made in 2006 and 2007, 50% of the award depends on Barclays EP and 50% of the award depends on Barclays TSR relative to a peer group of 11 other international banks; for awards made in 2005, 2006 and 2007 in relation to the TSR element of the award, there is no vesting unless Barclays is ranked above median on relative TSR.

The peer group for the TSR element of the 2007 award, as for the 2006 award, is a:

UK Mainland Europe US

HBOS Banco Santander b Citigroup HSBC BBVA JP Morgan Chase Lloyds TSB BNP Paribas Royal Bank of Scotland Deutsche Bank UBS

PSP 2007: Total Shareholder Return Performance Scale

Award Multiple

3.0 2.5 100% maximum)

2.0 83%

1.25 1.5 67% of shares that vest

1.0 50%

33% 42% Number(as a % of 8th 7th 6th 5th 4th 3rd 2nd 1st Barclays TSR ranking in the peer group

The performance scales for the TSR and EP elements of the 2007 award are as shown in the two charts below:

PSP 2007: EP Performance Scale

Award Multiple

3.0 2.5 2.0

1.5 1.25 1.0

7,400 7,800 8,200 8,600 Cumulative 2007-2009 EP (£m)

Notes a The reserve companies for the 2006 and 2007 awards are UniCredit, Morgan Stanley, accordance with the Committee s agreed peer group adjustment principles. Bank of America and Wachovia. This adjustment was made in anticipation of the takeover of ABN AMRO.

Following a review of the peer group reserve banks, it was decided that Banco b The Committee has approved the substitution of Banco Santander for ABN AMRO in

Santander was the most suitable substitute based on both competitive position relative the TSR peer group for awards granted under the PSP in 2005, 2006 and 2007, in to Barclays and similarity to ABN AMRO.

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EP comprises profit after tax and minority interests less a capital charge. Independent confirmation is provided to the Committee as to whether a performance condition has been met.

Each year a review of the Group s share-based long-term incentives (currently the PSP) is undertaken to check that the structure and performance conditions remain appropriate in respect of the Group s business objectives and best market practice. The 2007 review included consideration of eligibility criteria. The outcome of the review was that participation in the PSP should be restricted to executive Directors, members of the Executive Committee, Executive Committee direct reports and other key senior positions. Developing a link to Barclays share price is important and therefore, as individuals below these levels become more highly remunerated, some of their remuneration may be delivered as an award of Barclays shares (to be known as Incentive Shares). Participants would not be eligible for a release of shares until the third anniversary and the release of Incentive Shares would not be subject to performance conditions. It is intended that a new employee share plan will be established under which Incentive Shares will be granted. No Board Directors will be eligible to participate in this plan and awards will be settled using only existing Barclays shares.

ISOP

ISOP (Incentive Share Option Plan) has not been used for awards to executive Directors since 2004. Details of ISOP awards held by executive Directors can be found on page 157. Awards in 2003 and 2004 under ISOP include financial metrics or thresholds which were adjusted where necessary to neutralise the effect of the introduction of IFRS.

The main performance condition was TSR relative to a peer group of 11 other major international banks, combined with an EP threshold. Awards have now vested, as set out in the table on page 157.

Retained Incentive Opportunity

Robert E Diamond Jr received an award in February 2008 under the Retained Incentive Opportunity. This award was subject to performance criteria based on the delivery of EP at Barclays Capital over the period 2005 to 2007. The performance measure applied was cumulative EP performance of Barclays Capital during the period 1st January 2005 to 31st December 2007. In order to achieve the maximum value award under the Retained Incentive Opportunity, Barclays Capital had to successfully generate a cumulative EP of £2bn over the performance period. EP was chosen as this is an appropriate measure to align the interests of the participant with those of shareholders and is a good measure of value creation for shareholders.

Details of the award which was made to Robert E Diamond Jr are on page 155.

Sharesave

All eligible employees including executive Directors may participate in Sharesave. Sharesave is an HMRC (Her Majesty s Revenue and Customs) approved all-employee share option plan. HMRC does not permit performance conditions to be attached to the exercise of Sharesave options. Under Sharesave, participants are granted options over Barclays shares. Each participant may save up to £250 per month to purchase Barclays shares at a discount. For the 2007 grant, the discount was 20% of the market value of a share at the time the option was granted. Sharesave is also offered to employees in Spain and Ireland. Following the 2007 invitation, a total of 40,621 employees in the UK, Spain and Ireland were participants in Sharesave with 72.4 million shares under option. Details of options held by executive Directors are on page 156.

Sharepurchase

Sharepurchase was introduced in January 2002. It is an HMRC approved all-employee share plan. Sharepurchase is open to all eligible employees including executive Directors. Under Sharepurchase, participants are able to purchase up to £1,500 worth of Barclays shares each year, which, if kept in trust for five years, can be withdrawn from Sharepurchase tax-free. Any shares in Sharepurchase will earn dividends in the form of additional shares, which must normally be held by the trustee on behalf of the participant for no less than three years.

To encourage employee ownership of Barclays shares, Barclays matches, share for share, up to the first £600 each participant invests in Sharepurchase in each tax year. Matching shares must normally be held by the trustee on behalf of the participant for no less than three years. At 31st December 2007, 23,097 employees were participants in Sharepurchase, with a total of 12.9 million shares held on their behalf by the Sharepurchase trustee.

Dilution Limits

The outstanding awards under ISOP and Sharesave are intended to be satisfied by the issue of new Barclays shares or through treasury shares within the limits agreed by shareholders when these plans were approved. These limits comply with the Association of British Insurers guidelines restricting dilution from employee share plans. The overall limits under the guidelines are that no more than 10% of a company s issued share capital may be used in any ten-year period. Up to 5% may be used for executive share plans. Shares in Barclays Global Investors UK Holdings Limited issued as a result of option exercises under the BGI EOP also count towards these limits.

As at 31st December 2007, Barclays headroom under these limits, i.e. the amount remaining available for issue, was 4.2% and 1.5% respectively.

Employees Benefit Trusts (EBTs)

The trustees of the Barclays EBTs grant awards under ESAS and PSP over existing Barclays shares which they have purchased in the market. The trustees of the Barclays EBTs have informed the Bank that their normal policy is to abstain from voting in respect of the Barclays shares held in trust.

The trustees of the Sharepurchase EBT may vote in respect of Barclays shares held in the Sharepurchase EBT, but only at the direction of the participants. The trustees will not otherwise vote in respect of shares held in the Sharepurchase EBT.

Pensions

All Group pension arrangements are managed in accordance with the Global Retirement Fund Governance Framework to ensure best practice in respect of regulatory compliance, governance, investment and administration. The framework is overseen by the Committee.

Pension benefits for executive Directors are provided through defined benefit plans, defined contribution plans, unfunded unapproved retirement benefit arrangements, cash or a combination of these. The pension benefit applicable will depend on the date an executive Director was appointed and their individual situation. Annual performance related bonuses are not included in pensionable salary.

The Group s closed UK defined benefit pension arrangement, of which John Varley and Gary Hoffman are members, is a non-contributory scheme. Benefits are provided on leaving service at normal pension age (60) by reference to the executive Director s length of service, normally by reference to 1/60th of pensionable salary for each year of pensionable service (John Varley s pension accrual is provided through the scheme in accordance with his service contract as set out in the notes to the pensions table on page 152).

The Group s closed UK defined benefit pension arrangement also provides that, in the event of death before retirement, a cash lump sum of up to four times salary is paid together with a dependant s pension of 50% of the pension that would have been payable had the member remained in active service until their normal pension age. For death in retirement, a dependant s pension is payable of approximately 50% of the member s pension at the date of death, not taking into account commutation of any cash lump sum at the time of the member s retirement. If a member is granted a deferred pension that has not yet come into payment, the widow/widower receives a pension of 50% of the deferred pension payable. Where applicable, children s pensions are payable, usually up to the age of 18. Enhanced benefits may be payable if it is determined that a member is unable to work as a result of serious ill-health.

The Group s US non-contributory defined benefit arrangement, of which Robert E Diamond Jr is a member, provides a benefit at age 65 of 1/60th of final average pensionable pay plus 0.3% of final average pensionable pay in excess of the US Internal Revenue Service s covered compensation limit

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for each year of pensionable service (up to a maximum of 30 years). In line with current market practice, final average pay in the US includes an element of bonus subject to overall plan limits. In the event of a member s death before retirement, a spouse s pension of approximately 50% of the member s pension had the member taken early retirement on the date of death, is payable. On death after retirement, a spouse s pension of 50% of the pension in payment is payable. In addition, enhanced benefits are payable if the member qualifies for disability benefits.

The US Restoration Plan, of which Robert E Diamond Jr is also a member, is an unfunded unapproved arrangement which restores reductions in the benefits provided through the approved US plan resulting from the application of relevant compensation and benefit limitations under the US Internal Revenue Code. Robert E Diamond Jr participates in this plan on similar terms to other Barclays senior executives participating in US benefit plans.

Robert E Diamond Jr also participates in the Barclays Bank PLC 401K Thrift Savings Plan and Thrift Restoration Plan on similar terms to other Barclays senior executives in the US.

Where appropriate, cash allowances are provided to executive Directors in lieu of being able to join a Group pension arrangement. Chris Lucas, Naguib Kheraj and Frits Seegers received such cash allowances in 2007. In the event that an executive Director builds up pension benefits close to, or in excess of, the HMRC Lifetime Allowance, the executive Director is eligible to opt for a cash allowance instead of continued pension accrual. The allowance given is no more than the cost of funding the existing pension benefit.

Service Contracts

The Group has service contracts with its executive Directors. The effective dates of the contracts for the executive Directors who served during 2007 are shown in the table below. The service contracts do not have a fixed term but provide for a notice period from the Group of one year and normally for retirement at age 65, except for Naguib Kheraj who has left the Group. The Committee s policy is that executive Directors contracts should allow for termination with contractual notice from the Group or, in the alternative, termination by way of payment in lieu of notice (in phased instalments). In the event of gross misconduct, neither notice nor a payment in lieu of notice will be given. Payments in lieu of notice are subject to contractual mitigation.

The Committee s approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations and share and pension plan rules.

Potential Effective compensation date of Notice for loss Directors a contract period b of office

John Varley 1st Sept 2004 1 year 1 year s contractual remuneration c Robert E

Diamond Jr 1st Jun 2005 1 year " Gary Hoffman 1st Jan 2004 1 year " Naguib Kheraj d 1st Jan 2004 1 year " Chris Lucas e 1st Apr 2007 1 year " Frits Seegers 7th Jun 2006 1 year "

Barclays Capital, BGI, Barclays Wealth and GRCB

The Committee has established frameworks for the governance of remuneration in these businesses. Ranges have been set for key financial and remuneration ratios. The Committee approves aggregate bonus and long-term incentive expenditure, and strategic investment for new hires. The Committee also approves individual remuneration for the members of the management teams, and any employee with total remuneration in excess of £750,000.

The BGI EOP

BGI is Barclays asset management business headquartered in San Francisco. The BGI EOP (BGI Equity Ownership Plan) was approved by shareholders at Barclays 2000 AGM to provide the employee share incentive arrangements required to recruit and retain the quality of senior management and investment talent appropriate for building a global investment management business. The BGI EOP was designed to provide participants with a long-term equity interest in BGI to meet the expectations of, in particular, BGI s key investment talent in the United States, who could expect to participate in the equity of their employer. Under the terms of the BGI EOP, options are granted at fair value to key BGI employees over shares in Barclays Global Investors UK Holdings Limited (BGI Holdings) within an overall cap of 20% of the issued ordinary share capital of BGI Holdings.

All grants of options are approved by the Committee. The Committee is also advised of option exercises and share sales by employees. Directors of Barclays PLC are not eligible to receive options under the BGI EOP. In summary the BGI EOP operates as follows:

certain key BGI employees are granted options over shares in BGI Holdings;appraiser;

the option exercise price is based on the fair value of a BGI Holdings share at the date of grant determined by an independent

the options generally vest evenly over a three-year period and can normally be exercised in two annual exercise windows;

option holders are required to fund the exercise without any financial support from any member of the Barclays Group.

Once employees become shareholders, they are subject to the Articles of BGI Holdings under which:

shareholders are required to hold the shares for a minimum of 355 days.

As shareholders, employees derive the full risks and rewards of ownership, including voting rights and entitlement to any ordinary dividends paid by BGI Holdings;

on expiry of the minimum holding period, shareholders may, but are not obliged to, offer their shares for sale usually during two annual sales windows;

Barclays Bank PLC, at its discretion, has a right to purchase shares so offered, but is not obliged to do so.

Notes

a Details of executive Directors standing for re-election at the 2008 AGM are set out on page 130.

b Notice period from Barclays to executive Director.

c One year s contractual remuneration is calculated as follows: 12 months base salary, bonus, if eligible (being the average of the previous three years bonus awards, in some cases (Gary Hoffman, Chris Lucas and Naguib Kheraj) capped at 100% of base salary), medical benefit (while an employee) and continuation of pension benefits. Payments in lieu of notice are subject to mitigation if alternative employment is found during any period in which pay in lieu of notice is paid.

d Naguib Kheraj ceased to be an executive Director on 31st March 2007. e Chris Lucas was appointed as an executive Director with effect from 1st April 2007.

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The table below contains information on the number of shares in BGI Holdings over which options were granted, outstanding and exercised in 2006 and 2007:

Number Number granted outstanding Number during year at year end exercised Year (000s) (000s) (000s)

2006 3,973 6,929 2,188 2007 2,599 7,502 1,632

In 2007 BGI employees exercised options over 1.6m (2006: 2.2m) shares for consideration of £57m (2006: £44m); Barclays Bank PLC purchased 4.9m (2006: 4.9m) shares offered for sale by shareholders for consideration of £488m (2006: £410m). As at 31st December 2007, employees own 5.9% of BGI Holdings (2006: 9.4%).

BGI EOP Accounting and disclosure

The BGI EOP is accounted for as an equity settled share-based payment in accordance with IFRS 2 Share-based Payment . The fair value of the services received from the employees is measured by reference to the fair value of the share options granted on the date of the grant. The cost of the employee services received in respect of the share options granted is recognised in the income statement over the period that the services are received. The cost for 2007 of £54.8m (2006: £37.4m, 2005: £14.9m) is included in staff costs in Note 8 to the accounts. In accordance with IFRS 2, details of share options granted and exercised, together with weighted average fair values at grant date and weighted average exercise prices are set out in Note 44 to the accounts. In accordance with IAS 33 Earnings per Share , unexercised options are taken into account in the calculation of diluted earnings per share as set out in Note 11 to the accounts.

For Group reporting, the exercise of options by employees is treated as a deemed disposal of interests in a subsidiary, as its holding in the subsidiary has been reduced for the consideration represented by the exercise price. Any subsequent purchase of shares offered for sale by employees is treated as a purchase of an additional investment in a subsidiary entity. The cash flows relating to these capital transactions are included in the consolidated cash flow statement and disclosed, along with other disposals and acquisitions, in Note 38 to the accounts and related movements in goodwill and minority interests are included in Notes 21 and 33 to the accounts respectively.

Replacement of the BGI EOP

The Group will introduce a new BGI employee share plan in 2008, under which awards will be made using Barclays PLC shares purchased in the market. The quantum of awards will be linked to BGI business performance. Executive Directors will not be eligible to participate in the new BGI plan. It is intended that no further options will be granted under the BGI EOP and that the BGI EOP will not be renewed in 2010 when it comes to the end of its life.

Non-executive Directors

The Board determines the fees of non-executive Directors and the fees are reviewed annually. The fee structure as at 31st December 2007 is shown below.

Base fee £65,000 Plus: Chairman of Board Audit Committee £50,000 Chairman of the Board HR and Remuneration Committee £40,000 Chairman of Board Risk Committee £30,000 Members of the Board Audit Committee £20,000 Members of the following Board Committees: Risk, HR and Remuneration and Corporate Governance and Nominations £15,000

As Deputy Chairman, Sir Nigel Rudd receives £200,000. Sir Nigel Rudd did not receive any additional fees for serving as a member of the Board Corporate Governance and Nominations Committee. Sir Richard Broadbent receives an additional £30,000 in respect of his role as Senior Independent Director. Marcus Agius serves as a member of the Board HR and Remuneration Committee and is Chairman of the Corporate Governance and Nominations Board Committee. He does not receive any fees in relation to these appointments.

David Booth was appointed as non-executive Director with effect from 1st May 2007.

The Board s policy is that fees should reflect individual responsibilities and membership of Board Committees. Barclays encourages its non-executive Directors to build up a holding in Barclays shares. £20,000 of each Director s base fee of £65,000 is used to buy Barclays shares. These shares, together with reinvested dividends, are retained on behalf of the non-executive Directors until they retire from the Board. They are included in the table of Directors interests in Barclays shares on page 158. Non-executive Directors do not receive awards under share plans for employees, nor do they accrue pension benefits from Barclays for their non-executive services. Non-executive Directors do not have service contracts but each has a letter of appointment. For each non-executive Director who served during 2007, the effective date of their appointment, notice period and the Group s liability in the event of early termination are shown in the following table.

Effective Group date of liability in the Non-executive letter of Notice event of early Directors a appointment period termination

David Booth 1st May 2007 6 months 6 months fees Sir Richard Broadbent 1st Sep 2003 " " Leigh Clifford 1st Oct 2004 " " Fulvio Conti 1st Apr 2006 " " Dr Danie Cronjé 1st Sep 2005 " " Professor Dame Sandra Dawson 1st Mar 2003 " " Sir Andrew Likierman 1st Sep 2004 " " Sir Nigel Rudd 1st Feb 1996 " " Stephen Russell 25th Oct 2000 " " Sir John Sunderland 1st Jun 2005 " "

Sir Michael Rake and Patience Wheatcroft were appointed as non-executive Directors with effect from 1st January 2008.

Each appointment is for an initial six-year term, renewable for a single term of three years thereafter, with the exception of Sir Nigel Rudd, whose appointment as Deputy Chairman is reviewed annually. Details of non-executive Directors standing for re-election at the 2008 AGM are set out on page 130.

Future Policy

The Committee will keep the existing remuneration arrangements, as detailed in this Report, under review during 2008 and ensure that Barclays programmes remain competitive and provide appropriate incentive for performance. As usual, there will be individual reviews of base salary, annual bonus (including ESAS) and awards under the long-term incentive plans.

Audited Information

As required by Part 3 of Schedule 7A of the Companies Act 1985, the Group s auditors, PricewaterhouseCoopers LLP, have audited the information contained on pages 151 to 157.

Note a Marcus Agius was a non-executive Director during 2006 and became Group Chairman on 1st January 2007. Details of his letter of appointment are set out on page 146.

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2007 Annual Remuneration a Salary Annual 2007 2006 and fees Benefits b cash bonus Total Total £000 £000 £000 £000 £000

Group Chairman

Marcus Agius c 750 1 751 22

Executive Directors

John Varley d 975 18 1,425 2,418 2,516 Robert E Diamond Jr d, e 250 14 6,500 6,764 10,692 Gary Hoffman d 625 15 506 1,146 1,108 Chris Lucas f 450 135 450 1,035 Frits Seegers d, g 700 199 1,313 2,212 1,630

Non-executive Directors h

David Booth i 43 43 Sir Richard Broadbent 180 180 147 Leigh Clifford 80 80 76 Fulvio Conti 85 85 54 Dr Danie Cronjé 217 217 326 Professor Dame Sandra Dawson 85 85 81 Sir Andrew Likierman 100 100 96 Sir Nigel Rudd 200 200 200 Stephen Russell 145 145 137 Sir John Sunderland 95 95 81

Former Director

Naguib Kheraj d, j 175 44 438 657 2,565

Forthcoming ESAS and PSP awards k March 2008 March 2007

PSP value PSP value Mandatory of shares Mandatory of shares ESAS 2007 under initial ESAS 2006 under initial results allocation results allocation £000 £000 £000 £000

Executive Directors

John Varley 618 1,200 699 1,200 Robert E Diamond Jr l 11,375 3,000 4,518 6,850 Gary Hoffman 219 625 203 625 Chris Lucas 195 800 600 Frits Seegers 569 1,600 520 1,000

Notes

a Emoluments include amounts, if any, payable by subsidiary undertakings. Amounts payable to Dr Danie Cronjé include an amount of ZAR1,926,400 (£136,774) in respect of his Chairmanship of Absa Group Limited from which he retired on 31st July 2007 (2006: ZAR3,114,800 (£249,829)).

b The Group Chairman and executive Directors receive benefits in kind, which may include life and disability cover, the use of a Company owned vehicle or cash equivalent, medical insurance and tax advice. Benefits are provided on similar terms to other senior executives. No Director has an expense allowance.

c Marcus Agius was appointed as a non-executive Director on 1st September 2006 and as Group Chairman from 1st January 2007.

d In 2007 John Varley was a Director of Ascot Authority (Holdings) Limited (Directorship ceased on 31st December 2007) and British Grolux Investments Limited for which he received fees of £20,085 and £7,613 respectively (2006: £26,000 and £7,500 respectively).

John Varley is a non-executive Director of AstraZeneca plc for which he received fees of £56,486 in 2007 (2006: £21,075). John Varley is also a member of the International Advisory Panel of the Monetary Authority of Singapore for which he received fees of US$10,000 in 2007 (2006: US$10,000). John Varley is Chairman of Business Action on Homelessness and President of the Employers Forum on Disability for which he receives no fees. Robert E Diamond Jr is Chairman of Old Vic Productions plc for which he received no fees in 2007. Gary Hoffman is a Director of Visa (Europe) Limited and Visa (International) Limited for which he receives no fees. Gary Hoffman is also a Director of Trinity Mirror plc for which he received fees of £62,754 in 2007 (2006: £50,000). During the course of his Directorship Naguib Kheraj was a member of the Board of Governors of the Institute of Ismaili Studies and Chairman of the National Committee of the Aga Khan Foundation for which he received no fees in 2007. Naguib Kheraj (up to 31st March 2007) and Frits Seegers are non-executive Directors of Absa Group Limited and Absa Bank Limited. They have both waived their fees, which were paid to Barclays. Their respective fees in 2007 were ZAR136,533 (£9,694) and ZAR469,900 (£33,363) (2006: ZAR425,100 (£34,096) and ZAR75,400 (£6,048) respectively).

e The remuneration for 2007 for Robert E Diamond Jr was based on the performance of Barclays Group, Barclays Capital, Barclays Global Investors and Barclays Wealth, both on an absolute and industry relative basis. The composition of this package continues to be heavily weighted towards elements that are at risk' and reflects practice in the investment banking and investment management industry.

f Chris Lucas was appointed as an executive Director with effect from 1st April 2007. In addition to the amount shown in the Salary and fees column above, Chris Lucas received an award under ESAS in recognition of forfeited compensation from his previous employment. Bonus shares are not applicable to this award. Details of this ESAS award are shown in the table on page 153 and the first table on page 154, and are not included in the table above.

In addition, Chris Lucas received an award under the PSP which is shown in the table above (footnote k on this page provides further information). Chris Lucas received an allowance of 25% of base salary (£112,500) in lieu of pension contributions. This amount is included in the column for Benefits in the table above.

g Frits Seegers received an allowance of 25% of base salary (£175,000) in lieu of pension contributions (pro-rata 2006: £84,028). This amount is included in the column for Benefits in the table above. h £20,000 of each non-executive Director s base fee of £65,000 is used, after tax, to buy Barclays shares. Further details are provided on page 158.

i David Booth was appointed as a non-executive Director on 1st May 2007.

j Naguib Kheraj ceased to be an executive Director on 31st March 2007. The amounts shown in the table above are in respect of the period from 1st January 2007 to 31st March 2007. During this period Naguib Kheraj received an allowance of 23% of base salary (£40,250) in lieu of pension contributions (2006: £149,500). This amount has been included in the column for Benefits above. In order to effect a successful handover to his successor, from 1st April 2007 to 30th April 2007, Naguib Kheraj was paid in accordance with the terms of his service contract (being a total amount of £218,343 which included a discretionary bonus of £145,833). Following the termination of his service contract and taking into consideration the duty to mitigate his loss, no payments were made to Naguib Kheraj in relation to the termination of his contract. Naguib Kheraj was retained by Barclays in a corporate finance advisory role for an eight month period from 1st May 2007 to 31st December 2007. Naguib Kheraj received a payment of £600,000 per month for this period, as well as a payment of £14,178 per month for contractual benefits (including an allowance in lieu of pensions contributions).

Naguib Kheraj s corporate finance role was terminated on 31st December 2007 and no payments were made to Naguib Kheraj on termination of this arrangement.

k The amounts shown for Mandatory ESAS represent the value of Barclays shares to be recommended for an award under Mandatory ESAS for the 2007 results and, recommended for an award under Mandatory ESAS for the 2006 results, including a maximum 30% bonus share element. The Mandatory ESAS awards for the 2006 results are included in the table on page 153 and the first table on page 154. The amounts shown for PSP represent the value of Barclays shares under initial allocation to be recommended for an award under PSP in March 2008 and recommended for an award under PSP in March 2007 (May 2007 for Chris Lucas). The PSP awards granted in 2007 are included in the table on page 153 and the first table on page 155.

lease refer to page 147 for further details on ESAS and PSP.

l In addition to the Mandatory ESAS award shown for the 2007 results, Robert E Diamond Jr will receive a separate award under ESAS in respect of the Retained Incentive Opportunity as described in footnote f to the table on page 155. Bonus shares do not apply to the ESAS award in respect of the Retained Incentive Opportunity.

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Executive Directors: pension accrued assuming retirement at normal pension age a, b, c

Pension Transfer Transfer accrued Pension value of value of

Accrued during accrued Accrued accrued accrued Increase in pension 2007 during pension pension pension transfer Age at 31st (including 2007 at 31st at 31st at 31st value at 31st Completed December increase for (excluding December December December during December years 2006 inflation) inflation) 2007 2006 2007 the year

2007 of service £000 £000 £000 £000 £000 £000 £000

Executive Directors

John Varley d, e 51 25 418 71 55 489 7,696 9,463 1,767 Robert E Diamond Jr f, g 56 11 36 2 2 38 195 214 19 Gary Hoffman e 47 25 253 20 11 273 2,352 2,598 246 Chris Lucas h 47 Frits Seegers h 49 1

Former Director

Naguib Kheraj h, i 43 10

Notes

a Pension accrued during the year represents the change in accrued pension (including inflation at the prescribed rate of 3.9%) which occurred during the entire year. The pensions paid from the final salary section of the applicable pension fund are reviewed annually. Pensions increase by a minimum of the increase in the retail prices index (up to a maximum of 5%), subject to the scheme rules.

b The transfer values have been calculated in a manner consistent with the Retirement Benefit Scheme Transfer Values (GN11) published by the Institute of Actuaries and the Faculty of Actuaries.

c With the exception of the benefits provided through the US Restoration Plan for Robert E Diamond Jr, the pension benefits for all Directors shown above are provided for on a funded basis.

d John Varley is a member of the Group s closed UK defined benefit pension arrangement. This non-contributory pension scheme has a normal pension age of 60 and in accordance with his service contract, the scheme provides him with a pension benefit of 66.67% of his Pensionable Salary at normal pension age. Should John Varley retire at age 55, the scheme provides for an unreduced pension of 60% of Pensionable Salary.

e In addition to the transfer value of accrued pension at 31st December 2007, John Varley and Gary Hoffman also have defined contribution benefits. John Varley s benefit is in respect of a transfer from a previous pension arrangement while Gary Hoffman s benefit is in respect of Special Company Contributions (Bonus Sacrifice). The fund values of these arrangements as at 31st December 2007 for John Varley and Gary Hoffman were £689,214 and £702,078 respectively.

f The benefits shown above in respect of Robert E Diamond Jr s participation in the Group s US non-contributory defined benefit arrangement and the US Restoration Plan have been converted to Pounds Sterling using the 2007 year-end exchange rate of US$2.00334 (2006: US$1.96).

g Robert E Diamond Jr is also a member of the Barclays Bank PLC 401K Thrift Savings Plan and Thrift Restoration Plan. These are US defined contribution plans. Company contributions into these plans in 2007 amounted to £10,233 (US$20,500).

h Chris Lucas, Naguib Kheraj and Frits Seegers do not participate in any of the Group s pension arrangements. Instead they receive a cash allowance in lieu of pension contributions of 25%, 23% and 25% of their respective salaries. Chris Lucas pro-rated cash allowance in 2007 amounted to £112,500. Naguib Kheraj, who ceased to be a Director on 31st March 2007, received a pro-rated cash allowance of £40,250, while Frits Seegers cash allowance in 2007 was £175,000.

i In addition to the cash allowance in lieu of pension contributions, Naguib Kheraj has defined contribution benefits in respect of a previous period of participation in afterwork. The fund value of this deferred benefit as at 31st March 2007, when he ceased to be an executive Director, was £110,821.

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2 Governance

Executive Directors: illustration of change in value of Barclays PLC shares owned beneficially, or held under option or awarded under employee share plans as at 31st December 2007 a

Number at 31st December 2007 Notional Notional Executive value based value based

Share on share on share Change in Shares Option price of price of notional owned Scheme £7.30 f £5.04 g value beneficially b ESAS c PSP d (ESOS) e ISOP e Sharesave Total £000 £000 £000

Executive Directors

John Varley 470,650 344,711 459,503 920,000 3,638 2,198,502 11,976 7,056 (4,920) Robert E Diamond Jr 3,402,192 4,863,749 1,755,335 100,000 560,000 10,681,276 75,033 50,942 (24,091) Gary Hoffman 431,761 274,402 257,116 540,000 6,150 1,509,429 8,555 5,187 (3,368) Chris Lucas 38,003 69,091 82,910 3,638 193,642 1,382 958 (424) Frits Seegers 699,870 231,383 294,154 3,390 1,228,797 8,954 6,177 (2,777)

Notes a Under PSP, ESAS, ISOP, ESOS and Sharesave, nothing was paid by the participants on the grant of options or awards. b The number shown includes shares held under Sharepurchase. c ESAS includes the maximum potential 30% bonus share element where applicable, and any voluntary ESAS awards. d The number of shares shown represents the initial allocation of shares.

e The number of shares shown represents the vested shares under option. f With the exception of Chris Lucas, the notional value is based on the share price as at 31st December 2006. The notional value for Chris Lucas is based on a share price of £7.23, which was the share price as at 2nd April 2007, the first working day after he was appointed executive Director. g The notional value is based on the share price as at 31st December 2007. The highest and lowest market prices per share during the year were £7.90 and £4.775 respectively.

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Corporate governance Remuneration report

Executive Directors: shares provisionally allocated and shares under option under ESAS a, h, i, j

During 2007

Awarded in Market Market Number Number at respect of price on price on Bonus at 31st 1st January the results Release Exercise shares December 2007 for 2006 Released c date £ Exercised date £ lapsed 2007

Executive Directors

John Varley 278,211 95,328 28,828 7.15 344,711 Robert E Diamond Jr d 5,282,875 616,303 1,035,429 7.15 4,863,749 Gary Hoffman 166,526 27,712 16,924 7.15 177,314 Chris Lucas b 69,091 Frits Seegers 802,208 70,941 641,766 6.84 231,383

Former Director

Naguib Kheraj 790,317 230,560 7.15 559,757

Shares under option under ESAS and voluntary ESAS as at 31st December 2007 (with the exception of voluntary ESAS, shares under option are included in aggregate figures above)

During 2007

Nil cost Number option Market price Bonus under under on exercise shares Voluntary Nil cost voluntary Voluntary date of lapsed on ESAS at option ESAS at ESAS Voluntary voluntary exercise of 31st Date from Latest granted at 1st January option ESAS option ESAS voluntary December which expiry 3rd anniversary e 2007f granted exercised g option £ ESAS option 2007 exercisable date

Executive Directors

John Varley 56,037 28/02/06 05/03/09

Robert E Diamond Jr

Gary Hoffman 47,663 136,584 39,496 7.17 97,088 05/03/04 05/03/14 Chris Lucas Frits Seegers

Former Director

Naguib Kheraj 402,509 28/02/06 30/06/08

Notes

a The number of shares shown in the table includes the maximum potential 30% bonus element where applicable.

b Figures shown in the column Number at 1st January 2007 for Chris Lucas are as at date of joining. An award of 69,091 Barclays shares was granted to Chris Lucas on 1st May 2007, following his appointment as an executive Director on 1st April 2007, in recognition of forfeited compensation from his previous employment. Bonus shares are not applicable to the award.

c The trustees may release additional shares to participants which represent accumulated dividends (net of withholding) in respect of shares under award. During 2007, the trustees released the following accumulated dividend shares: 6,865 to John Varley, 100,645 to Robert E Diamond Jr, 4,030 to Gary Hoffman and 54,899 to Naguib Kheraj. These are not awarded as part of the original award and consequently are not included in the Released column.

d The number shown in the column headed Number at 1st January 2007 includes shares held by Robert E Diamond Jr which reflect interests built up over the course of successive years service with Barclays. The awards were related to Robert E Diamond Jr s contribution to the performance of Investment Banking, Investment Management and the Barclays Group as a whole.

e The shares under option shown in this column are already included in the numbers shown at 1st January 2007 in the first table on this page, and relate to provisional allocations made in 2003 and 2004 except that the figures do not include accumulated dividend shares under option as follows: 7,410 shares for John Varley, 6,303 shares for Gary Hoffman and 53,059 shares for Naguib Kheraj.

f The shares under option in this column are not included in the numbers shown at 1st January 2007 or 31st December 2007 in the first table on this page.

g These figures do not include 9,624 accumulated dividend shares released on exercise of voluntary ESAS options.

h Awards in respect of 2007 will be made in March 2008. Including the maximum potential 30% bonus element, awards will total £617,500 to John Varley, £11,375,000 to Robert E Diamond Jr, £219,375 to Gary Hoffman, £568,750 to Frits Seegers and £195,000 to Chris Lucas.

i Nothing was paid by the participants on the grant of options or awards.

j Please refer to page 147 for further details on ESAS and voluntary ESAS.

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2 Governance

Executive Directors: awards under PSP a, e

Shares Shares Maximum Lapses under under Maximum Shares under number due in 2008 initial initial number initial of shares based on allocation allocation of shares Market allocation under award maximum at granted granted price Scheduled at 31st at 31st number 1st January during during on award Performance vesting December December of shares 2007 2007 b 2007 date £ c period d date 2007 2007 under award

Executive Directors John Varley

2005 142,045 01/01/05-31/12/07 16/06/08 142,045 426,135 426,135 2006 153,748 01/01/06-31/12/08 23/03/09 153,748 461,244 2007 163,710 491,130 7.08 01/01/07-31/12/09 22/03/10 163,710 491,130 Total 459,503 1,378,509

Robert E Diamond Jr

2005 52,083 01/01/05-31/12/07 16/06/08 52,083 156,249 156,249 2006 768,736 01/01/06-31/12/08 23/03/09 768,736 2,306,208 2007 934,516 2,803,548 7.08 01/01/07-31/12/09 22/03/10 934,516 2,803,548 Total 1,755,335 5,266,005

Gary Hoffman

2005 75,758 01/01/05-31/12/07 16/06/08 75,758 227,274 227,274 2006 96,092 01/01/06-31/12/08 23/03/09 96,092 288,276 2007 85,266 255,798 7.08 01/01/07-31/12/09 22/03/10 85,266 255,798 Total 257,116 771,348

Chris Lucas

2007 82,910 248,730 7.23 01/01/07-31/12/09 22/03/10 82,910 248,730 Total 82,910 248,730

Frits Seegers

2006 157,728 01/01/06-31/12/08 04/08/09 157,728 473,184 2007 136,426 409,278 7.08 01/01/07-31/12/09 22/03/10 136,426 409,278 Total 294,154 882,462

Former Director Naguib Kheraj

2005 87,121 01/01/05-31/12/07 16/06/08 87,121 261,363 261,363 2006 107,624 01/01/06-31/12/08 23/03/09 107,624 322,872 Total 194,745 584,235

Executive Directors: Retained Incentive Opportunity f

Maximum potential

Date of value Performance Vesting award £000s period date

Robert E Diamond Jr 25/05/05 14,850 01/01/05-31/12/07 No later than 15/03/08

Notes

a The performance conditions for the 2005 awards were not met and all awards are due to lapse in 2008.

b In respect of John Varley, Robert E Diamond Jr, Gary Hoffman and Frits Seegers, the price used to convert the present fair value of the award to a number of shares was £7.33. This was the average over the period 20th February 2007 to 13th March 2007. In respect of Chris Lucas, the price used to convert the present fair value of the award to a number of shares was £7.23, which was the price at which shares were purchased in the market to fund the award.

c The price shown is the mid-market closing price on the date of the award.

d The details of the performance conditions for PSP are included on page 147.

e Figures shown in the column Shares under initial allocation at 1st January 2007 for Chris Lucas are as at date of joining. Nothing was paid by the participants on the grant of awards.

f Robert E Diamond Jr s award under the Retained Incentive Opportunity reached the end of its performance period on 31st December 2007. Barclays Capital s cumulative EP over the three-year performance period, which started on 1st January 2005, exceeded the £2bn threshold for the maximum potential value to vest in accordance with the terms of the award. This resulted in a vesting in February 2008 to the value of £14,850,000 with 50% payable in cash and the remaining 50% as a recommendation to the trustee of ESAS for an award of Barclays shares in the form of a provisional allocation. Any shares under the ESAS award would be releasable after 12 months from the award date. Bonus shares are not applicable to this award.

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Corporate governance Remuneration report

Executive Directors: shares under option under Sharesave a

During 2007 Information as at 31st December 2007

Weighted average Number Market Number of exercise held at Exercise price on shares held price of Date from Latest 1st January price per date of under outstanding which expiry 2007 Granted Exercised share exercise option options exercisable date

£ £ £

Executive Directors

John Varley 4,096 3,638 4,096 4.11 7.89 3,638 4.83 01/11/14 30/04/15 Robert E Diamond Jr Gary Hoffman 6,474 324 3.16 5.09 6,150 4.35 01/11/08 30/04/14 Chris Lucas 3,638 3,638 4.83 01/11/14 30/04/15 Frits Seegers 3,390 3,390 4.83 01/11/12 30/04/13

Former Director

Naguib Kheraj 4,007 4,007 4.08 01/01/08 30/06/08

Note a Figures shown in the column Number held at 1st January 2007 for Chris Lucas are as at date of joining. Nothing was paid by the participants on the grant of options.

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2 Governance

Executive Directors: plans used in previous years (ESOS, ISOP and the BGI EOP)

The executive Directors continue to have interests in Barclays PLC ordinary shares under ESOS a and ISOP b, and in BGI Holdings under the BGI EOP c (as indicated in the table below). No awards were made to Directors under these plans during 2007.

Executive Directors: awards under plans used in previous years e

Maximum Maximum number of number of Weighted Vested shares under shares under average number option Market option exercise of shares at price on at 31st price of Date from Latest at 31st

1st January During 2007 exercise December outstanding which expiry December 2007 Exercised Lapsed date 2007 options exercisable date 2007

£ £

Executive Directors John Varley

ISOP 2,060,000 1,140,000 920,000 4.41 18/05/03 22/03/14 920,000

Robert E Diamond Jr

ESOS 100,000 100,000 3.97 14/08/01 13/08/08 100,000 ISOP 1,340,000 780,000 560,000 4.54 12/03/04 22/03/14 560,000 BGI EOP 100,000 100,000 20.11 26/03/07 26/03/14 100,000

Gary Hoffman

ISOP 1,320,000 780,000 540,000 4.51 12/03/04 22/03/14 540,000

Chris Lucas d

Frits Seegers d

Former Director Naguib Kheraj

ESOS 60,000 60,000 3.97 14/08/01 13/08/08 60,000 ISOP 1,360,000 840,000 520,000 4.47 12/03/04 31/12/08 520,000

Notes

a Under ESOS, options granted (at market value) to executives were exercisable only if the growth in Barclays earnings per share over the three-year period was at least equal to the percentage increase in the UK Retail Prices Index plus 6% over the same period. The performance condition for the 1999 ESOS grant was met.

b Under ISOP, executives were awarded options (at market value) over Barclays shares which are normally exercisable after three years. The number of shares over which options can be exercised depends upon performance against specific performance conditions. For ISOP awards granted in 2000 to 2003, the first 40,000 target shares under option for each award was subject to an EP performance condition, tested over a period of three years. Any amount over 40,000 target shares was subject to a relative TSR performance condition, to be tested initially over three years. Because the TSR performance condition was not met over three years in relation to the awards in 2003, the TSR condition was tested over a period of four years from the original start date. Awards in 2004 were subject to a relative TSR performance condition. For the 2003 and 2004 grants under ISOP, which became exercisable in 2007, Barclays was ranked 6th in the peer group under the TSR performance condition. This was sufficient for only 25% of the maximum number of shares under the TSR condition to vest. The remaining 75% lapsed.

c Robert E Diamond Jr received a grant under the BGI EOP in March 2004. He was not a Director of Barclays PLC at that time. The BGI EOP is an option plan, approved by shareholders in 2000 and offered predominantly to participants in the US. Under the BGI

EOP, participants receive an option to purchase shares in Barclays Global Investors UK Holdings Limited. The exercise price is based on the fair value at the time of grant. The option normally vests in three equal tranches on the first, second, and third anniversary of the date of grant. Participants must, in accordance with the Articles of Association of Barclays Global Investors UK Holdings Limited, keep their shares for 355 days after the date of exercise, before they may be offered for sale. In line with market practice, the options were not subject to performance conditions. Robert E Diamond Jr is not eligible to receive further awards under the BGI EOP. The shares shown in respect of the BGI EOP in the above table are shares in Barclays Global Investors UK Holdings Limited.

d Frits Seegers was appointed as an executive Director on 10th July 2006, and Chris Lucas on 1st April 2007, and therefore no participation in the above plans has been offered to them.

e Nothing was paid by the participants on the grant of options.

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Corporate governance Remuneration report

Directors: interests in ordinary shares of Barclays PLC a

At 1st January 2007 b At 31st December 2007

Non- Non-Beneficial beneficial Beneficial beneficial

Group Chairman

Marcus Agius 15,000 86,136

Executive Directors

John Varley 375,053 470,650 Robert E Diamond Jr e 2,531,582 3,402,192 Gary Hoffman 319,186 431,761 Chris Lucas f 38,003 Frits Seegers d 4,319 699,8

Non-executive Directors c

David Booth g 50,374 Sir Richard Broadbent 8,092 14,026 Leigh Clifford 5,219 18,872 Fulvio Conti 2,538 10,067 Dr Danie Cronjé d 3,547 5,146 Profess Dame Sandra Dawson 9,953 12,040 Sir Andrew Likierman 5,441 8,137 Sir Nigel Rudd 51,117 84,843 Stephen Russell 18,661 21,054 Sir John Sunderland 10,054 31,658

Notes

a Beneficial interests in the table above represent shares held by Directors who were on the Board as at 31st December 2007, either directly or through a nominee, their spouse and children under 18. They include any interests held through Sharepurchase, but do not include any awards under ESAS, ISOP, PSP, ESOS and Sharesave. The beneficial interests in ordinary shares of Barclays PLC held by all Directors as shown in the table above amounted in aggregate to 5,384,829 ordinary shares of Barclays PLC as at 31st December 2007 and 5,398,797 ordinary shares of Barclays PLC as at 27th February 2008 (which amounted to less than 1% of Barclays PLC ordinary share capital outstanding as at 31st December 2007 and 27th February 2008 respectively). Note 42 provides further information on Directors and Officers shareholdings. As at 31st December 2007, the executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 207,685,698 Barclays PLC ordinary shares (1st January 2007: 165,645,889) held by the trustees of the Barclays EBTs. As at 27th February 2008, a total of 218,235,925 shares were held by the trustees.

b Or date appointed to the Board if later.

c On 19th February 2008, the non-executive Directors acquired ordinary shares pursuant to arrangements under which part of each non-executive Director s fee is used to buy shares in Barclays. Barclays shares were acquired by each non-executive Director as follows: David Booth 1,183; Sir Richard Broadbent 1,487; Leigh Clifford 1,312; Fulvio Conti 1,401; Dr Danie Cronjé 1,270; Professor Dame Sandra Dawson 1,485; Sir Andrew Likierman 1,353; Sir Michael Rake 204; Sir Nigel Rudd 1,646; Stephen Russell 1,600; Sir John Sunderland 1,231; Patience Wheatcroft 169. On 19th February 2008, Sir Michael Rake also acquired 1,100 ordinary shares in Barclays. On 26th February 2008, Patience Wheatcroft acquired 1,200 ordinary shares in Barclays and Sir Nigel Rudd sold 28,000 ordinary shares in Barclays and acquired 28,000 ordinary shares in Barclays in PEP and ISA accounts. Except as described in this note, there were no changes to the beneficial or non-beneficial interests of Directors in the period 31st December 2007 to 27th February 2008.

d As at 1st January 2007, Frits Seegers and Dr Danie Cronjé held 1,000 and 101,577 shares in Absa Group Limited respectively. As at 31st December 2007, Frits Seegers and Dr Danie Cronjé held 1,000 and 101,577 shares in Absa Group Limited respectively. Dr Danie Cronjé also held 7,500 non-cumulative, non-redeemable preference shares in Absa Bank Limited as at 1st January 2007 and 11,700 such shares as at 31st December 2007.

e As at 1st January 2007 and 31st December 2007, Robert E Diamond Jr held 200,000 A ordinary shares in Barclays Global Investors UK Holdings Limited.

f Appointed as an executive Director on 1st April 2007.

g Appointed as a non-executive Director on 1st May 2007.

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2 Governance

Corporate governance

Accountability and audit

Going concern

The Directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the accounts.

Internal control

The Directors have responsibility for ensuring that management maintain an effective system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Throughout the year ended 31st December 2007, and to date, the Group has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance Internal Control: Guidance for Directors on the Combined Code published by the Financial Reporting Council. The Board regularly reviews these processes through the Board Committees.

The Directors review the effectiveness of the system of internal control semi-annually. An internal control compliance certification process is conducted throughout the Group in support of this review. The effectiveness of controls is periodically reviewed within the business areas. Regular reports are made to the Board Audit Committee by management, Internal Audit and the compliance and legal functions covering particularly financial controls, compliance and operational controls. The Board Audit Committee monitors resolution of any identified control issues of Group level significance through to a satisfactory conclusion.

The Group Internal Control and Assurance Framework (GICAF) describes the Group s approach to internal control and details Group policies and processes. The GICAF is reviewed and approved on behalf of the Group Chief Executive by the Group Governance and Control Committee. Quarterly risk reports are made to the Board covering risks of Group significance including credit risk, market risk and operational risk, including legal and compliance risk. Reports covering risk measurement standards and risk appetite are made to the Board Risk Committee. Further details of risk management procedures are given in the Risk management section on pages 80 to 112.

Management s report on internal control over financial reporting

The management of Barclays PLC is responsible for establishing and maintaining adequate internal control over financial reporting. Barclays PLC s internal control over financial reporting is a process designed under the supervision of Barclays PLC s principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and published by the International Accounting Standards Board.

Barclays PLC s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRSs and that receipts and expenditures are being made only in accordance with authorisations of management and the Directors of Barclays PLC; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of Barclays PLC s assets that could have a material effect on Barclays PLC s financial statements.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of Barclays PLC s internal control over financial reporting as of 31st December 2007. In making its assessment, management has utilised the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission in Internal Control Integrated Framework. Management concluded that based on its assessment, Barclays PLC s internal control over financial reporting was effective as of 31st December 2007.

The system of internal financial and operational controls is also subject to regulatory oversight in the United Kingdom and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk management section on page 126.

Statement of Directors responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors report set out on page 163, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year and, with regards to Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared individual accounts in accordance with IFRSs as adopted by the European Union. The accounts are required by law and IFRSs to present fairly the financial position of the Company and the Group and the performance for that period; the Companies Act 1985 provides, in relation to such accounts, that references in the relevant part of the law to accounts giving a true and fair view are references, to their achieving fair presentation.

The Directors consider that, in preparing the accounts on pages 165 to 265, and the additional information contained on pages 266 to 289, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985.

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Corporate governance Accountability and audit

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Disclosure controls and procedures

The Group Chief Executive, John Varley, and the Group Finance Director, Chris Lucas, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group s disclosure controls and procedures as at 31st December 2007, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within the time periods specified in the US Securities and Exchange Commission s rules and forms. As of the date of the evaluation, the Group Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective. The Group Chief Executive and Group Finance Director also concluded that no significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to their evaluation.

Signed on behalf of the Board

Marcus Agius Group Chairman

7th March 2008

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Financial statements

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Presentation of information

Presentation of Information

Barclays PLC is a public limited company registered in England under company number 48839. The Company, originally named Barclay & Company Limited, was incorporated in England and Wales on 20th July 1896 under the Companies Acts 1862 to 1890 as a company limited by shares. The company name was changed to Barclays Bank Limited on 17th February 1917 and it was reregistered in 1982 as a public limited company under the Companies Acts 1948 to 1980. On 1st January 1985, the company changed its name to Barclays PLC.

Barclays Bank PLC is a public limited company registered in England under company number 1026167. The Bank was incorporated on 7th August 1925 under the Colonial Bank Act 1925 and on 4th October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1st January 1985 the Bank was reregistered as a public limited company and its name was changed from Barclays Bank International Limited to Barclays Bank PLC.

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. The Annual Report for Barclays PLC also contains the consolidated accounts of, and other information relating to, Barclays Bank PLC. The Annual Report includes information required to be included in the Barclays PLC and Barclays Bank PLC Annual Report on Form 20-F for 2007. Form 20-F will contain as exhibits certificates pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, signed by the Group Chief Executive and Group Finance Director, with respect to both Barclays PLC and Barclays Bank PLC. Except where otherwise indicated, the information given is identical with respect to both Barclays PLC and Barclays Bank PLC.

The term Companies Act 1985 means the company law provisions of the Companies Act 1985 (as amended) that remain in force. The term Companies Act 2006 means the operative company law provisions of the Companies Act 2006.

The accounts of Barclays Bank PLC included in this document do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Barclays Bank PLC, which contain an unqualified audit report and do not contain any statement under Section 237(2) or (3) of that Act, will be delivered to the Registrar of Companies in accordance with Section 242 of that Act and are published as a separate document.

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 or parent Company refers to Barclays PLC and the term Bank refers to Barclays Bank PLC. The term Absa Group Limited is used to refer to Absa Group Limited and its subsidiaries and the term Absa is used to refer to the component of the International 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.

Statutory Accounts

The consolidated accounts of Barclays PLC and its subsidiaries are set out on pages 165 to 265 along with the accounts of Barclays PLC itself on page 180. The consolidated accounts of Barclays Bank PLC and its subsidiaries are set out on pages 266 to 278. The accounting policies on pages 165 to 173 and the Notes commencing on page 182 apply equally to both sets of accounts unless otherwise stated.

Adoption of IFRS and 2004 comparatives

The Group adopted the requirements of International Financial Reporting Standards and International Accounting Standards (collectively IFRSs) as adopted by the European Union in 2005. As permitted by IFRS 1, the accounting standards relating to financial instruments and insurance contracts have not been applied to 2004. Therefore, the 2004 comparatives are significantly different from the numbers reported in later years. n/a has been included in tables where, as a result of the application of IAS 32, IAS 39 and IFRS 4 in later years and UK GAAP in 2004, the disclosure is not applicable.

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Financial statements

Independent Auditors report

UK Audit Report of the Independent Auditors to the members of Barclays PLC

We have audited the Group and Parent company financial statements (the financial statements) of Barclays PLC (the Company) for the year ended 31st December 2007 which comprise the Consolidated and Parent company income statements, Consolidated and Parent company balance sheets, Consolidated and Parent company cash flow statements, Consolidated and Parent company statements of recognised income and expense and the related notes in the section headed Notes to the accounts. These financial statements have been prepared under the accounting policies set out in the section headed Accounting policies. We have also audited the information in the Remuneration report that is described as having been audited (the auditable part).

Respective responsibilities of Directors and Auditors

The Directors responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors responsibilities for the accounts within the section headed Accountability and audit. The Directors are also responsible for preparing the Remuneration report. Our responsibility is to audit the financial statements and the auditable part of the Remuneration report in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company s members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Remuneration report have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors remuneration and other transactions is not disclosed.

We review whether the Corporate governance report reflects the

Company s and Group s compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company s or Group s corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman s statement, Group Chief Executive s review, Financial review, Risk management, Directors report, Corporate governance report, the unaudited part of the Remuneration report, Accountability and audit and Presentation of information.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

asis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Remuneration report. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group s and Company s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Remuneration report.

Opinion

In our opinion:

the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group s and the Parent company s affairs as at 31st December 2007 and of the Group s and the Parent company s profit and cash flows for the year then ended;

the financial statements and the auditable part of the Remuneration report have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

the information given in the Directors report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors London, United Kingdom 7th March 2008

Notes a The maintenance and integrity of the Barclays PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Independent Registered Public Accounting Firm s report

Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of Barclays PLC

In our opinion, the accompanying Consolidated income statements and the related Consolidated balance sheets, Consolidated statements of recognised income and expense and, Consolidated statements of cash flows present fairly, in all material respects, the financial position of Barclays PLC (the Company) and its subsidiaries at 31st December 2007 and 31st December 2006 and the results of their operations and cash flows for each of the three years in the period ended 31st December 2007, in conformity with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Also, in our opinion the Company maintained, in all material respects, effective internal control over financial reporting as of 31st December 2007, based on criteria established in Internal Control Integrated Framework issued by the COSO. The Company s management are responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s report on internal control over financial reporting in the section headed Accountability and audit. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our audits which were integrated in 2007 and 2006. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and

evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors London, United Kingdom 7th March 2008

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Significant Accounting Policies

1. Reporting entity

These financial statements are prepared for the Barclays PLC Group (Barclays or the Group) under Section 227(2) of the Companies Act 1985. The Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. In addition, individual financial statements have been prepared for the holding company, Barclays PLC (the Company), under Section 226(2)(b) of the Companies Act 1985.

Barclays PLC is a public limited company, incorporated in Great Britain and having a registered office in England.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays PLC Group, and the individual financial statements of Barclays PLC, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRSs and IFRIC interpretations as adopted by the European Union. IFRS 7 Financial Instrument Disclosures and an amendment to IAS 1 Presentation of Financial Statements on capital disclosures were implemented in 2007, resulting in new or revised disclosures.

The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below. These policies have been consistently applied.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments and contracts to buy or sell non-financial items and trading inventories to the extent required or permitted under accounting standards and as set out in the relevant accounting polices. They are stated in millions of pounds Sterling (£m), the currency of the country in which Barclays PLC is incorporated.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements such as fair value of financial instruments (Note 49), allowance for impairment (Note 47), goodwill (Note 21), intangible assets (Note 22), and retirement benefit obligations (Note 30).

4. Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Barclays PLC and all its subsidiaries, including certain special purpose entities (SPEs) where appropriate, made up to 31st December. Entities qualify as subsidiaries where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity. Details of the principal subsidiaries are given in Note 40. SPEs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control, as set out in SIC 12 Consideration Special Purpose Entities , include, amongst others, an assessment of the Group s exposure to the risks and benefits of the SPE.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group s share of the fair value of the identifiable net assets acquired is recorded as goodwill. See accounting policy 14 for the accounting policy for goodwill. Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

As the consolidated financial statements include partnerships where a Group member is a partner, advantage has been taken of the exemption of Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 with regard to the preparation and filing of individual partnership financial statements.

Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, though not necessarily, through entities which are subject to joint control.

Unless designated as at fair value through profit and loss as set out in policy 7, the Group s investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group s share of the post-acquisition profit (or loss), or other movements reflected directly in the equity of the associated or jointly controlled entity. Goodwill arising on the acquisition of an associate or joint venture is included in the carrying amount of the investment (net of any accumulated impairment loss). When the Group s share of losses in an associate or joint venture equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

The Group s share of the results of associates and joint ventures is based on financial statements made up to a date not earlier than three months before the balance sheet date, adjusted to conform with the accounting polices of the Group. Unrealised gains on transactions are eliminated to the extent of the Group s interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

In the individual financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less impairment, if any.

5. Foreign currency translation

The consolidated and individual financial statements are presented in Sterling, which is the functional currency of the parent company. Items included in the financial statements of each of the Group s entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investments. See policy 12 for the policies on hedge accounting.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available for sale financial assets and non-monetary items are included directly in equity.

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For the purposes of translation into the presentational currency, assets, liabilities and equity of foreign operations are translated at the closing rate, and items of income and expense are translated into Sterling at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate to actual rates.

The exchange differences arising on the translation of a foreign operation are included in cumulative translation reserves within shareholders equity and included in the profit or loss on disposal or partial disposal of the operation.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are maintained in the functional currency of the foreign operation, translated at the closing rate and are included in hedges of net investments where appropriate.

On transition to IFRS, the Group brought forward a nil opening balance on the cumulative foreign currency translation adjustment arising from the retranslation of foreign operations, which is shown as a separate item in shareholders equity.

6. Interest, fees and commissions

Interest

Interest is recognised in interest income and interest expense in the income statement for all interest bearing financial instruments classified as held to maturity, available for sale or other loans and receivables using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating effective interest, the Group estimates cash flows (using projections based on its experience of customers behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognised over the term of the commitment.

Insurance premiums

Insurance premiums are recognised in the period earned.

Net trading income

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Dividends from subsidiaries

In the individual financial statements of Barclays PLC, dividends from subsidiaries are accounted for on the basis of dividends received in the accounting period.

7. Financial assets and liabilities

Financial assets

The Group classifies its financial assets in the following categories: financial instruments at fair value through profit or loss; loans and receivables; held to maturity investments and available for sale financial assets. Management determines the classification of financial assets and liabilities at initial recognition.

Financial instruments at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated by management under the fair value option. Instruments are classified as held for trading if they are: (i) acquired principally for the purposes of selling or repurchasing in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial instruments cannot be transferred into or out of this category after inception. Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Regular way purchases and sales of financial instruments held for trading or designated under the fair value option are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. The fair value option is used in the following circumstances: (i) financial assets backing insurance contracts and financial assets backing investment contracts are designated at fair value through profit or loss because the related liabilities have cash flows that are contractually based on the performance of the assets or the related liabilities are insurance contracts whose measurement incorporates current information. Fair valuing the assets through profit and loss significantly reduces the recognition inconsistencies that would arise if the financial assets were classified as available for sale;

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(ii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss if they contain substantive embedded derivatives; (iii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost; and (iv)certain private equity and other investments that are managed, and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 6). They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments that the Group s management has the intention and ability to hold to maturity. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 6). They are derecognised when the rights to receive cash flows have expired.

Regular way purchases of held to maturity financial assets are recognised on trade date, being the date on which the Group commits to purchase the asset.

Available for sale

Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest determined using the effective interest method (see accounting policy 6), impairment losses and translation differences on monetary items are recognised in the income statement. The assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of available for sale financial instruments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement.

Profits or losses cannot be recognised on the initial recognition of embedded derivatives unless the host contract is also carried at fair value.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined by reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. For financial liabilities measured at fair value, the carrying amount is adjusted to reflect the effect on fair value of changes in own credit spreads. Most market parameters are either directly observable or are implied from instrument prices.

The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters. However, where valuations include significant unobservable inputs, the transaction price is deemed to provide the best evidence of initial fair value for accounting purposes. As such, profits or losses are recognised upon trade inception only when such profits can be measured solely by reference to observable market data. The difference between the model valuation and the initial transaction price is recognised in profit or loss: a) on a straight-line basis over the term of the transaction, or over the period until all model inputs will become observable where appropriate, or; b) released in full where previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market place, the maturity of market modelling, the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

8. Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that loans and receivables or available for sale financial investments are impaired. These are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date (a loss event) and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include: a) significant financial difficulty of the issuer or obligor; b) a breach of contract, such as a default or delinquency in interest or principal payments; c) the lender, for economic or legal reasons relating to the borrower s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; e) the disappearance of an active market for that financial asset because of financial difficulties; or

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f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: (i) adverse changes in the payment status of borrowers in the portfolio; (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables the Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan and receivable, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows discounted at the asset s original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralised loan and receivable asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty s ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Equity securities acquired in exchange for loans in order to achieve an orderly realisation are accounted for as a disposal of the loan and an acquisition of equity securities. Where control is obtained over an entity as a result of the transaction, the entity is consolidated. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business and not as an impairment of the original instrument.

In the case of available for sale financial investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

9. Sale and repurchase agreements (including stock borrowing and lending)

Securities may be lent or sold subject to a commitment to repurchase them (a repo). Such securities are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet as appropriate.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a reverse repo) but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the balance sheet.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

10. Securitisation transactions

Certain Group undertakings have issued debt securities or have entered into funding arrangements with lenders in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless: (i) substantially all the risks and rewards associated with the financial instruments have been transferred, in which case, the assets are derecognised in full; or (ii) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised only to the extent of the Group s continuing involvement. Where (i) or (ii) above applies to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

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11. Collateral and netting

The Group enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer s assets and gives the Group a claim on these assets for both existing and future liabilities.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

12. Hedge accounting

Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions.

Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group discontinues hedge accounting when: (i) It is determined that a derivative is not, or has ceased to be, highly effective as a hedge; (ii) the derivative expires, or is sold, terminated, or exercised; (iii) the hedged item matures or is sold or repaid; or (iv)a forecast transaction is no longer deemed highly probable.

In certain circumstances, the Group may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedging instrument. To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item; or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, the hedge is deemed to include ineffectiveness. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in shareholders equity, and recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Hedges of net investments

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of the net investment, are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is recognised directly in equity and the ineffective portion is recognised immediately in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement on the disposal or partial disposal of the foreign operation.

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative liability only the foreign exchange risk is designated as a hedge.

Derivatives that do not qualify for hedge accounting

Derivative contracts entered into as economic hedges that do not qualify for hedge accounting are held at fair value through profit or loss.

13. Property, plant and equipment

Property and equipment is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life.

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The Group uses the following annual rates in calculating depreciation:

Freehold buildings and long-leasehold property

(more than 50 years to run) 2-3.3% Leasehold property Over the remaining (less than 50 years to run) life of the lease Costs of adaptation of freehold and leasehold property a 7-10% Equipment installed in freehold and leasehold property a 7-10% Computers and similar equipment 20-33% Fixtures and fittings and other equipment 10-20%

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

14. Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiary and associated entities and joint ventures, and represents the excess of the fair value of the purchase consideration and direct costs of making the acquisition, over the fair value of the Group s share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill on acquisitions of associates and joint ventures is included in the amount of the investment. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

The carrying amount of goodwill in the UK GAAP balance sheet as at 31st December 2003 has been brought forward without adjustment on transition to IFRSs.

Computer software

Computer software is stated at cost, less amortisation and provisions for impairment, if any.

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

Capitalised computer software is amortised over three to five years.

Other intangible assets

Other intangible assets consist of brands, customer lists, licences and other contracts, core deposit intangibles, mortgage servicing rights and customer relationships. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method and the relief from royalty method that estimate net cash flows attributable to an asset over its economic life and discount to present value using an appropriate rate of return based on the cost of equity adjusted for risk.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 4-25 years.

15. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. Goodwill is subject to an impairment review as at the balance sheet date each year. 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 arms-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 carrying values of fixed assets and goodwill are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset s recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised. Impairment losses on goodwill are not reversed. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets.

16. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Other than where the fair value option is applied, subsequent to initial recognition, the bank s liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement any fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date, in accordance with policy 23.

Any increase in the liability relating to guarantees is taken to the income statement in Provisions for undrawn contractually committed facilities and guarantees provided. Any liability remaining is recognised in the income statement when the guarantee is discharged, cancelled or expires.

Note a Where leasehold property has a remaining useful life of less than 15 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

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17. Issued debt and equity securities

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Company. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component. Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method as set out in policy 6. Derivatives embedded in financial liabilities that are not designated at fair value are accounted for as set out in policy 7. Equity instruments, including share capital, are initially recognised at net proceeds, after deducting transaction costs and any related income tax. Dividend and other payments to equity holders are deducted from equity, net of any related tax.

18. Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares or options including those issued on the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Barclays PLC (the Company) shareholders.

Treasury shares

Where the Company or any member of the Group purchases the Company s share capital, the consideration paid is deducted from shareholders equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders equity.

19. Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts. The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are at least 5% more than the benefits that would be payable if the insured event does not occur.

Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39, Financial Instruments: Recognition and Measurement .

Long-term insurance contracts

These contracts, insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income.

Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

Short-term insurance contracts

Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost. Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Deferred acquisition costs (DAC)

Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

Deferred income liability

Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

Value of business acquired

On acquisition of a portfolio of contracts, such as through the acquisition of a subsidiary, the Group recognises an intangible asset representing the value of business acquired (VOBA), representing the future profits embedded in acquired insurance contracts and investment contracts with a discretionary participation feature. The asset is amortised over the remaining terms of the acquired contracts.

Liability adequacy test

Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC and VOBA assets. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Where a deficiency is highlighted by the test, DAC and VOBA assets are written off first, and insurance liabilities increased when these are written off in full.

Any deficiency is immediately recognised in the income statement.

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Reinsurance

Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly resulting in a charge to the income statement.

20. Leases

Lessor

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are included within property, plant and equipment on the Group s balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Lessee

The leases entered into by the Group are primarily operating leases. Operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

21. Employee benefits

The Group provides employees worldwide with post-retirement benefits mainly in the form of pensions. The Group operates a number of pension schemes which may be funded or unfunded and of a defined contribution or defined benefit nature. In addition, the Group contributes, according to local law in the various countries in which it operates, to Governmental and other plans which have the characteristics of defined contribution plans. 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, using the assumptions set out in Note 30. 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.

Cumulative actuarial gains and losses in excess of the greater of 10% of the assets or 10% of the obligations of the plan are recognised in the income statement over the remaining average service lives of the employees of the related plan, on a straight-line basis.

For defined contribution schemes, the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

The Group also provides health care to certain retired employees, which are accrued as a liability in the financial statements over the period of employment, using a methodology similar to that for defined benefit pensions plans.

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses.

22. Share-based payments to employees

The Group engages in equity settled share-based payment transactions in respect of services received from certain of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that the services are received, which is the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met.

23. Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income and other benefits. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

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24. Taxes, including deferred taxes

Income tax payable on taxable profits (current tax), is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

25. Segment reporting

Business segments are distinguishable components of the Group that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those of components operating in other economic environments. Business segments are the primary reporting segments. Group costs are allocated to segments on a reasonable and consistent basis. Transactions between segments are generally accounted for in accordance with Group policies as if the segment were a stand-alone business with intra-segment revenue and costs being eliminated in Head office.

The analyses by geographical segment are based on the location of the customer.

26. Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Repos and reverse repos are not considered to be part of cash equivalents.

27. Trust activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

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Future Accounting Developments

Consideration will be given during 2008 to the implications, if any, of the following new and revised standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations as follows:

IFRS 3 Business Combinations and IAS 27 Consolidated and

Separate Financial Statements are revised standards issued in January 2008. The revised IFRS 3 applies prospectively to business combinations first accounted for in accounting periods beginning on or after 1st July 2009 and the amendments to IAS 27 apply retrospectively to periods beginning on or after 1st July 2009. The main changes in existing practice resulting from the revision to IFRS 3 affect acquisitions that are achieved in stages and acquisitions where less than 100% of the equity is acquired. In addition, acquisition related costs such as fees paid to advisers must be accounted for separately from the business combination, which means that they will be recognised as expenses unless they are directly connected with the issue of debt or equity securities. The revisions to IAS 27 specify that changes in a parent s ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. Until future acquisitions take place that are accounted for in accordance with the revised IFRS 3, the main impact on Barclays will be that, from 2010, gains and losses on transactions with non-controlling interests that do not result in loss of control will no longer be recognised in the income statement but directly in equity. In 2007, gains of £23m and losses of £6m were recognised in income relating to such transactions.

IFRIC 13 Customer Loyalty Programs addresses accounting by entities that grant loyalty award credits (such as points or travel miles) to customers who buy other goods or services. It requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group is considering the implications of this interpretation and any resulting change in accounting policy would be accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in 2009.

IFRS 8 Operating Segments was issued in November 2006 and would first be required to be applied to the Group accounting period beginning on 1st January 2009. The standard replaces IAS 14 Segmental Reporting and would align operating segmental reporting with segments reported to senior management as well as requiring amendments and additions to the existing segmental reporting disclosures. The standard does not change the recognition, measurement or disclosure of specific transactions in the consolidated financial statements. The Group is considering the enhancements that permitted early adoption in 2008 may make to the transparency of the segmental disclosures.

IAS 1 Presentation of Financial Statements is a revised standard applicable to annual periods beginning on 1st January 2009. The amendments affect the presentation of owner changes in equity and of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

IAS 23 Borrowing Costs is a revised standard applicable to annual periods beginning on 1st January 2009. The revision does not impact Barclays. The revision removes the option not to capitalise borrowing costs on qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale.

An amendment to IFRS 2 Share-based Payment was issued in January 2008 that clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, which results in the acceleration of charge. The Group is considering the implications of the amendment, particularly to the Sharesave scheme, and any resulting change in accounting policy would be accounted for in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors in 2009.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements were issued in February 2008 that require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The amendments, which are applicable to annual periods beginning on 1st January 2009, do not impact Barclays.

The following IFRIC interpretations issued during 2006 and 2007 which first apply to accounting periods beginning on or after 1st January 2008 are not expected to result in any changes to the Group s accounting policies:

IFRIC 11 IFRS 2 Group and Treasury Share Transactions;

IFRIC 12 Service Concession Arrangements;

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Acquisitions

2007: On 8th February 2007, Barclays completed the acquisition of Indexchange Investment AG. Indexchange is based in Munich and offers exchange traded fund products.

On 28th February 2007, Barclays completed the acquisition of Nile Bank Limited. Nile Bank is based in Uganda with 18 branches and 228 employees.

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3 Financial statements

On 30th March 2007, Barclays completed the acquisition of EquiFirst.

EquiFirst is a non-prime wholesale mortgage originator in the United States. On 18th May 2007, Barclays completed the acquisition of Walbrook Group Limited. Walbrook is based in Jersey, Guernsey, Isle of Man and Hong Kong where it serves high net worth private clients and corporate customers. 2006: On 1st November 2006, Barclays Bank PLC acquired the US mortgage servicing business of HomEq Servicing Corporation from Wachovia Corporation.

2005: On 1st June 2005, Barclays Asset and Sales Finance (BASF) acquired a 51% share and controlling stake in Fiat s Iveco Vehicle Finance Business. The transaction will expand BASF s commercial vehicle expertise.

On 30th June 2005, EnterCard, the joint venture between Barclays Bank PLC and FöreningsSparbanken (also known as Swedbank), which was announced on 4th February 2005, began operations. Barclays Bank PLC has a 50% economic interest in the joint venture. EnterCard provides credit cards in the Nordic market, initially in Sweden and Norway.

On 1st July 2005, Barclays acquired the wealth business of ING Securities Bank (France) consisting of ING Ferri and ING Private Banking.

On 9th May 2005, Barclays announced the terms of a recommended acquisition of a majority stake in Absa Group Limited (Absa). Barclays consolidated Absa from 27th July 2005.

Disposals

2007: On 4th April 2007, Barclays completed the sale of part of Monument, a credit card business.

On 24th September 2007, Barclays completed the sale of a 50% shareholding in Intelenet Global Services Pvt Ltd.

2006: On 1st January 2006, Barclays completed the sale of the Barclays South African branch business to Absa Group Limited. This consists of the Barclays Capital South African operations and Corporate and Business Banking activities previously carried out by the South African branch of International Retail and Commercial Banking excluding Absa, together with the associated assets and liabilities.

On 25th July 2006, Barclays Asset & Sales Finance (BASF) disposed of its interest in its motor vehicle contract hire business, Appleyard Finance Holdings Limited.

On 31st August 2006, Barclays disposed of Bankhaus Wolbern which was formerly part of Absa.

On 22nd December 2006 Barclays disposed of its interest in FirstCaribbean International Bank to Canadian Imperial Bank of Commerce.

On 31st December 2006, BA&SF disposed of its European Vendor Finance business, including Barclays Industrie Bank GmbH and Barclays Technology Finance Ltd, to CIT Group.

Recent developments

On 16th April 2007, Barclays announced the sale of Barclays Global Investors Japan Trust & Banking Co., Ltd, a Japanese trust administration and custody operation. The sale completed on 31st January 2008.

On 5th October 2007, Barclays announced that as at 4th October 2007 not all of the conditions relating to its offer for ABN AMRO Holding N.V. were fulfilled and as a result Barclays was withdrawing its offer with immediate effect. Barclays also announced that it was restarting the Barclays PLC share buy-back programme to minimise the dilutive effect of the issuance of shares to China Development Bank and Temasek Holdings (Private) Limited on existing Barclays PLC shareholders. This programme was intended to run until 31st December 2007, but was subsequently extended to 31st January 2008.

On 7th February 2008, Barclays announced the purchase of Discover s UK credit card business for a consideration of approximately £35m. The consideration is subject to an adjustment mechanism based on the net asset value of the business at completion. Completion is subject to various conditions, including competition clearance, and is expected to occur during the first half of 2008.

On 3rd March 2008, Barclays entered into an agreement with Petropavlousk Finance (limited liability society) to acquire 100% of the Russian Bank, Expobank, for a consideration of approximately $745m (£373m). The transaction is expected to close in summer 2008 after receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994 it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

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Consolidated accounts Barclays PLC Consolidated income statement

Consolidated income statement

For the year ended 31st December

2007 2006 2005 Notes £m £m £m

Continuing operations

Interest income 2 25,308 21,805 17,232 Interest expense 2 (15,698) (12,662) (9,157) Net interest income 9,610 9,143 8,075 Fee and commission income 3 8,678 8,005 6,430 Fee and commission expense 3 (970) (828) (725) Net fee and commission income 7,708 7,177 5,705 Net trading income 4 3,759 3,614 2,321 Net investment income 4 1,216 962 858 Principal transactions 4,975 4,576 3,179 Net premiums from insurance contracts 5 1,011 1,060 872 Other income 6 188 214 147 Total income 23,492 22,170 17,978 Net claims and benefits incurred on insurance contracts 5 (492) (575) (645) Total income net of insurance claims 23,000 21,595 17,333 Impairment charges and other credit provisions 7 (2,795) (2,154) (1,571) Net income 20,205 19,441 15,762 Staff costs 8 (8,405) (8,169) (6,318) Administration and general expenses 9 (4,141) (3,914) (3,768) Depreciation of property, plant and equipment 23 (467) (455) (362) Amortisation of intangible assets 22 (186) (136) (79) Operating expenses (13,199) (12,674) (10,527) Share of post-tax results of associates and joint ventures 20 42 46 45 Profit on disposal of subsidiaries, associates and joint ventures 28 323 Profit before tax 7,076 7,136 5,280 Tax 10 (1,981) (1,941) (1,439) Profit after tax 5,095 5,195 3,841 Profit attributable to minority interests 33 678 624 394 Profit attributable to equity holders of the parent 4,417 4,571 3,447 5,095 5,195 3,841

p p p

Earnings per share

Basic earnings per share 11 68.9 71.9 54.4 Diluted earnings per share 11 66.7 69.8 52.6

Interim dividend per ordinary share 11.50 10.50 9.20 Proposed final dividend per ordinary share 1 22.50 20.50 17.40

£m £m £m

Interim dividend paid 768 666 582 Proposed final dividend 1 1,485 1,307 1,105

The Board of Directors approved the accounts set out on pages 165 to 265 on 7th March 2008. The accompanying notes form an integral part of the Consolidated accounts.

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Consolidated accounts Barclays PLC Consolidated balance sheet

Consolidated balance sheet

As at 31st December

2007 2006 Notes £m £m

Assets

Cash and balances at central banks 5,801 7,345 Items in the course of collection from other banks 1,836 2,408 Trading portfolio assets 12 193,691 177,867 Financial assets designated at fair value: held on own account 13 56,629 31,799 held in respect of linked liabilities to customers under investment contracts 13 90,851 82,798 Derivative financial instruments 14 248,088 138,353 Loans and advances to banks 15 40,120 30,926 Loans and advances to customers 15 345,398 282,300 Available for sale financial investments 16 43,072 51,703 Reverse repurchase agreements and cash collateral on securities borrowed 17 183,075 174,090 Other assets 18 5,150 5,850 Current tax assets 19 518 557 Investments in associates and joint ventures 20 377 228 Goodwill 21 7,014 6,092 Intangible assets 22 1,282 1,215 Property, plant and equipment 23 2,996 2,492 Deferred tax assets 19 1,463 764

Total assets 1,227,361 996,787 Liabilities

Deposits from banks 90,546 79,562 Items in the course of collection due to other banks 1,792 2,221 Customer accounts 294,987 256,754 Trading portfolio liabilities 12 65,402 71,874 Financial liabilities designated at fair value 24 74,489 53,987 Liabilities to customers under investment contracts 13 92,639 84,637 Derivative financial instruments 14 248,288 140,697 Debt securities in issue 120,228 111,137 Repurchase agreements and cash collateral on securities lent 17 169,429 136,956 Other liabilities 25 10,499 10,337 Current tax liabilities 19 1,311 1,020 Insurance contract liabilities, including unit-linked liabilities 26 3,903 3,878 Subordinated liabilities 27 18,150 13,786 Deferred tax liabilities 19 855 282 Provisions 28 830 462 Retirement benefit liabilities 30 1,537 1,807

Total liabilities 1,194,885 969,397

Shareholders equity

Called up share capital 31 1,651 1,634 Share premium account 31 56 5,818 Other reserves 32 874 390 Retained earnings 32 20,970 12,169 Less: treasury shares 32 (260) (212)

Shareholders equity excluding minority interests 23,291 19,799 Minority interests 33 9,185 7,591

Total shareholders equity 32,476 27,390 Total liabilities and shareholders equity 1,227,361 996,787

The accompanying notes form an integral part of the Consolidated accounts.

Marcus Agius Chairman John Varley

Group Chief Executive Christopher Lucas Group Finance Director

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Consolidated accounts Barclays PLC

Consolidated statement of recognised income and expense

Consolidated statement of recognised income and expense

For the year ended 31st December

2007 2006 2005

£m £m £m

Available for sale reserve:

Net gains/(losses) from changes in fair value 484 87 (249) Losses transferred to net profit due to impairment 13 86 Net gains transferred to net profit on disposal (563) (327) (120) Net losses transferred to net profit due to fair value hedging 68 14 260

Cash flow hedging reserve:

Net gains/(losses) from changes in fair value 106 (437) (50) Net losses/(gains) transferred to net profit 253 (50) (69) Currency translation differences 54 (781) 300 Tax 54 253 50 Other 22 25 (102) Amounts included directly in equity 491 (1,130) 20

Profit after tax 5,095 5,195 3,841 Total recognised income and expense for the year 5,586 4,065 3,861

Attributable to:

Equity holders of the parent 4,854 3,682 3,379 Minority interests 732 383 482 5,586 4, 065 3,861

The accompanying notes form an integral part of the Consolidated accounts.

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3 Financial statements

Consolidated accounts Barclays PLC Consolidated cash flow statement

Consolidated cash flow statement

For the year ended 31st December

2007 2006 2005

£m £m £m

Reconciliation of profit before tax to net cash flows from operating activities:

Profit before tax 7,076 7,136 5,280 Adjustment for non-cash items:

Allowance for impairment 2,795 2,154 1,571 Depreciation, amortisation and impairment of property, plant, equipment and intangibles 669 612 450 Other provisions, including pensions 753 558 654 Net profit from associates and joint ventures (42) (46) (45) Net profit on disposal of investments and property, plant and equipment (862) (778) (530) Net profit from disposal of associates and joint ventures (26) (263) Net profit from disposal of subsidiaries (2) (60) Other non-cash movements (1,133) 1,702 1,475

Changes in operating assets and liabilities:

Net increase in loans and advances to banks and customers (77,987) (27,385) (63,177) Net increase in deposits and debt securities in issue 90,589 46,944 67,012 Net (increase)/decrease in derivative financial instruments (2,144) 1,196 841 Net increase in trading portfolio assets (18,227) (18,323) (42,589) Net (decrease)/increase in trading liabilities (6,472) 310 9,888 Net (increase)/decrease in financial investments (4,379) 1,538 27,129 Net (increase)/decrease in other assets 1,299 (1,527) (410) Net decrease in other liabilities (1,071) (1,580) (2,818) Tax paid (1,583) (2,141) (1,082)

Net cash (used in)/from operating activities (10,747) 10,047 3,649 Purchase of available for sale investments (26,899) (47,086) (53,483) Proceeds from sale or redemption of available for sale investments 38,423 46,069 51,111 Purchase of intangible assets (263) (212) (91) Purchase of property, plant and equipment (1,241) (654) (588) Proceeds from sale of property, plant and equipment 617 786 98 Acquisitions of subsidiaries, net of cash acquired (270) (248) (2,115) Disposal of subsidiaries, net of cash disposed 383 (15) Increase in investment in subsidiaries (668) (432) (160) Decrease in investment in subsidiaries 57 44 49 Acquisition of associates and joint ventures (220) (162) (176) Disposal of associates and joint ventures 145 739 40 Other cash flows associated with investing activities 17 23

Net cash from/(used in) investing activities 10,064 (1,154) (5,292) Dividends paid (2,559) (2,215) (1,894) Proceeds of borrowings and issuance of debt securities 4,625 2,493 1,179 Repayments of borrowings and redemption of debt securities (683) (366) (464) Issue of shares and other equity instruments 2,494 179 135 Repurchase of shares and other equity instruments (1,802) Net purchase of treasury shares (48) (31) (140) Net issue of shares to minority interests 1,331 632 2,267

Net cash from financing activities 3,358 692 1,083 Exchange (loss)/gain on foreign currency cash and cash equivalents (550) 562 (237) Net increase/(decrease) in cash and cash equivalents 2,125 10,147 (797) Cash and cash equivalents at beginning of year 30,952 20,805 21,602

Cash and cash equivalents at end of year 33,077 30,952 20,805 Cash and cash equivalents comprise: Cash and balances at central banks 5,801 7,345 3,906 Loans and advances to banks 40,120 30,926 31,105 Less: amounts with original maturity greater than three months (19,377) (15,892) (17,987) 20,743 15,034 13,118 Available for sale treasury and other eligible bills 43,072 51,703 53,497 Less: non-cash and amounts with original maturity greater than three months (41,688) (50,684) (53,281) 1,384 1,019 216 Trading portfolio assets 193,691 177,867 155,723 Less: non-cash and amounts with original maturity greater than three months (188,556) (170,329) (152,183) 5,135 7,538 3,540 Other 14 16 25 33,077 30,952 20,805

In 2005 the opening cash and cash equivalents balance was adjusted to reflect the adoption of IAS 32 and IAS 39. The accompanying notes form an integral part of the Consolidated accounts.

Interest received in 2007 was £49,441m (2006: £38,544m, 2005: £32,124m) and interest paid in 2007 was £37,821m (2006: £29,372m, 2005: £23,319m). The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £1,037m at 31st December 2007 (2006: £1,262m).

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Accounts of Barclays PLC Parent company accounts

Income statement

For the year ended 31st December

2007 2006 2005

£m £m £m

Dividends received from subsidiary 3,287 1,964 2,012 Interest income 4 4 4 Trading loss (13) Other income 15 Management charge from subsidiary (4) (4) (4) Profit before tax 3,289 1,964 2,012 Tax Profit after tax 3,289 1,964 2,012

The Company had no staff during the year (2006: nil, 2005: nil).

Balance sheet

As at 31st December

2007 2006 Notes £m £m

Assets

Non-current assets

Investment in subsidiaries 39 10,391 8,641

Current assets

Cash and balances at central banks 671 575 Other current assets 20 17

Total assets 11,082 9,233

Liabilities

Current liabilities

Amounts payable within one year 1 4

Shareholders equity

Called up share capital 31 1,651 1,634 Share premium account 31 56 5,818 Capital redemption reserve 32 384 309 Retained earnings 32 8,990 1,468

Total shareholders equity 11,081 9,229

Total liabilities and shareholders equity 11,082 9,233

The accompanying notes form an integral part of the accounts.

Marcus Agius Chairman John Varley

Group Chief Executive Christopher Lucas Group Finance Director

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3 Financial statements

Statement of recognised income and expense

For the year ended 31st December

2007 2006 2005

£m £m £m

Profit after tax 3,289 1,964 2,012 Total recognised income and expense for the year 3,289 1,964 2,012

Cash flow statement

For the year ended 31st December

2007 2006 2005

£m £m £m

Reconciliation of profit before tax to net cash flows from operating activities:

Profit before tax 3,289 1,964 2,012 Changes in operating assets and liabilities:

Net (increase) in other assets (3) (13) (1) Net (decrease)/increase in other liabilities (3) 1

Net cash from operating activities 3,283 1,951 2,012 Capital contribution to subsidiaries (1,434) Purchase of shares in subsidiaries (316) (179) (135)

Net cash used in investing activities (1,750) (179) (135) Proceeds from issue of shares 2,494 179 135 Dividends paid (2,129) (1,814) (1,612) Repurchase of ordinary shares (1,802)

Net cash used in financing activities (1,437) (1,635) (1,477) Net increase in cash and cash equivalents 96 137 400 Cash and cash equivalents at beginning of year 575 438 38

Cash and cash equivalents at end of year 671 575 438

Cash and cash equivalents comprise:

Cash and balances at central banks 671 575 438

Net cash from operating activities includes:

Dividends received 3,287 1,964 2,012 Interest received 4 4 4

The parent company s sole activity is to hold the investment in its wholly-owned subsidiaries, Barclays Bank PLC, Barclays Investment (Netherlands) N.V. and Odysseus Jersey (No. 1) Limited. The Company was not exposed at 31st December 2007 or 2006 to significant risks arising from the financial instruments it holds; which mainly comprised cash and balances with central banks.

Dividends received are treated as operating income.

The accompanying notes form an integral part of the accounts.

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Notes to the accounts

For the year ended 31st December 2007

1 Dividends per share

The Directors have recommended the final dividends in respect of 2007 of 22.5p per ordinary share of 25p each and 10p per staff share of £1 each, amounting to a total of £1,485m, which will be paid on 25th April 2008. The financial statements for the year ended 31st December 2007 do not reflect these dividends, which will be accounted for in shareholders equity as an appropriation of retained profits in the year ending 31st December 2008. The financial statements to 31st December 2007 include the 2006 final dividend of £1,307m.

2 Net interest income

2007 2006 2005

£m £m £m

Cash and balances with central banks 145 91 9 Available for sale investments 2,580 2,811 2,272 Loans and advances to banks 1,416 903 690 Loans and advances to customers 19,559 16,290 12,944 Other 1,608 1,710 1,317

Interest income 25,308 21,805 17,232 Deposits from banks (2,720) (2,819) (2,056) Customer accounts (4,110) (3,076) (2,715) Debt securities in issue (6,651) (5,282) (3,268) Subordinated liabilities (878) (777) (605) Other (1,339) (708) (513)

Interest expense (15,698) (12,662) (9,157) Net interest income 9,610 9,143 8,075

Interest income includes £113m (2006: £98m, 2005: £76m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements. Similarly, other interest expense principally includes interest expense relating to repurchase agreements and hedging activity.

Included in net interest income is hedge ineffectiveness as detailed in Note 14.

3 Net fee and commission income

2007 2006 2005

£m £m £m

Fee and commission income

Brokerage fees 109 70 64 Investment management fees 1,787 1,535 1,250 Securities lending 241 185 151 Banking and credit related fees and commissions 6,363 6,031 4,805 Foreign exchange commissions 178 184 160

Fee and commission income 8,678 8,005 6,430

Brokerage fees paid (970) (828) (725)

Fee and commission expense (970) (828) (725) Net fee and commission income 7,708 7,177 5,705

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4 Principal transactions

2007 2006 2005

£m £m £m

Rates related business 4,162 2,848 1,732 Credit related business (403) 766 589

Net trading income 3,759 3,614 2,321 Net gain from disposal of available for sale assets 560 307 120 Dividend income 26 15 22 Net gain from financial instruments designated at fair value 293 447 389 Other investment income 337 193 327

Net investment income 1,216 962 858 Principal transactions 4,975 4,576 3,179

Net trading income includes the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income and expense from these instruments and the related funding cost.

Of the total net trading income, a £756m loss (2006: £947m gain, 2005: £498m gain) was made on securities and £640m gain (2006: £480m, 2005: £340m) was earned in foreign exchange dealings.

The net gain on financial assets designated at fair value included within principal transactions was £78m (2006: £489m, 2005: £391m) of which losses of £215m (2006: £42m gain, 2005: £2m gain) were included in net trading income and gains of £293m (2006: £447m, 2005: £389m) were included in net investment income.

The net loss on financial liabilities designated at fair value included within principal transactions was £231m (2006: £920m, 2005: £666m) all of which was included within net trading income.

The net gain from widening of credit spreads relating to Barclays Capital issued notes held at fair value was £658m (2006: £nil, 2005: £nil).

5 Insurance premiums and insurance claims and benefits

2007 2006 2005

£m £m £m

Gross premiums from insurance contracts 1,062 1,108 909 Premiums ceded to reinsurers (51) (48) (37)

Net premiums from insurance contracts 1,011 1,060 872

2007 2006 2005

£m £m £m

Gross claims and benefits incurred on insurance contracts 520 588 694 Reinsurers share of claims incurred (28) (13) (49)

Net claims and benefits incurred on insurance contracts 492 575 645

6 Other income

2007 2006 2005

£m £m £m

Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts 5,592 7,417 9,234 Increase in liabilities to customers under investment contracts (5,592) (7,417) (9,234) Property rentals 53 55 54 Other income 135 159 93

Other income 188 214 147

Included in other income are sub-lease receipts of £18m (2006: £18m, 2005: £18m).

Included in other income in 2007 is a loss on the part disposal of Monument credit card portfolio and gains on reinsurance transactions in 2007 and 2006.

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Notes to the accounts

For the year ended 31st December 2007

7 Impairment charges and other credit provisions

2007 2006 2005

£m £m £m

Impairment charges on loans and advances

New and increased impairment allowances 2,871 2,722 2,129 Releases (338) (389) (333) Recoveries (227) (259) (222) Impairment charges on loans and advances 2,306 2,074 1,574

Other credit provisions

Charge/(release) in respect of provision for undrawn contractually committed facilities and guarantees provided 476 (6) (7)

Impairment charges on loans and advances and other credit provisions 2,782 2,068 1,567 Impairment on available for sale assets 13 86 4

Impairment charges and other credit provisions 2,795 2,154 1,571

An analysis of the impairment charges by class of financial instrument is included in Note 47 Credit risk .

8 Staff costs

2007 2006 2005

£m £m £m

Salaries and accrued incentive payments 6,993 6,635 5,036 Social security costs 508 502 412 Pension costs defined contribution plans 141 128 76 Pension costs defined benefit plans (Note 30) 150 282 271 Other post-retirement benefits (Note 30) 10 30 27 Other 603 592 496

Staff costs 8,405 8,169 6,318

Included in salaries and incentive payments is £551m (2006: £640m, 2005: £338m) arising from equity settled share-based payments, of which £60m (2006: £78m, 2005: £44m) is a charge related to options-based schemes. Also included is £8m (2006: £6m, 2005: £nil) arising from cash settled share-based payments.

The average number of persons employed by the Group worldwide during the year was 128,900 (2006: 118,600, 2005: 92,800).

9 Administration and general expenses

2007 2006 2005

£m £m £m

Administrative expenses 3,978 3,980 3,443 Impairment charges property and equipment (Note 23) 2 14 intangible assets (Note 22) 14 7 9 Operating lease rentals 414 345 316 Gain on property disposals (267) (432) Administration and general expenses 4,141 3,914 3,768

Auditors remuneration

2007

Audit Taxation Other

Audit related services services Total

£m £m £m £m £m

Audit of the Group s annual accounts 7 7 Other services: Fees payable for the audit of the Company s associates pursuant to legislation 12 12 Other services supplied pursuant to such legislation 6 2 8 Other services relating to taxation 8 8 Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates 5 5

Other 2 2 4

Total auditors remuneration 25 4 8 7 44

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3 Financial statements

9 Administration and general expenses (continued)

Auditors remuneration (continued)

2006

Audit Taxation Other

Audit related services services Total

£m £m £m £m £m

Audit of the Group s annual accounts 7 7 Other services: Fees payable for the audit of the Company s associates pursuant to legislation 11 11 Other services supplied pursuant to such legislation 10 1 11 Other services relating to taxation 6 6 Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates 4 4 Other 4 1 5

Total auditors remuneration 28 5 6 5 44

2005

Audit Taxation Other

Audit related services services Total

£m £m £m £m £m

Audit of the Group s annual accounts 6 6 Other services: Fees payable for the audit of the Company s associates pursuant to legislation 8 8 Other services supplied pursuant to such legislation 1 1 Other services relating to taxation 4 4 Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates 3 3 Other 7 7

Total auditors remuneration 15 7 4 3 29

The figures shown in the above table relate to fees paid to PricewaterhouseCoopers LLP and its associates. Fees paid to other auditors not associated with PricewaterhouseCoopers LLP in respect of the audit of the Company s subsidiaries were £2m (2006: £2m, 2005: £3m).

Fees payable for the audit of the Company s associates pursuant to legislation comprise the fees for the statutory audit of the subsidiaries and associated pension schemes both inside and outside Great Britain and fees for the work performed by the associates of PricewaterhouseCoopers LLP in respect of the consolidated financial statements of the Company. The fees relating to the audit of the associated pension schemes were £0.3m (2006: £0.3m, 2005: £0.3m).

Other services supplied pursuant to such legislation comprise services in relation to statutory and regulatory filings. These includes audit services for the review of the interim financial information under the Listing Rules of the UK listing authority and fees paid for reporting under Section 404 of the US Sarbanes-Oxley Act (Section 404). In addition, other services include Section 404 advisory, IFRS advisory, securitisations and services relating to acquisition activities.

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

Services relating to corporate finance transactions comprise due diligence related to transactions and accounting consultations and audits in connection with such transactions.

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Notes to the accounts

For the year ended 31st December 2007

10 Tax

The charge for tax is based upon the standard UK corporation tax rate of 30% (2006: 30%, 2005: 30%) and comprises:

2007 2006 2005

£m £m £m

Current tax charge

Current year 2,385 1,929 1,583 Adjustment for prior years (11) 8 (59) Total 2,374 1,937 1,524

Deferred tax (credit)/charge

Current year (367) (16) (14) Adjustment for prior years (26) 20 (71)

Total (393) 4 (85)

Tax charge 1,981 1,941 1,439

The effective tax rate for the years 2007, 2006 and 2005 is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%, 2005: 30%). The differences are set out below:

2007 2006 2005

£m £m £m

Profit before tax 7,076 7,136 5,280 Tax charge at standard UK corporation tax rate of 30% (2006: 30%, 2005: 30%) 2,123 2,141 1,584 Adjustment for prior years (37) 24 (133) Differing overseas tax rates (77) (17) (35) Non-taxable gains and income (including amounts offset by unrecognised tax losses) (136) (393) (129) Share-based payments 72 27 (12) Deferred tax assets not previously recognised (158) (4) (7) Change in tax rates 24 4 3 Other non-allowable expenses 170 159 168

Overall tax charge 1,981 1,941 1,439 Effective tax rate 28% 27% 27%

11 Earnings per share

2007 2006 2005

£m £m £m

Profit attributable to equity holders of parent 4,417 4,571 3,447 Dilutive impact of convertible options (25) (30) (38)

Profit attributable to equity holders of parent including dilutive impact of convertible options 4,392 4,541 3,409

2007 2006 2005 million million million

Basic weighted average number of shares in issue 6,410 6,357 6,337 Number of potential ordinary shares 177 150 149

Diluted weighted average number of shares 6,587 6,507 6,486 p p p

Basic earnings per share 68.9 71.9 54.4 Diluted earnings per share 66.7 69.8 52.6

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the number of basic weighted average number of shares excluding own shares held in employee benefits trusts and shares held for trading.

When calculating the diluted earnings per share, the profit attributable to equity holders of the parent is adjusted for the conversion of outstanding options into shares within Absa Group Limited and Barclays Global Investors UK Holdings Limited. The weighted average number of ordinary shares excluding own shares held in employee benefit trusts and shares held for trading, is adjusted for the effects of all dilutive potential ordinary shares, totalling 177 million (2006: 150 million, 2005: 149 million).

Of the total number of employee share options and share awards at 31st December 2007, none were anti-dilutive (2006: 5 million 2005: nil).

Subsequent to the balance sheet date, the Group continued to make on-market purchases of treasury shares under its various employee share schemes. No adjustment has been made to earnings per share in respect of these purchases.

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12 Trading portfolio

2007 2006

£m £m

Trading portfolio assets

Treasury and other eligible bills 2,094 2,960 Debt securities 152,778 140,576 Equity securities 36,307 31,548 Traded loans 1,780 1,843 Commodities 732 940

Trading portfolio assets 193,691 177,867

Trading portfolio liabilities

Treasury and other eligible bills (486) (608) Debt securities (50,506) (58,142) Equity securities (13,702) (12,697) Commodities (708) (427)

Trading portfolio liabilities (65,402) (71,874)

13 Financial assets designated at fair value

Held on own account

2007 2006

£m £m

Loans and advances 23,491 13,196 Debt securities 24,217 12,100 Equity securities 5,376 3,711 Other financial assets 3,545 2,792

Financial assets designated at fair value held on own account 56,629 31,799

The maximum exposure to credit risk on loans and advances designated at fair value at 31st December 2007 was £23,491m (2006: £13,196m).

The amount by which related credit derivatives and similar instruments mitigate the exposure to credit risk at 31st December was £2,605m (2006: £28m). The net loss attributable to changes in credit risk for loans and advances designated at fair value was £401m in 2007 (2006: £nil; 2005; £nil). The gains or losses on related credit derivatives was £4m for the year (2006: £nil; 2005; £nil). The cumulative net loss attributable to changes in credit risk for loans and advances designated at fair value since initial recognition is £401m at 31st December 2007 (2006: £3m; 2005: £3m). The cumulative change in fair value of related credit derivatives at 31st December 2007 is £4m (2006: £nil; 2005; £nil).

Held in respect of linked liabilities to customers under investment contracts/liabilities arising from investment contracts

2007 2006

£m £m

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts 90,851 82,798 Cash and bank balances within the portfolio 1,788 1,839

Assets held in respect of linked liabilities to customers under investment contracts 92,639 84,637

Liabilities to customers under investment contracts (92,639) (84,637)

A portion of the Group s fund management business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the investors. In the normal course of business, the Group s financial interest in such investments is restricted to fees for investment management services.

Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to the policyholders.

The Group is therefore not exposed to the financial risks market risk, credit risk and liquidity risk inherent in the investments and they are omitted from the disclosures on financial risks in Notes 46 to 48.

In the balance sheet, the assets are included as Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts . Cash balances within the portfolio have been included in the Group s cash balances. The associated obligation to deliver the value of the investments to customers at their fair value on balance sheet date is included as Liabilities to customers under investment contracts .

The increase/decrease in the value arising from the return on the investments and the corresponding increase/decrease in linked liabilities to customers is included in the Other income note in Note 6.

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Notes to the accounts

For the year ended 31st December 2007

14 Derivative financial instruments

Financial instruments

The Group s objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in Note 45 to Note 48 under the headings Financial Risks , Market Risk , Credit Risk and Liquidity Risk .

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group s exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly. The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arms-length transaction, calculated at market rates current at the balance sheet date.

The fair values and notional amounts of derivative instruments held for trading are set out in the following table:

2007 2006

Notional Fair value Notional Fair value contract contract

Year ended 31st December amount Assets Liabilities amount Assets Liabilities

Derivatives held for trading £m £m £m £m £m £m Foreign exchange derivatives

Forward foreign exchange 1,041,781 11,381 (11,629) 767,734 8,074 (7,808) Currency swaps 562,682 15,617 (14,676) 411,889 10,029 (10,088) OTC options bought and sold 464,575 3,350 (3,995) 320,184 3,923 (3,849) OTC derivatives 2,069,038 30,348 (30,300) 1,499,807 22,026 (21,745) Exchange traded futures bought and sold 139,199 852 Exchange traded options bought and sold 132 115

Foreign exchange derivatives 2,208,369 30,348 (30,300) 1,500,774 22,026 (21,745) Interest rate derivatives

Interest rate swaps 11,758,215 111,746 (110,680) 8,718,015 61,267 (61,510) Forward rate agreements 1,960,106 755 (738) 1,335,594 337 (374) OTC options bought and sold 3,776,600 27,337 (26,944) 2,301,239 13,977 (13,558) OTC derivatives 17,494,921 139,838 (138,362) 12,354,848 75,581 (75,442) Exchange traded futures bought and sold 903,516 1,057,767 188 (256) Exchange traded options bought and sold 269,095 102 (64) 848,629 241 (156) Exchange traded swaps 4,941,417 3,405,109

Interest rate derivatives 23,608,949 139,940 (138,426) 17,666,353 76,010 (75,854)

Credit derivatives

Swaps 2,472,249 38,696 (35,814) 1,224,548 9,275 (8,894)

Equity and stock index derivatives

OTC options bought and sold 145,399 11,293 (15,743) 114,227 11,171 (15,613) Equity swaps and forwards 36,149 1,057 (1,193) 24,580 656 (846) OTC derivatives 181,548 12,350 (16,936) 138,807 11,827 (16,459) Exchange traded futures bought and sold 31,519 30,159 154 (176) Exchange traded options bought and sold 30,930 848 (2,200) 30,473 161 (171)

Equity and stock index derivatives 243,997 13,198 (19,136) 199,439 12,142 (16,806) Commodity derivatives

OTC options bought and sold 95,032 4,496 (4,720) 52,899 2,568 (2,443) Commodity swaps and forwards 276,102 19,075 (18,039) 164,863 14,933 (13,497) OTC derivatives 371,134 23,571 (22,759) 217,762 17,501 (15,940) Exchange traded futures bought and sold 228,465 68,710 13 (33) Exchange traded options bought and sold 66,732 1,197 (943) 9,169 306 (474)

Commodity derivatives 666,331 24,768 (23,702) 295,641 17,820 (16,447)

Derivative assets/(liabilities) held for trading 29,199,895 246,950 (247,378) 20,886,755 137,273 (139,746)

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3 Financial statements

14 Derivative financial instruments (continued)

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

2007 2006

Notional Fair value Notional Fair value contract contract amount Assets Liabilities amount Assets Liabilities

Year ended 31st December £m £m £m £m £m £m Derivatives designated as cash flow hedges

Interest rate swaps 38,453 239 (437) 51,614 132 (312) Equity options 54 41 Forward foreign exchange 2,256 178 Exchange traded interest rate swaps 14,529 12,077 Commodity swaps and forwards 204 (89)

Derivatives designated as cash flow hedges 55,292 458 (437) 63,895 132 (401) Derivatives designated as fair value hedges

Currency swaps 4,299 81 (75) 1,454 (233) Interest rate swaps 18,450 323 (195) 16,940 240 (152) Equity options 1,203 58 (58) 1,029 58 (56) Forward foreign exchange 66

Derivatives designated as fair value hedges 23,952 462 (328) 19,489 298 (441) Derivatives designated as hedges of net investments

Forward foreign exchange 4,223 31 (57) 2,730 (78) Currency swaps 8,397 187 (88) 9,320 650 (31)

Derivatives designated as hedges of net investment 12,620 218 (145) 12,050 650 (109) Derivative assets/(liabilities) held for risk management 91,864 1,138 (910) 95,434 1,080 (951)

Interest rate derivatives, designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate debt securities held and highly probable forecast financing transactions and reinvestments.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers and investments in fixed rate debt securities held.

Currency derivatives are primarily designated as hedges of the foreign currency risk of net investments in foreign operations. The Group s total derivative asset and liability position as reported on the balance sheet is as follows:

2007 2006

Notional Fair value Notional Fair value contract contract amount Assets Liabilities amount Assets Liabilities

Year ended 31st December £m £m £m £m £m £m

Total derivative assets/(liabilities) held for trading 29,199,895 246,950 (247,378) 20,886,755 137,273 (139,746) Total derivative assets/(liabilities) held for risk management 91,864 1,138 (910) 95,434 1,080 (951)

Derivative assets/(liabilities) 29,291,759 248,088 (248,288) 20,982,189 138,353 (140,697)

Derivative assets and liabilities subject to counterparty netting agreements amounted to £199bn (2006: £102bn). Additionally, we held £17bn (2006: £8bn) of collateral against the net derivative assets exposure.

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14 Derivative financial instruments (continued)

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

2007

Between Between Between Between

Up to one to two to three to four to More than Total one year two years three years four years five years five years

£m £m £m £m £m £m £m

Forecast receivable cash flows 4,329 1,593 987 903 535 254 57

Forecast payable cash flows 2,121 394 369 335 283 244 496

2006

Between Between Between Between

Up to one to two to three to four to More than Total one year two years three years four years five years five years

£m £m £m £m £m £m £m

Forecast receivable cash flows 5,111 1,500 1,452 954 689 410 106 Forecast payable cash flows 1,280 704 349 121 73 30 3

The maximum length of time over which the Group hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments, is 10 years (2006: 8 years).

All gains or losses on hedging derivatives relating to forecast transactions, which are no longer expected to occur, have been recycled to the income statement.

A loss of £66m on hedging instruments was recognised in relation to fair value hedges in net interest income (2006: £460m). A gain of £70m on the hedged items was recognised in relation to fair value hedges in net interest income (2006: £465m).

Ineffectiveness recognised in relation to cash flow hedges in net interest income was a gain of £21m (2006: loss of £23m). Ineffectiveness recognised in relation to hedges of net investment was a gain of £4m (2006: £13m).

15 Loans and advances to banks and customers

2007 2006

£m £m

Loans and advances to banks 40,123 30,930 Less: Allowance for impairment (3) (4)

Loans and advances to banks 40,120 30,926

Loans and advances to customers 349,167 285,631 Less: Allowance for impairment (3,769) (3,331)

Loans and advances to customers 345,398 282,300

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16 Available for sale financial investments

2007 2006

£m £m

Debt securities 38,673 47,912 Treasury bills and other eligible bills 2,723 2,420 Equity securities 1,676 1,371

Available for sale financial investments 43,072 51,703

2007 2006

Movement in available for sale financial investments £m £m At beginning of year 51,703 53,497 Exchange and other adjustments 1,499 (3,999) Acquisitions and transfers 26,920 47,086 Disposals (through sale and redemption) (37,498) (44,959) Gains from changes in fair value recognised in equity 486 162 Impairment (13) (86) Amortisation of discounts/premium (25) 2

At end of year 43,072 51,703

17 Securities borrowing, securities lending, repurchase and reverse repurchase agreements

Amounts included in the balance sheet and reported on a net basis where the Group has the intention and the legal ability to settle net or realise simultaneously were as follows:

Amounts advanced to counterparties under reverse repurchase agreements and cash collateral provided under stock borrowing agreements are treated as collateralised loans receivable. The related securities purchased or borrowed subject to an agreement with the counterparty to repurchase them are not recognised on balance sheet where the risks and rewards of ownership remain with the counterparty.

(a) Reverse repurchase agreements and cash collateral on securities borrowed

2007 2006

£m £m

Banks 86,710 85,336 Customers 96,365 88,754

Reverse repurchase agreements and cash collateral held on securities borrowed 183,075 174,090

(b) Repurchase agreements and cash collateral on securities lent

Securities that are not recorded on the balance sheet (for example, securities that have been obtained as a result of reverse repurchase and stock borrow transactions) may also be lent or sold subject to a commitment to repurchase such securities remain off balance sheet. In both instances, amounts received from counterparty are treated as liabilities, which at 31st December were as follows:

2007 2006

£m £m

Banks 97,297 79,833 Customers 72,132 57,123

Repurchase agreements and cash collateral on securities lent 169,429 136,956

18 Other assets

	2007	2006
	£m	£m
Sundry debtors	4,042	4,298
Prepayments	551	658
Accrued income	400	722
Reinsurance assets	157	172
Other assets	5,150	5,850

Included in the above are balances of £3,859m (2006: £5,065m) expected to be recovered within no more than 12 months after the balance sheet date; and balances of £1,291m (2006: £785m) expected to be recovered more than 12 months after the balance sheet date.

Other assets comprise £3,966m (2006: £4,097m) of receivables which meet the definition of financial assets.

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For the year ended 31st December 2007

19 Current and deferred tax

The components of taxes are as follows:

2007 2006

Assets Liabilities Assets Liabilities

£m £m £m £m

Current tax 518 1,311 557 1,020 Deferred tax 2,334 1,726 2,005 1,523

Deferred taxes are calculated on all temporary differences under the liability method. The movement on the deferred tax account is as follows:

2007 2006

£m £m

At beginning of year 482 (14) Income statement credit/(charge) 393 (4) Equity Available for sale investments 13 4 Cash flow hedges (132) 128 Share-based payments (63) 24 Other equity movements (125) 48 Acquisitions and disposals 33 264 Exchange and other adjustments 7 32

At end of year 608 482

Deferred tax assets and liabilities are attributable to the following items:

2007 2006

£m £m

Deferred tax liabilities

Accelerated tax depreciation 803 705 Available for sale investments 101 116 Cash flow hedges 51 Other 771 702

Deferred tax liabilities 1,726 1,523 Deferred tax assets

Pensions and other retirement benefits 491 622 Allowance for impairment on loans 108 69 Other provisions 377 436 Cash flow hedges 44 91 Tax losses carried forward 215 1 Share-based payments 428 380 Other 671 406

Deferred tax assets 2,334 2,005 Net deferred tax asset 608 482

Disclosed as deferred tax liabilities 855 282 Disclosed as deferred tax assets 1,463 764 Net deferred tax asset 608 482

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19 Current and deferred tax (continued)

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off and the balances relate to income tax payable to the same taxation authority on either the same taxable entity or different taxable entities within the same tax group where there is the intention and ability to settle on a net basis or realise the assets and liabilities simultaneously.

The amount of deferred tax liability expected to be settled after more than 12 months is £1,468m (2006: £1,046m). The amount of deferred tax asset expected to be recovered after more than 12 months is £1,950m (2006: £1,582m).

The deferred tax assets balance includes £450m (2006: £106m) which is the excess deferred tax assets over deferred tax liabilities in entities which have suffered a loss in either the current or prior year. This is based on management assessment that it is probable that the relevant entities will have taxable profits against which the temporary differences can be utilised.

The deferred tax (credit)/charge in the income statement comprises the following temporary differences:

2007 2006

£m £m

Accelerated tax depreciation 118 120 Pensions and other retirement benefits 96 (24) Allowance for impairment on loans (28) (30) Other provisions (165) (105) Tax losses carry forward (214) 25 Available for sale investments (1) 8 Cash flow hedges (14) Share-based payments (100) (77) Other (99) 101

Total (393) 4

Deferred tax assets have not been recognised in respect of the following items:

2007 2006

£m £m

Deductible temporary differences (gross) 247 395 Unused tax losses (gross) 1,683 190 Unused tax credits 126 98

The following tax losses expire: £9m in 2008 to 2011, £9m in 2011, £9m in 2012 and £1,201m in 2027. The other tax losses, tax credits and temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. The unused tax losses include amounts relating to non-UK branches of Barclays Bank PLC where the future tax benefit might be restricted to the amount in excess of the UK rate.

The amount of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which deferred tax liabilities have not been recognised is £5,722m (2006: £3,387m).

The tax charge for the period was based on a UK corporation tax rate of 30% (2006: 30%). The effective rate of tax for 2007, based on profit before tax, was 28% (2006: 27.2%). The effective tax rate differed from 30% as it took account of the different tax rate applied to profits earned outside the UK, non-taxable gains and income and adjustments to prior year tax provisions. The forthcoming change in the UK rate of corporation tax from 30% to 28% on 1st April 2008 led to an additional tax charge in 2007 as a result of its effect on the Group s net deferred tax asset.

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For the year ended 31st December 2007

20 Investment in associates and joint ventures

Share of net assets

Associates Joint ventures Total

2007 2006 2007 2006 2007 2006

£m £m £m £m £m £m

At beginning of year 74 427 154 119 228 546 Share of results before tax 35 63 10 (6) 45 57 Share of tax (2) (10) (1) (1) (3) (11) Share of post-tax results 33 53 9 (7) 42 46 Dividends paid (17) (17) New investments 7 2 8 7 15 9 Acquisitions 56 51 150 102 206 153 Disposals (47) (404) (72) (72) (119) (476) Exchange and other adjustments (33) (38) 38 5 5 (33) At end of year 90 74 287 154 377 228

Goodwill included above:

Associates Joint ventures Total

2007 2006 2007 2006 2007 2006

£m £m £m £m £m £m

Cost

At beginning of year 1 122 40 83 41 205 Acquisitions Disposals (1) (121) (16) (17) (121) Transfer 3 (43) 3 (43)

At end of year 1 27 40 27 41

The fair value of the Group s investment in Ambit Properties Limited, an associate listed on the Johannesburg Stock Exchange, is £42m.

Disposal of associates and joint ventures

On 29th June 2007 and 2nd July 2007, the Group disposed of its investment in Gabetti Property Solutions for cash consideration, net of transaction costs of £13m, which after deducting the Group s share of its net assets on the dates of disposal, resulted in a profit of £8m.

On 24th September 2007, the Group disposed of its investment in Intelenet Global Services for a cash consideration, net of transaction costs of £22m, which, after deducting the Group s share of its net assets on the date of disposal, resulted in a profit of £13m.

Summarised financial information for the Group s associates and joint ventures is set out below:

2007 2006

Joint Joint Associates ventures Associates ventures

£m £m £m £m

Property, plant and equipment 588 632 599 142 Financial investments 239 8 4 2 Trading portfolio assets 1 Loans to banks and customers 516 2,372 1,378 797 Other assets 1,387 314 541 199

Total assets 2,730 3,326 2,523 1,140 Deposits from banks and customers 1,515 2,189 1,421 769 Trading portfolio liabilities 1 Other liabilities 902 458 887 187 Shareholders equity 313 679 214 184

Total liabilities 2,730 3,326 2,523 1,140 Net income 528 340 538 178 Operating expenses (404) (292) (334) (178) Profit before tax 124 48 204 Profit after tax 104 40 186 (2)

The amounts included above, which include the entire assets, liabilities and net income of the investees, not just the Group s share, are based on accounts made up to 31st December 2007 with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date. Associates and joint ventures in 2007 includes £1,728m (2006: £1,525m) of assets, £1,537m (2006: £1,380m) of liabilities and £18m (2006: £25m) of profit after tax in associates and joint ventures within the Absa Group.

The Group s share of commitments and contingencies of its associates and joint ventures is £6m (2006: £nil).

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21 Goodwill

2007 2006

£m £m

Net book value

At beginning of year 6,092 6,022 Acquisitions 879 390 Disposals (17) (14) Exchange and other adjustments 60 (306)

At end of year 7,014 6,092

Goodwill is allocated to business operations according to business segments identified by the Group under IAS 14, as follows:

2007 2006

£m £m

UK Banking 3,131 3,132 Barclaycard 400 403 International Retail and Commercial Banking 1,682 1,481 Barclays Capital 147 86 Barclays Global Investors 1,261 673 Barclays Wealth 393 317

Goodwill 7,014 6,092

The Barclays Financial Planning business previously managed and reported within Barclays Wealth, is now managed and reported within UK Banking. Goodwill of £312m relating to this business has been transferred to UK Banking and the comparative figures restated.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred by comparing the carrying value to its recoverable amount.

Impairment testing of goodwill

The recoverable amount of each operation s goodwill is based on value-in-use calculations. The calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the cash generating 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 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.

At 31st December 2007, the goodwill allocated to UK Banking of £3,131m (2006: £3,132m) included £3,130m (2006: £3,130m) relating to Woolwich, and the amount allocated to International Retail and Commercial Banking of £1,682m (2006: £1,481m) included £1,054m (2006: £953m) relating to Absa. The remaining aggregate goodwill of £2,830m (2006: £2,009m) comprised of balances not considered individually significant.

Key assumptions used in value in use calculations for significant goodwill

The values assigned to key assumptions reflect past experience and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Term of cash flow forecasts and growth rates

Cash flows are based on internal management information for a period of up to three years, after which a growth factor suitable for the business is applied. Growth rates are based on the projected local inflation rates over the term of estimated cash flows.

The business operation containing Woolwich has applied a growth factor of 2% (proxy for inflation) to cash flows for the period 2011 to 2016. Absa has applied a growth rate of 8% to cash flows for the three years 2011 to 2013, and a rate of 4% for the years 2014 to 2021. The use of longer cash flow projections is justified by the long-term nature of these businesses within the Barclays Group.

Discount rates

The business operation containing Woolwich has applied a discount factor of 15%, and Absa has applied 13.62% to forecast cash flows used in the impairment testing.

Management believes that reasonable changes in key assumptions used to determine the recoverable amounts of Absa and Woolwich goodwill will not result in impairment.

No impairment was identified in 2007 or 2006.

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For the year ended 31st December 2007

22 Intangible assets

2007

Internally Core Mortgage generated Other deposit Customer servicing Licences software software intangibles Brands lists rights and other Total

£m £m £m £m £m £m £m £m

Cost

At 1st January 2007 267 123 242 145 467 122 140 1,506 Acquisitions 54 23 77 Additions 118 56 3 4 181

Exchange and other adjustments 3 9 2 1 3 (2) 16

At 31st December 2007 388 188 244 149 524 126 161 1,780

Accumulated amortisation and impairment

At 1st January 2007 (116) (29) (24) (22) (64) (10) (26) (291) Amortisation charge (45) (13) (11) (15) (36) (54) (12) (186) Impairment charge (14) (14)

Exchange and other adjustments (2) (1) (2) (1) (1) (7)

At 31st December 2007 (163) (57) (37) (38) (101) (64) (38) (498) Net book value 225 131 207 111 423 62 123 1,282

2006

Internally Core Mortgage generated Other deposit Customer servicing Licences software software intangibles Brands lists rights and other Total

£m £m £m £m £m £m £m £m

Cost

At 1st January 2006 188 43 306 183 582 139 1,441 Acquisitions 114 2 116 Additions 95 86 16 13 210 Exchange and other adjustments (16) (6) (64) (38) (115) (8) (14) (261) At 31st December 2006 267 123 242 145 467 122 140 1,506

Accumulated amortisation and impairment

At 1st January 2006 (90) (18) (7) (9) (29) (19) (172) Amortisation charge (29) (7) (20) (16) (44) (11) (9) (136) Impairment charge (2) (5) (7) Exchange and other adjustments 5 1 3 3 9 1 2 24 At 31st December 2006 (116) (29) (24) (22) (64) (10) (26) (291) Net book value 151 94 218 123 403 112 114 1,215

Impairment charges reflect the impairment of certain IT assets where the future economic benefit did not exceed the carrying value. Impairment charges detailed above have been included within other operating expenses.

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23 Property, plant and equipment

2007 2006

Operating Operating leased leased

Property Equipment assets Total Property Equipment assets Total

£m £m £m £m £m £m £m £m

Cost

At 1st January 2,154 2,429 365 4,948 2,450 2,541 365 5,356 Acquisitions and disposals 5 13 18 Additions 506 638 105 1,249 180 475 655 Disposals (241) (112) (57) (410) (422) (382) (804) Fully depreciated assets written off (1) (8) (9) (1) (89) (90) Exchange and other adjustments 28 35 63 (53) (116) (169)

At 31st December 2,451 2,995 413 5,859 2,154 2,429 365 4,948

Accumulated depreciation and impairment

At 1st January (993) (1,454) (9) (2,456) (1,022) (1,575) (5) (2,602) Acquisitions and disposals (1) (7) (8) Depreciation charge (91) (370) (6) (467) (118) (335) (2) (455) Impairment charge (2) (2) (14) (14) Disposals 58 37 95 148 341 489 Fully depreciated assets written off 1 8 9 1 89 90 Exchange and other adjustments (16) (18) (34) 12 26 (2) 36

At 31st December (1,044) (1,804) (15) (2,863) (993) (1,454) (9) (2,456) Net book value 1,407 1,191 398 2,996 1,161 975 356 2,492

Operating leased assets represent assets such as plant and equipment leased to customers under operating leases. Certain of the Group s equipment is held on finance leases. See Note 37.

In 2007 the value of an existing office building in the UK property portfolio was impaired by £2m reflecting local market conditions that had prevented its disposal in the year. In 2008 the freehold of the building will be disposed of by a short- or long-term leaseback. Consequently the value has been written down to fair value, less cost of sale.

24 Financial liabilities designated at fair value

2007 2006

Contractual Contractual amount amount due on Fair due on

Fair value maturity value maturity

£m £m £m £m

Debt securities 52,320 62,167 32,261 37,393 Deposits 17,319 18,140 19,990 20,465 Other 4,850 6,239 1,736 2,913 Financial liabilities designated at fair value 74,489 86,546 53,987 60,771

The amount of change in the fair value of financial liabilities attributable to changes in own credit risk of these liabilities in 2007 is £658m. There were no significant gains or losses attributable to changes in own credit risk for financial liabilities in 2006.

25 Other liabilities

2007 2006

£m £m

Accruals and deferred income 6,075 6,127 Sundry creditors 4,341 4,118 Obligations under finance leases (Note 37) 83 92

Other liabilities 10,499 10,337

Included in the above are balances of £9,043m (2006: £9,265m) expected to be settled within no more than 12 months after the balance sheet date; and balances of £1,456m (2006: £1,072m) expected to be settled more than 12 months after the balance sheet date.

Accruals and deferred income included £102m (2006: £107m) in relation to deferred income from investment contracts and £677m (2006: £822m) in relation to deferred income from insurance contracts.

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For the year ended 31st December 2007

26 Insurance assets and liabilities

Insurance assets

Reinsurance assets are £157m (2006: £172m) and relate principally to the Group s long-term business. Reinsurers share of provisions relating to the Group s short-term business are £94m (2006: £82m). The reinsurance assets expected to be recovered after more than one year are £63m (2006: £92m).

Insurance contract liabilities including unit-linked liabilities

Insurance liabilities comprise the following:

2007 2006

£m £m

Insurance contract liabilities:

linked liabilities 1,398 1,591 non-linked liabilities 2,347 2,121 Provision for claims 158 166

Insurance contract liabilities including unit-linked liabilities 3,903 3,878

Insurance contract liabilities relate principally to the Group s long-term business. Insurance contract liabilities associated with the Group s short-term non-life business are £174m (2006: £198m).

Movements in insurance liabilities and reinsurance assets

Movements in insurance assets and insurance contract liabilities were as follows:

2007 2006

Gross Reinsurance Net Gross Reinsurance Net

£m £m £m £m £m £m

At beginning of year 3,878 (172) 3,706 3,767 (114) 3,653 Change in year 25 15 40 111 (58) 53

At end of year 3,903 (157) 3,746 3,878 (172) 3,706

Assumptions used to measure insurance liabilities

The assumptions that have the greatest effect on the measurement of the amounts recognised above, and the processes used to determine them were as follows:

Long-term business linked and non-linked

Mortality mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group s own experience. A margin is added to ensure prudence for example, future mortality improvements for annuity business.

Renewal expenses level and inflation expense reserves are a small part of overall insurance liabilities, however, increases in expenses caused by unanticipated inflation or other unforeseen factors could lead to expense reserve increases. Expenses are therefore set using prudent assumptions. Initial renewal expense levels are set by considering expense forecasts for the business and, where appropriate, building in a margin to allow for the increasing burden of fixed costs on the UK closed life book of business. The inflation assumption is set by adding a margin to the market rate of inflation implied by index-linked gilt yields.

Short-term business

Short-term business for single premium policies the proportion of unearned premiums is calculated based on estimates of the frequency and severity of incidents.

Changes in assumptions

There have been no changes in assumptions in 2007 that have had a material effect on the financial statements.

Uncertainties associated with cash flows related to insurance contracts and risk management activities Long-term insurance contracts (linked and non-linked)

For long-term insurance contracts where death is the insured risk, the most significant factors that could detrimentally affect the frequency and severity of claims are the incidence of disease, such as AIDS, or general changes in lifestyle, such as in eating, exercise and smoking. Where survival is the insured risk, advances in medical care and social conditions are the key factors that increase longevity.

The Group manages its exposure to risk by operating in part as a unit-linked business, prudent product design, applying strict underwriting criteria, transferring risk to reinsurers, managing claims and establishing prudent reserves.

Short-term insurance contracts

For payment protection contracts where inability to make payments under a loan contract is the insured risk, the most significant factors are the health of the policyholder and the possibility of unemployment which depends upon, among other things, long-term and short-term economic factors. The Group manages its exposure to such risks through prudent product design, efficient claims management, prudent reserving methodologies and bases, regular product, economic and market reviews and regular adequacy tests on the size of the reserves.

Absa insures property and motor vehicles, for which the most significant factors that could effect the frequency and severity of claims are climatic change and crime. Absa manages its exposure to risk by diversifying insurance risks accepted and transferring risk to reinsurers.

Financial statements

26 Insurance assets and liabilities (continued)

Sensitivity analysis

The following table presents the sensitivity of the level of insurance contract liabilities disclosed in this note to movements in the actuarial assumptions used to calculate them. The percentage change in variable is applied to a range of existing actuarial modelling assumptions to derive the possible impact on net profit after tax. The disclosure is not intended to explain the impact of a percentage change in the insurance assets and liabilities disclosed above.

2007 2006

Net profit Net profit Change in after tax Change in after tax variable impact variable impact

% £m% £m

Long-term insurance contracts:

Improving mortality (annuitants only) 10 21 10 23 Worsening of mortality (assured lives only) 10 29 10 25 Worsening of base renewal expense level 20 43 20 23 Worsening of expense inflation rate 10 10 10 9

Short-term insurance contracts:

Worsening of claim expense assumptions 10 3 10 9

Any change in net profit after tax would result in a corresponding increase or decrease in shareholders equity.

The above analyses are based on a change in a single assumption while holding all other assumptions constant. In practice this is unlikely to occur.

Options and guarantees

The Group s contracts do not contain options or guarantees that could confer material risk.

Concentration of insurance risk

The Group considers that the concentration of insurance risk that is most relevant to the Group financial statements is according to the type of cover offered and the location of insured risk. The following table shows the maximum amounts payable under all of the Group s insurance products. It ignores the probability of insured events occurring and the contribution from investments backing the insurance policies. The table shows the broad product types and the location of the insured risk, before and after the impact of reinsurance that represents the risk that is passed to other insurers.

2007 2006

Before After Before After Reinsurance Reinsurance Reinsurance Reinsurance Reinsurance Reinsurance

£m £m £m £m £m £m

Total benefits insured by product type

Long term insurance contracts 31,205 (10,497) 20,708 24,934(9,445) 15,489 Short term insurance contracts 31,464 (1,139) 30,325 39,870(901) 38,969 Total benefits insured 62,669 (11,636) 51,033 64,804 (10,346) 54,458

2007 2006

Before After Before After Reinsurance Reinsurance Reinsurance Reinsurance Reinsurance Reinsurance

£m £m £m £m £m £m

Total benefits insured by geographic location

United Kingdom 22,538 (7,473) 15,065 25,403(8,010) 17,393 Other European Union 4,304 (2,479) 1,825 3,317(1,802) 1,515 Africa 35,827 (1,684) 34,143 36,084(534) 35,550 Total benefits insured 62,669 (11,636) 51,033 64,804 (10,346) 54,458

Reinsurer credit risk

For the long-term business, reinsurance programmes are in place to restrict the amount of cover to any single life. The reinsurance cover is spread across highly rated companies to diversify the risk of reinsurer solvency. Net insurance reserves include a margin to reflect reinsurer credit risk.

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For the year ended 31st December 2007

27 Subordinated liabilities

Subordinated liabilities comprise dated and undated loan capital as follows:

2007 2006

£m £m

Undated loan capital(a) 6,631 5,422 Dated loan capital(b) 11,519 8,364

18,150 13,786

(a) Undated loan capital

2007 2006 Notes £m £m

Non-convertible The Bank

6% Callable Perpetual Core Tier One Notes a,p 392 404 6.86% Callable Perpetual Core Tier One Notes (US$1,000m) a,p 624 571 5.3304% Step-up Callable Perpetual Reserve Capital Instruments b,q 520 501 5.926% Step-up Callable Perpetual Reserve Capital Instruments (US$1,350m) c,r 708 690 6.3688% Step-up Callable Perpetual Reserve Capital Instruments n,ad 526 7.434% Step-up Callable Perpetual Reserve Capital Instruments (US$1,250m) o,ae 660 Junior Undated Floating Rate Notes (US$121m) d,s 61 62 Undated Floating Rate Primary Capital Notes Series 3 d,t 147 146 9.875% Undated Subordinated Notes e,u 319 319 9.25% Perpetual Subordinated Bonds (ex-Woolwich plc) f,v 171 178 9% Permanent Interest Bearing Capital Bonds g,w 102 102 7.125% Undated Subordinated Notes h,x 535 550 6.875% Undated Subordinated Notes i,y 657 656 6.375% Undated Subordinated Notes j,z 482 481 6.125% Undated Subordinated Notes k,aa 560 571 6.5% Undated Subordinated Notes (FFr 1,000m) l,ab 115 105 5.03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m) m,ac 21 34 5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m) m,ac 31 52

Undated loan capital non-convertible 6,631 5,422

Security and subordination

None of the undated loan capital of the Bank is secured.

The Junior Undated Floating Rate Notes (the Junior Notes) rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.

All other issues of the Bank s undated loan capital rank pari passu with each other and behind the claims of the holders of the Junior Notes, except for the 6% and 6.86% Callable Perpetual Core Tier One Notes (the TONs) and the 5.3304%, 5.926%, 6.3688% and 7.434% Step-up Callable Perpetual Reserve Capital Instruments (the RCIs) (such issues, excluding the TONs and the RCIs, being the Undated Notes and Loans).

The TONs and the RCIs rank pari passu with each other and behind the claims of the holders of the Undated Notes and Loans.

Interest

Notes

a These TONs bear a fixed rate of interest until 2032. After that date, in the event that the TONs are not redeemed, the TONs will bear interest at rates fixed periodically in advance, based on London interbank rates.

b These RCIs bear a fixed rate of interest until 2036. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

c These RCIs bear a fixed rate of interest until 2016. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

d These Notes bear interest at rates fixed periodically in advance, based on London interbank rates.

e These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

f These Bonds bear a fixed rate of interest until 2021. After that date, in the event that the Bonds are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

g The interest rate on these Bonds is fixed for the life of this issue.

h These Notes bear a fixed rate of interest until 2020. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

i These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

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27 Subordinated liabilities (continued)

j These Notes bear a fixed rate of interest until 2017. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years. k These Notes bear a fixed rate of interest until 2027. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years. l These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates. m These Loans bear a fixed rate of interest until 2028 based on a US Dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable, which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Loans are not redeemed, the Loans will bear Yen interest rates fixed periodically in advance, based on London interbank rates. n These RCIs bear a fixed rate of interest until 2019. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates. o These RCIs bear a fixed rate of interest until 2017. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

The Bank is not obliged to make a payment of interest on its Undated Notes and Loans excluding the 9.25% Perpetual Subordinated Bonds if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. The Bank is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 months interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. During the year, the Bank declared and paid dividends on its ordinary shares and on all classes of preference shares.

No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the RCIs (b, c, n and o above). Any such deferred payment of interest must be paid on the earlier of (i) the date of redemption of the RCIs, and (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or Preference Shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the FSA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or Preference Shares, or make payments of interest in respect of the Bank s Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Repayment

Notes

p These TONs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2032.

q These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2036.

r These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2016.

s These Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date.

t These Notes are repayable, at the option of the Bank, in whole on any interest payment date.

u These Notes are repayable, at the option of the Bank, in whole in 2008, or on any fifth anniversary thereafter.

v These Bonds are repayable, at the option of the Bank, in whole in 2021, or on any fifth anniversary thereafter.

w These Bonds are repayable, at the option of the Bank, in whole at any time.

x These Notes are repayable, at the option of the Bank, in whole in 2020, or on any fifth anniversary thereafter.

y These Notes are repayable, at the option of the Bank, in whole in 2015, or on any fifth anniversary thereafter.

z These Notes are repayable, at the option of the Bank, in whole in 2017, or on any fifth anniversary thereafter.

aa These Notes are repayable at the option of the Bank, in whole in 2027, or on any fifth anniversary thereafter.

ab These Notes are repayable, at the option of the Bank, in whole in 2009, or on any fifth anniversary thereafter.

ac These Loans are repayable, at the option of the Bank, in whole in 2028, or on any fifth anniversary thereafter.

ad These RCIs are repayable at the option of the Bank, in whole on any coupon payment date falling in or after December 2019.

ae These RCIs are repayable at the option of the Bank, in whole on any coupon payment date falling in or after December 2017.

In addition, each issue of undated loan capital is repayable, at the option of the Bank, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest.

Any repayments require the prior notification to the FSA.

All issues of undated loan capital have been made in the eurocurrency market and/or under Rule 144A, and no issues have been registered under the US Securities Act of 1933.

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For the year ended 31st December 2007

27 Subordinated liabilities (continued)

(b) Dated loan capital

Dated loan capital, issued by the Bank for the development and expansion of the Group s business and to strengthen its capital base, by Barclays Bank Spain SA (Barclays Spain), Barclays Bank of Botswana Ltd (BBB), Barclays Bank Zambia PLC (Barclays Zambia) and Barclays Bank of Kenya (Barclays Kenya) to enhance their respective capital bases and by Absa and Barclays Bank of Ghana Ltd (BBG) for general corporate purposes, comprise:

2007 2006 Notes £m £m

Non-convertible The Bank

7.4% Subordinated Notes 2009 (US$400m) a 200 204 Subordinated Fixed to CMS-Linked Notes 2009 (¤31m) b 23 21 12% Unsecured Capital Loan Stock 2010 a 27 27 5.75% Subordinated Notes 2011 (¤1,000m) a 724 676 5.25% Subordinated Notes 2011 (¤250m) (ex-Woolwich plc) a 200 186 Floating Rate Subordinated Notes 2012 301 Callable Subordinated Floating Rate Notes 2012 44 Step-up Callable Floating Rate Subordinated Bonds 2012 (ex-Woolwich plc) 151 Callable Subordinated Floating Rate Notes 2012 (US$150m) 77 Floating Rate Subordinated Notes 2012 (US$100m) 51 Capped Floating Rate Subordinated Notes 2012 (US$100m) 51 Floating Rate Subordinated Notes 2013 (US$1,000m) b,n 501 513 5.015% Subordinated Notes 2013 (US$150m) a 77 77 4.875% Subordinated Notes 2013 (¤750m) a 583 540 5.5% Subordinated Notes 2013 (DM 500m) d,n 196 179 Floating Rate Subordinated Step-up Callable Notes 2013 (Yen 5,500m) b,n 25 24 Floating Rate Subordinated Notes 2013 (AU$150m) c,n 67 61 5.93% Subordinated Notes 2013 (AU$100m) e,n 44 41 Callable Floating Rate Subordinated Notes 2015 (US$1,500m) b,n 753 767 4.38% Fixed Rate Subordinated Notes 2015 (US$75m) a 30 37 4.75% Fixed Rate Subordinated Notes 2015 (US$150m) a 85 76 Floating Rate Subordinated Step-up Callable Notes 2016 (US$750m) b,n 375 382 Callable Floating Rate Subordinated Notes 2016 (¤1,250m) b,n 927 844 Callable Floating Rate Subordinated Notes 2017 (US$500m) b,n 250 255 10.125% Subordinated Notes 2017 (ex-Woolwich plc) k,n 111 113 Floating Rate Subordinated Step-up Callable Notes 2017 (US$1,500m) b,n 749 Floating Rate Subordinated Step-up Callable Notes 2017 (¤1,500m) b,n 1,106 6.05% Fixed Rate Subordinated Notes 2017 (US$2,250m) a 1,125 Floating Rate Subordinated Notes 2018 (¤40m) b 29 27 Floating Rate Subordinated Notes 2019 (¤50m) b 36 32 Callable Fixed/Floating Rate Subordinated Notes 2019 (¤1,000m) l 761 696 9.5% Subordinated Bonds 2021 (ex-Woolwich plc) a 282 290 Subordinated Floating Rate Notes 2021 (¤100m) b 72 66 Subordinated Floating Rate Notes 2022 (¤50m) b 37 34 Subordinated Floating Rate Notes 2023 (¤50m) b 37 34 Fixed/Floating Rate Subordinated Callable Notes 2023 r,n 505 5.75% Fixed Rate Subordinated Notes 2026 a 600 608 5.4% Reverse Dual Currency Subordinated Loan 2027 (Yen 15,000m) m 71 66 6.33% Subordinated Notes 2032 a 49 50 Subordinated Floating Rate Notes 2040 (¤100m) b 73 67

Barclays Bank SA, Spain (Barclays Spain)

Subordinated Floating Rate Capital Notes 2011 (¤30m) b 10 22

Absa

14.25% Subordinated Callable Notes 2014 (ZAR 3,100m) f,n 253 269 10.75% Subordinated Callable Notes 2015 (ZAR 1,100m) g,n 87 89 Subordinated Callable Notes 2015 (ZAR 400m) h,n 29 29 8.75% Subordinated Callable Notes 2017 (ZAR 1,500m) i,n 111 113 8.8% Subordinated Fixed Rate Callable Notes 2019 (ZAR 1,725m) s,n 123 8.1% Subordinated Callable Notes 2020 (ZAR 2,000m) j,n 138 143

Barclays Bank of Ghana Ltd (BBG)

14% Fixed Rate BBG Subordinated Callable Notes 2016 (GHC 100,000m) a,n 5 6

Barclays Bank of Kenya (Barclays Kenya)

Floating Rate Subordinated Notes 2014 (KES 1,000m) t 8

Dated loan capital non-convertible 11,494 8,339

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27 Subordinated liabilities (continued)

2007 2006 Notes £m £m

Convertible

Barclays Bank of Botswana (BBB)

Subordinated Unsecured Floating Rate Capital Notes 2014 (BWP 100m) n,o 8 9

Barclays Bank Zambia PLC (Barclays Zambia)

Subordinated Unsecured Floating Rate Capital Notes 2015 (ZMK 40,000m) n,p 6 5

Absa

Redeemable cumulative option-holding preference shares (ZAR 147m) q 11 11

Total convertible 25 25

None of the Group s dated loan capital is secured. The debt obligations of the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa rank ahead of the interests of holders of their equity. Dated loan capital of the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa has been issued on the basis that the claims there under are subordinated to the respective claims of their depositors and other unsecured unsubordinated creditors.

Interest

Notes

a The interest rates on these Notes are fixed for the life of those issues.

b These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.

c These Notes bear interest at rates fixed periodically in advance based on Sydney Bill of exchange rates.

d These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

e These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Sydney Bill of exchange rates.

f These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference rate for a further period of five years.

g These Notes bear a fixed rate of interest until 2010. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

h These Notes bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

i These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

j These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

k These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

l These Notes bear a fixed rate of interest until 2014. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.

m This Loan bears a fixed rate of interest based on a US Dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates. n Repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole.

o These Notes bear interest at rates fixed periodically in advance based on the Bank of Botswana Certificate Rate. All of these Notes will be compulsorily converted to Preference Shares of BBB, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should BBB experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

p These Notes bear interest at rates fixed periodically in advance based on the Bank of Zambia Treasury Bill rate. All of these Notes will be compulsorily converted to Preference Shares of Barclays Zambia, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should Barclays Zambia experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

q The dividends are compounded and payable semi-annually in arrears on 30th September and 31st March of each year. The shares were issued by Absa Group Limited on 1st July 2004 and the redemption dates commence on the first business day after the third anniversary of the date of issue of the redeemable preference shares and ending on the fifth anniversary of the date of issue. Such exercise and notice will be deemed to be effective only on the option exercise dates, being 1st March, 1st June, 1st September or 1st December of each year. The shares are convertible into ordinary shares at the option of the preference shareholders on the redemption dates in lots of 100.

r These Notes bear a fixed rate of interest until 2018. After that date in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

s These Notes bear a fixed rate of interest until 2014. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

t These Notes bear interest at rates fixed periodically in advance based on the Central Bank of Kenya Treasury Bill rates.

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Notes to the accounts

For the year ended 31st December 2007

27 Subordinated liabilities (continued)

The 7.4% Subordinated Notes 2009 (the 7.4% Notes) issued by the Bank have been registered under the US Securities Act of 1933. All other issues of dated loan capital by the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa, which were made in non-US markets, have not been so registered. With respect to the 7.4% Notes, the Bank is not obliged to make (i) a payment of interest on any interest payment date unless a dividend is paid on any class of share capital and (ii) a payment of principal until six months after the respective maturity date with respect to such Notes.

Repayment terms

Unless otherwise indicated, the Group s dated loan capital outstanding at 31st December 2007 is redeemable only on maturity, subject in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, in the case of BBB and Barclays Zambia to certain changes in legislation or regulations.

Any repayments prior to maturity require in the case of the Bank, the prior notification to the FSA, in the case of BBB, the prior approval of the Bank of Botswana, in the case of Barclays Zambia, the prior approval of the Bank of Zambia, and in the case of Absa, the prior approval of the South African Registrar of Banks.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

28 Provisions

Undrawn contractually committed facilities Redundancy and

Onerous and re- guarantees Sundry contracts structuring provided provisions Total

£m £m £m £m £m

At 1st January 2007 71 102 46 243 462

Acquisitions and disposals of subsidiaries 1 (2) 74 73

Exchange 8 5 13 Additions 18 117 560 121 816 Amounts used(25) (117) (113) (60) (315) Unused amounts reversed(5) (18) (26) (174) (223)

Amortisation of discount 4 4

At 31st December 2007 64 82 475 209 830 At 1st January 2006 79 74 55 309 517 Exchange(2) 2 (16)(16) Additions 45 180 35 159 419 Amounts used(53)(133)(9)(94)(289) Unused amounts reversed(2)(21)(35)(115)(173) Amortisation of discount 4 4

At 31st December 2006 71 102 46 243 462

Provisions expected to be recovered or settled within no more than 12 months after 31st December 2007 were £645m (2006: £388m).

Sundry provisions are made with respect to commission clawbacks, warranties and litigation claims.

Undrawn contractually committed facilities and guarantees provided includes £360m (2006: £nil) provision against undrawn facilities on ABS CDO Super Senior positions.

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29 Securitisations

The Group was party to securitisation transactions involving Barclays residential mortgage loans, business loans and credit card balances. In addition, the Group acts as a conduit for commercial paper, whereby it acquires static pools of residential mortgage loans from other lending institutions for securitisation transactions.

In these transactions, the assets, or interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, or to a trust which then transfers its beneficial interests to a special purpose entity, which then issues floating rate debt securities to third-party investors.

Securitisations may, depending on the individual arrangement result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Group s continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

The following table shows the carrying amount of securitised assets, stated at the amount of the Group s continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the balance sheet:

2007 2006 Carrying Carrying amount of Associated amount of Associated assets liabilities assets liabilities

£m £m £m £m

Loans and advances to customers

Residential mortgage loans 16,000 (16,786) 12,577 (13,271) Credit card receivables 4,217 (3,895) 5,700(5,195) Other personal lending 422 (485) 229(255) Wholesale and corporate loans and advances 8,493 (8,070) 5,852(5,303)

Total 29,132 (29,236) 24,358 (24,024)

Assets designated at fair value through profit or loss

Retained interest in residential mortgage loans 895 628

Retained interests in residential mortgage loans are interest only strips which represent a continuing exposure to the prepayment and credit risk in the underlying securitised assets, the total amount of which was £23,097m (2006: £15,063m). These are initially recorded as an allocation of the original carrying amount based on the relative fair values of the portion derecognised and the portion retained.

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For the year ended 31st December 2007

30 Retirement benefit obligations

Pension schemes

The UK Retirement Fund (UKRF), which is the main scheme of the Group, amounting to 94% of all the Group s schemes in terms of benefit obligations, comprises ten sections.

The 1964 Pension Scheme

Most employees recruited before July 1997 are members of this non-contributory defined benefit scheme. Pensions are calculated by reference to service and pensionable salary and are normally subject to a deduction from State pension age.

The Retirement Investment Scheme (RIS)

A defined contribution plan for most joiners between July 1997 and 1st October 2003. This was closed to new entrants on 1st October 2003 and the large majority of existing members of the RIS transferred to afterwork in respect of future benefit accrual with effect from 1st January 2004. There are now no longer any active members of the RIS.

The Pension Investment Plan (PIP)

A defined contribution plan created from 1st July 2001 to provide benefits for certain employees of Barclays Capital. afterwork

Combines a contributory cash balance element with a voluntary defined contribution element. New employees since 1st October 2003 are eligible to join afterwork. In addition, the large majority of active members of the RIS (now closed) were transferred to afterwork in respect of future benefit accrual after 1st January 2004.

Career Average Section

The Career Average Section was established in the UKRF with effect from 1st May 2004 following the transfer of members from the Woolwich Pension Fund. The Career Average Section is a non-contributory career average scheme and was closed to new entrants on 1st December 2006.

1951 Fund Section, AP89 Section, BCPS Section, CCS Section and Mercantile Section

Five new sections were established in the UKRF with effect from 31st March 2007 following the merger of the UKRF with five smaller schemes sponsored from within the Group. All five sections are closed to new members.

The 1951 Fund Section, AP89 Section and Mercantile Section provide final salary benefits calculated by reference to service and pensionable salary.

The BCPS and CCS Sections provide defined contribution benefits. The benefits built up in these sections in relation to service before 6th April 1997 are subject to a defined benefit minimum.

In addition, the costs of ill-health retirements and death in service benefits are generally borne by the UKRF for each of the ten sections.

Governance

The assets of the UKRF are held separately from the assets of the Group and are administered by trustees.

Barclays Pension Fund Trustees Ltd (BPFTL) acts as corporate trustee for the UKRF. BPFTL is a private limited company, incorporated on 20th December 1990, and is a subsidiary of Barclays Bank PLC.

As the corporate trustee for the UKRF, BPFTL is the legal owner of the assets of the UKRF and BPFTL holds these assets in trust for the beneficiaries of the scheme.

BPFTL comprises nine Directors, of which six are Employer Directors selected by the Bank and three are Employee Directors nominated by the Pension Fund Advisory Committee (PFAC). Employee Directors are selected from those eligible active employees and pensioner members who apply to be considered for the role.

Employee Director vacancies are advertised to all eligible active and pensioner members. This enables any eligible member with an interest in becoming an Employee Director to express that interest and be considered for the role. The PFAC provides the mechanism through which Employee Directors are selected. The PFAC will accept nominations from eligible members and select from amongst all properly nominated candidates.

There are also three Alternate Employer Directors and three Alternate Employee Directors. The selection process for these appointments are as detailed above. The role of alternate directors is to provide cover for individual directors, should they not be available for meetings.

Currently, the Bank decides the funding rate after consulting with the trustees. Under the Pensions Act 2004, which has practical impact for the UKRF for the triennial valuation currently in progress with an effective date of 30th September 2007, the Bank and the trustee must agree the funding rate (including a recovery plan to fund any deficit against the scheme specific statutory funding objective).

In addition to the UKRF, there are other defined benefit and defined contribution schemes in the UK and overseas. The same approach to pensions governance applies to the other schemes in the UK but different legislation covers schemes outside of the UK where in most cases the Bank has the power to determine the funding rate.

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30 Retirement benefit obligations (continued)

The following tables present an analysis of defined benefit obligation and fair value of plan assets for all the Group s pension schemes and post-retirement benefits (the latter are unfunded) and present the amounts recognised in the income statement including those related to post-retirement health care.

Income statement charge

2007 2006 2005 Other post- Other post- Other post-retirement retirement retirement

Pensions benefits Total Pensions benefits Total Pensions benefits Total

£m £m £m £m £m £m £m £m £m

Staff cost charge

Current service cost 332 2 334 378 21 399 348 22 370 Interest cost 905 8 913 900 8 908 853 4 857 Expected return on scheme assets(1,074) (1,074)(999) (999)(898) (898) Recognised actuarial loss(1) (1) 3 1 4 4 4 Past service cost 20 20 29 29 13 1 14 Curtailment or settlements(32) (32)(29) (29)(49) (49)

Total included in staff costs 150 10 160 282 30 312 271 27 298

Staff costs are included in other operating expenses.

Change in benefit obligation

2007 2006

Post-retirement Post-retirement

Pensions benefits Total Pensions benefits Total UK Overseas UK Overseas UK Overseas UK Overseas

£m £m £m £m £m £m £m £m £m £m

Benefit obligation at beginning of the year(17,256) (894) (97) (76) (18,323) (18,149)(938)(103)(79) (19,269) Current service cost(317) (15) (1) (1) (334)(358)(20)(20)(1)(399) Interest cost(869) (36) (4) (4) (913)(863)(37)(4)(4)(908) Past service cost(20) (20)(4)(25) (29) Curtailments or settlements 35 1 36 43 2 45 Actuarial gain/(loss) 1,292 25 19 1 1,337 1,566 15 11(3) 1,589 Contributions by plan participants(19) (2) (21)(15)(2) (17) Benefits paid 589 31 2 15 637 536 40 19 4 599 Business combinations 11 11 Exchange and other adjustments 2 (23) 21 (33) (33)(12) 60 7 55

Benefit obligation at end of the year (16,563) (913) (60) (98) (17,634) (17,256)(894)(97)(76) (18,323)

The benefit obligation arises from plans that are wholly unfunded and wholly or partly funded as follows:

2007 2006

£m £m

Unfunded obligations(248)(237) Wholly or partly funded obligations(17,386) (18,086)

Total(17,634) (18,323)

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Notes to the accounts

For the year ended 31st December 2007

30 Retirement benefit obligations (continued)

Change in plan assets

2007 2006

Post-retirement Post-retirement

Pensions benefits Total Pensions benefits Total UK Overseas UK Overseas UK Overseas UK Overseas

£m £m £m £m £m £m £m £m £m £m

Fair value of plan assets at beginning of the year 16,761 745 17,506 15,571 819 16,390 Expected return on plan assets 1,041 33 1,074 965 34 999 Employer contribution 355 34 2 15 406 357 26 2 4 389 Settlements (1) (1)(11)(2) (13) Contributions by plan participants 19 2 21 15 2 17 Actuarial (loss)/gain(332) (11) (343) 423 25 448 Benefits paid(589) (31) (2) (15) (637)(536)(30)(2)(4)(572) Business combinations Exchange and other adjustments(24) 25 1(23)(129) (152)

Fair value of plan assets at the end of the year 17,231 796 18,027 16,761 745 17,506

Amounts recognised on balance sheet

The pension and post-retirement benefit assets and liabilities recognised on the balance sheet are as follows:

2007 2006

Post-retirement Post-retirement

Pensions benefits Total Pensions benefits Total UK Overseas UK Overseas UK Overseas UK Overseas

£m £m £m £m £m £m £m £m £m £m

Benefit obligation at end of period(16,563) (913) (60) (98) (17,634) (17,256)(894)(97)(76) (18,323)

Fair value of plan assets at end of period 17,231 796 18,027 16,761 745 17,506 Net asset/(deficit) 668 (117) (60) (98) 393(495)(149)(97)(76)(817) Unrecognised actuarial (gains)/losses (1,912) 7 (3) 14 (1,894)(953) 20 17 14(902)

Net recognised liability(1,244) (110) (63) (84) (1,501) (1,448)(129)(80)(62) (1,719) Recognised assets 36 36 53 35 88 Recognised liability(1,244) (146) (63) (84) (1,537) (1,501)(164)(80)(62) (1,807)

Net recognised liability(1,244) (110) (63) (84) (1,501) (1,448)(129)(80)(62) (1,719)

The UKRF measured using the IAS 19 assumptions, has moved over the year from a £0.5bn deficit at 31st December 2006 to a surplus of £0.7bn at 31st December 2007.

The assumptions used for the current year and prior year are detailed on the next page. Among the reasons for this change were the increase in AA long-term corporate bond yields which resulted in a higher discount rate of 5.82% (31st December 2006: 5.12%), partially offset by lower than expected returns, and an increase in the inflation assumption to 3.45% (31st December 2006: 3.08%). A number of additional changes were made to the assumptions used in valuing the liabilities, including a decrease in the assumed rate of real salary increases to 0.5% (31st December 2006: 1%). Mortality assumptions changed from those in force at 31st December 2006.

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30 Retirement benefit obligations (continued)

Assumptions

Obligations arising under defined benefit schemes are actuarially valued using the projected unit credit method. Under this method, where a defined benefit scheme is closed to new members, such as in the case of the 1964 Pension Scheme, the current service cost expressed as a percentage of salary is expected to increase in the future, although this higher rate will be applied to a decreasing payroll. The latest actuarial IAS valuations were carried out as at 31st December using the following assumptions:

UK schemes Overseas schemes

2007 2006 2007 2006 % p.a.% p.a.% p.a.% p.a.

Discount rate 5.82 5.12 7.51 6.94 Rate of increase in salaries 3.95 4.08 5.60 5.66 Inflation rate 3.45 3.08 4.13 3.94 Rate of increase for pensions in payment 3.45 2.88 3.55 3.58 Rate of increase for pensions in deferment 3.30 3.08 2.50 2.24 Initial health care inflation 8.00 8.93 10.00 9.93 Long-term health care inflation 5.00 5.00 5.01 5.00 Expected return on plan assets 6.70 6.32 7.84 7.89

The expected return on plan assets assumption is weighted on the basis of the fair value of these assets. Health care inflation assumptions are weighted on the basis of the health care cost for the period. All other assumptions are weighted on the basis of the defined benefit obligation at the end of the period.

The UK Schemes discount rate assumption is based on the yield on the iBoxx (over 15 year) AA corporate bond index.

The overseas health care inflation assumptions relate to the US and Mauritius.

Mortality assumptions

The post-retirement mortality assumptions used in valuing the liabilities of the UKRF were based on the standard 2000 series tables as published by the Institute and Faculty of Actuaries. These tables are considered to be most relevant to the population of the UKRF based on their mortality history. These were then adjusted in line with the actual experience of the UKRF s own pensioners relative to the standard table. An allowance has been made for future mortality improvements based on the medium cohort projections published by the CMIB. On this basis the post-retirement mortality assumptions for the UKRF includes:

2007 2006 2005 2004 2003

Longevity at 60 for current pensioners (years)

Males 26.7 25.8 25.8 25.7 23.3 Females 27.9 29.5 29.5 29.4 26.4

Longevity at 60 for future pensioners currently aged 40 (years)

Males 28.0 27.1 27.1 27.0 24.9 Females 29.1 30.7 30.6 30.6 27.9

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30 Retirement benefit obligations (continued)

Assumptions (continued) Sensitivity analysis

Sensitivity analysis for each of the principal assumptions used to measure the benefit obligation of the UKRF are as follows:

Impact on UKRF benefit obligation (Decrease)/ (Decrease)/ Increase Increase

% £bn

0.5% increase to:

Discount rate(8.5)(1.4) Rate of inflation 8.8 1.4 Rate of salary growth 1.3 0.2 1 year increase to longevity at 60 2.5 0.4

Post-retirement health care

A one percentage point change in assumed health care trend rates, assuming all other assumptions remain constant would have the following effects for 2007:

1% increase 1% decrease

£m £m

Effect on total of service and interest cost components 1.9 (1.3) Effect on post-retirement benefit obligation 19.9 (14.6)

Assets

A long-term strategy has been set for the asset allocation of the UKRF which comprises a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others.

The long-term strategy ensures that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long-term strategy within control ranges agreed with the trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown below reflects the actual physical assets held by the scheme, with any derivative holdings reflected on a mark to market basis. The expected return on asset assumptions, both for individual asset classes and overall, have been based on the portfolio of assets created after allowing for the net impact of the derivatives on the risk and return profile of the holdings.

The value of the assets of the schemes, their percentage in relation to total scheme assets, and their expected rate of return at 31st December 2007 and 31st December 2006 were as follows:

2007

UK schemes Overseas schemes Total

% of Expected% of Expected% of Expected total fair rate total fair rate total fair rate value of of value of of value of of Value scheme return Value scheme return Value scheme return £m assets% £m assets% £m assets%

Equities 7,467 43 8.3 441 55 8.4 7,908 44 8.3 Bonds 7,445 43 5.1 300 38 7.6 7,745 43 5.2 Property 1,712 10 7.0 16 2 11.5 1,728 10 7.0 Derivatives(12) 0.0 (12) Cash 284 2 5.1 42 5 5.6 326 1 5.2 Other 335 2 5.3 (3) 332 2 5.4 Fair value of plan assets a 17,231 100 6.7 796 100 7.8 18,027 100 6.8

Note a Excludes £782m (2006: £613m) representing the money purchase assets of the UKRF.

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30 Retirement benefit obligations (continued)

Assets (continued)

2006

UK schemes Overseas schemes Total

% of Expected% of Expected% of Expected total fair rate total fair rate total fair rate value of of value of of value of of Value scheme return Value scheme return Value scheme return £m assets% £m assets% £m assets%

Equities 7,285 43 7.9 337 45 9.4 7,622 44 8.0 Bonds 6.930 41 4.7 300 40 6.2 7,230 41 4.7 Property 1,995 12 6.4 15 2 13.4 2,010 11 6.6 Derivatives 21 n/a 21 n/a Cash 293 2 4.6 37 5 5.9 330 2 4.8 Other 237 2 5.9 56 8 9.4 293 2 6.6 Fair value of plan asset a 16,761 100 6.3 745 100 7.9 17,506 100 6.4

The UKRF plan assets include £39m relating to UK private equity investments (2006: £27m) and £664m relating to overseas private equity investments (2006: £447m). These are disclosed within Equities. Amounts included in the fair value of plan assets include £6m (2006: £7m) relating to shares in Barclays Group, £6m (2006: £10m) relating to bonds issued by the Barclays Group, £nil (2006: £1m) relating to other investments in the Barclays Group, and £10m (2006: £8m) relating to property occupied by Group companies.

The expected return on assets is determined by calculating a total return estimate based on weighted average estimated returns for each asset class. Asset class returns are estimated using current and projected economic and market factors such as inflation, credit spreads and equity risk premiums. The actual return on plan assets was £731m (2006: £1,447m).

Actuarial gains and losses

The actuarial gains and losses arising on plan liabilities and plan assets are as follows:

UK schemes Overseas schemes Total

2007 2006 2005 2004 2007 2006 2005 2004 2007 2006 2005 2004

£m £m £m £m £m £m £m £m £m £m £m £m

Present value of obligations (16,623) (17,353) (18,252) (15,574) (1,011) (970) (1,017) (587) (17,634) (18,323) (19,269) (16,161) Fair value of plan assets 17,231 16,761 15,571 13,261 796 745 819 436 18,027 17,506 16,390 13,697

Net surplus/(deficit) in the plans 608 (592) (2,681) (2,313) (215) (225) (198) (151) 393 (817) (2,879) (2,464)

Experience gains and losses on plan liabilities

amount(297) 48(2) 16(79)(54)(2)(31) (376)(6)(4)(15) as percentage of plan liabilities(2%) (8%) (6%) (5%) (2%)

Difference between actual and expected return on net assets

amount(332) 423 1,599 570(11) 25 2 9 (343) 448 1,601 579 as percentage of plan assets(2%) 3% 10% 4% 3% 2%(2%) 3% 10% 4%

Note a Excludes £782m (2006: £613m) representing the money purchase assets of the UKRF.

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For the year ended 31st December 2007

30 Retirement benefit obligations (continued)

Funding

The most recent triennial funding valuation of the UK Retirement Fund was performed in September 2004 and forms the basis of the Group s commitment that the fund has sufficient assets to make payments to members in respect of their accrued benefits as and when they fall due.

This funding valuation uses a discount rate that reflects the assumed future return from the actual asset allocation at that date, and takes into account projected future salary increases when assessing liabilities arising from accrued service. The funding valuation is updated annually on the basis of interim assumptions. The UK Retirement Fund recorded a funding surplus of £1.2bn as at 31st December 2007 (2006: £1.3bn).

The Group has agreed funding contributions which, in aggregate, are no less than those which are sufficient to meet the Group s share of the cost of benefits accruing over each year. The Group has, in the recent past, chosen to make funding contributions in excess of this, more consistent with the IAS service cost.

Defined benefit contributions paid with respect to the UKRF were as follows:

£m

Contributions paid

2007 355

2006 351 2005 354

There is a triennial valuation currently in progress with an effective date of 30th September 2007. To comply with the requirements of the Pensions Act 2004, the Group and trustees plan to agree a scheme specific funding target, statement of funding principles, and a schedule of contributions which in 2008 will supersede those in place under the current actuarial funding valuation.

Excluding the UKRF, the Group is expected to pay contributions of approximately £2m to UK schemes and £41m to overseas schemes in 2008. The total contribution to be paid in 2008 to the UKRF is not expected to be significantly different than in previous years.

31 Ordinary shares and share premium

Number of Ordinary Share shares shares premium Total m £m £m £m

At 1st January 2007 6,535 1,634 5,818 7,452 Issued to staff under the Sharesave Share Option Scheme 19 6 62 68 Issued under the Incentive Share Option Plan 10 2 40 42 Issued under the Executive Share Option Scheme a 1 1 Issued under the Woolwich Executive Share Option Plan a 1 1 Transfer to retained earnings (7,223) (7,223) Issue of new ordinary shares 337 84 1,357 1,441 Repurchase of shares(300)(75) (75)

At 31st December 2007 6,601 1,651 56 1,707

At 1st January 2006 6,490 1,623 5,650 7,273 Issued to staff under the Sharesave Share Option Scheme 18 5 67 72 Issued under the Incentive Share Option Plan 25 6 96 102 Issued under the Executive Share Option Scheme a 1 3 3 Issued under the Woolwich Executive Share Option Plan a 1 2 2

At 31st December 2006 6,535 1,634 5,818 7,452

The authorised share capital of Barclays PLC is £2,500m (2006: £2,500m), comprising 9,996 million (2006: 9,996 million) ordinary shares of 25p each and 1 million (2006: 1 million) staff shares of £1 each. All issued shares are fully paid.

2007 2006

Called up share capital, allotted and fully paid £m £m Ordinary shares: At beginning of year 1,633 1,622 Issued to staff under the Sharesave Share Option Scheme 6 5 Issued under Incentive Share Option Plan 2 6 Issue of new ordinary shares 84 Repurchase of shares(75)

At end of year 1,650 1,633 Staff shares 1 1

Total 1,651 1,634

Note a The nominal value for share options issued during 2007 and 2006 for the Executive Share Option Scheme and Woolwich ESOP was less than £500,000 in each case.

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31 Ordinary shares and share premium (continued)

Issue of new ordinary shares

On 14th August 2007, 336.8 million ordinary shares with an aggregate nominal value of £84 million were issued for a cash consideration, before issue costs, of £2,425m. The shares were issued to Temasek and China Development Bank at a market price of £7.20 per share. The proceeds of the Temasek issuance in excess of nominal value and issue costs of £941m were credited to retained earnings. This resulted from the operation of section 131 of the Companies Act 1985 with regard to the issue of shares by Barclays PLC in exchange for shares in Odysseus Jersey (No1) Limited and the subsequent redemption of the no par value redeemable preference shares of that company for cash.

Share repurchase

During the year Barclays PLC purchased in the market 300 million of its own ordinary shares of 25p each at a total cost of £1,802m in order to minimise the dilutive effect of the issuance of Barclays shares to Temasek and China Development Bank on existing shareholders. These transactions represent 4.54% of the issued share capital at 31st December 2007. All shares purchased during the period were open market transactions.

At the 2007 AGM on 26th April, Barclays PLC was authorised to repurchase 980,840,000 of its ordinary shares of 25p. The authorisation is effective until the AGM in 2008.

Cancellation of share premium account

On 11th October 2007, the order of the High Court confirming the cancellation of £7,223m of the share premium account was registered with the Registrar of Companies. This created £7,223m of additional distributable reserves in Barclays PLC. The purpose of the cancellation of the share premium account was to create distributable profits in order to allow the payment of dividends following the completion of the share buy-back programme, the redemption of the preference shares which were to have been issued in connection with the proposed merger with ABN AMRO, and to provide maximum flexibility to manage the Group s capital resources.

Shares under option

The Group has four schemes that give employees rights to subscribe for new shares in Barclays PLC. A summary of the key terms of each scheme are included in Note 44.

At 31st December 2007, 74.0 million (2006: 78.9 million) options were outstanding under the terms of the Sharesave Share Option Scheme (Sharesave), 1.4 million (2006: 1.7 million) options were outstanding under the terms of the Executive Share Option Scheme (ESOS), 0.5 million (2006: 0.7 million) options were outstanding under the terms of the Woolwich Executive Share Option Plan (Woolwich ESOP) and 20.5 million (2006: 77.5 million) options were outstanding under the terms of the Incentive Share Option Plan (ISOP), enabling certain Directors and members of staff to subscribe for ordinary shares between 2007 and 2016 at prices ranging from 176p to 562p.

Options and awards arising under the Executive Share Award Scheme, Performance Share Plan and Sharepurchase Scheme, which are described in Note 44 are not settled by the issuance of new shares but from shares held in employee benefit trusts. Details concerning the shares held in such trusts are provided in Note 32.

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For the year ended 31st December 2007

32 Reserves

Other reserves Barclays PLC Group

Capital Other Available Cash flow Currency redemption capital for sale hedging translation reserve reserve reserve reserve reserve Total

£m £m £m £m £m £m

At 1st January 2007 309 617 132 (230) (438) 390

Net gains from changes in fair value 480 182 662 Net (gains)/losses transferred to net profit (560) 198 (362) Currency translation differences 29 29 Losse transferred to net profit due to impairment 13 13 Changes in insurance liabilities 22 22 Net losses transferred to net profit due to fair value hedging 68

Tax (1) (124) 102 (23)

Repurchase of shares 75 75

At 31st December 2007 384 617 154 26 (307) 874

Capital Other Available Cash flow Currency redemption capital for sale hedging translation reserve reserve reserve reserve reserve Total

£m £m £m £m £m £m

At 1st January 2006 309 617 225 70 156 1,377 Net gains/(losses) from changes in fair value 71(421) (350) Net gains transferred to net profit (308)(51) (359) Currency translation differences (464)(464) Losses transferred to net profit due to impairment 86 86 Changes in insurance liabilities 23 23 Net losses transferred to net profit due to fair value hedging 13 13 Tax 22 172(130) 64 At 31st December 2006 309 617 132(230)(438) 390

The capital redemption reserve and other capital reserve represent transfers from retained earnings in accordance with relevant legislation. These reserves are not distributable.

The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition.

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group s net investment in foreign operations, net of the effects of hedging.

Transfers from cash flow hedging reserve

Gains and losses transferred from the cash flow hedging reserve were to: interest income: £93m loss (2006: £7m loss), interest expense: £11m gain (2006: £73m gain), net trading income: £100m loss (2006: £15m loss), and administration and general expenses: £16m loss (2006: £nil).

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32 Reserves (continued)

Retained earnings and treasury shares   Barclays PLC Group

Retained Treasury earnings shares Total

£m £m £m

At 1st January 2007 12,169 (212) 11,957

Profit attributable to equity holders of the parent 4,417   4,417 Equity-settled share schemes 567   567 Tax on equity-settled share schemes 28   28 Net purchases of treasury shares   (572) (572)

Transfer(524) 524   Dividends paid(2,079)   (2,079)

Repurchase of shares(1,802)   (1,802) Transfer from share premium account 7,223   7,223 Arising on share issue 941   941

Other 30   30

At 31st December 2007 20,970 (260) 20,710 At 1st January 2006 8,957(181) 8,776 Profit attributable to equity holders of the parent 4,571   4,571 Equity-settled share schemes 663   663 Tax on equity-settled share schemes 96   96 Net purchases of treasury shares   (425)(425) Transfer(394) 394   Dividends paid(1,771)   (1,771) Other 47   47

At 31st December 2006 12,169(212) 11,957

The Treasury shares primarily relate to Barclays PLC shares held by employee benefit trusts in relation to the Executive Share Award Scheme, Performance Share Plan and Sharepurchase Scheme, to the extent that such shares have not been allocated to employees. These schemes are described in Note 44

The total number of Barclays shares held in Group employee benefit trusts at 31st December 2007 was 211.4 million (2006: 168 million). Dividend rights have been waived on nil (2006: nil) of these shares. The total market value of the shares held in trust based on the year-end share price of £5.04 (2006: £7.30) was £1,065m (2006: £1,227m). As at 31st December 2007, options over 16.6 million (2006: 9.6 million) of the total shares held in the trusts were exercisable.

The Group operates in a number of countries subject to regulations under which a local subsidiary has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that are restricted by these regulations, but the net profit retained of overseas subsidiaries, associates and joint ventures at 31st December 2007 totalled £7,311m (2006: £5,667m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Retained earnings   Barclays PLC (Parent company)

Capital Retained redemption earnings reserve Total

£m £m £m

At 1st January 2007 1,468 309 1,777

Profit after tax 3,289   3,289

Dividends paid(2,129)   (2,129)

Transfer from share premium account 7,223   7,223 Arising on share issue 941   941 Repurchase of shares(1,802) 75 (1,727)

At 31st December 2007 8,990 384 9,374 At 1st January 2006 1,318 309 1,627 Profit after tax 1,964 1,964 Dividends paid(1,814) (1,814)

At 31st December 2006 1,468 309 1,777

Details of principal subsidiaries held through Barclays Bank PLC are shown in Note 40.

The operation of section 131 of the Companies Act 1985 with regard to the issue of shares by Barclays PLC in exchange for shares in Odysseus Jersey (No 1) Limited and the subsequent redemption of the no par value redeemable preference shares of that company for cash, has resulted in additional distributable profits of £941m.

On 11th October 2007, the order of the High Court confirming the cancellation of £7,223m of the share premium account was registered with the Registrar of Companies. This created £7,223m additional distributable reserves in Barclays PLC. The purpose of the cancellation of the share premium account was to create distributable profits in order to allow the payment of dividends following the completion of the share buy-back programme, the redemption of the preference shares which were to have been issued in connection with the proposed merger with ABN AMRO, and to provide maximum flexibility to manage the company s capital resources.

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33 Minority interests

2007 2006

£m £m

At beginning of year 7,591 7,004 Share of profit after tax 678 624 Dividend and other payments (480)(452) Equity issued by subsidiaries 1,381 639 Available for sale reserve: net gain/(loss) from changes in fair value 1(2) Cash flow hedges: net loss from changes in fair value(16)(9) Currency translation differences 25(317) Additions 142 51 Disposals(111)(34) Other(26) 87

At end of year 9,185 7,591

During the year, subsidiaries issued the following Preference Shares:

1.9 million Preference Shares of nominal ZAR0.01 each (Principal amount: ZAR1,652m; £118m) with a variable dividend issued in 2007

55 million Preference Shares of nominal US$0.25 each (Principal amount: US$1,375m; £677m) with a 7.1% dividend issued on 13th September 2007

46 million Preference Shares of nominal US$0.25 each (Principal amount: US$1,150m; £567m) with a 7.75% dividend issued on 7th December 2007

34 Contingent liabilities and commitments

Contingent liabilities and commitments

The following table summarises the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk:

2007 2006

£m £m

Acceptances and endorsements 365 287 Guarantees and letters of credit pledged as collateral security 35,692 31,252 Other contingent liabilities 9,717 7,880

Contingent liabilities 45,774 39,419 Documentary credits and other short-term trade related transactions 522 414 Undrawn note issuance and revolving underwriting facilities: Forward asset purchases and forward deposits placed 283 360 Standby facilities, credit lines and other 191,834 204,730

Commitments 192,639 205,504

Nature of instruments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

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34 Contingent liabilities and commitments (continued)

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer s default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer s creditworthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Capital commitments

At 31st December 2007 the commitments for capital expenditure under contract amounted to £6m (2006: £9m).

Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to futures and options. The disclosure includes any asset transfers associated with liabilities under repurchase agreements and securities lending transactions.

The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

2007 2006

£m £m

Trading portfolio assets 76,226 77,255 Loans and advances 32,846 23,715 Available for sale investments 16,378 20,495 Other 580 4

Assets pledged 126,030 121,469

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Group is allowed to resell or repledge the collateral held. The fair value at the balance sheet date of collateral accepted and repledged to others was as follows:

2007 2006

£m £m

Fair value of securities accepted as collateral 343,986 279,591 Of which fair value of securities repledged / transferred to others 269,157 210,182

35 Legal proceedings

Barclays has for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On 20th July 2006, Barclays received an Order from the United States District Court for the Southern District of Texas Houston Division which dismissed the claims against Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. in the Newby litigation. On 4th December 2006 the Court stayed Barclays dismissal from the proceedings and allowed the plaintiffs to file a supplemental complaint. On 19th March 2007 the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by Barclays and two other financial institutions contesting a ruling by the District Court allowing the Newby litigation to proceed as a class action. The Court of Appeals held that because no proper claim against Barclays and the other financial institutions had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs applied to the United States

Supreme Court for a review of this decision. On 22nd January 2008, the United States Supreme Court denied the plaintiffs request for review. Following the Supreme Court s decision, the District Court ordered a further briefing concerning the status of the plaintiffs claims. Barclays plans to seek the dismissal of the plaintiffs claims.

Barclays considers that the Enron related claims against it are without merit and is defending them vigorously. It is not possible to estimate Barclays possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

Barclays has been in negotiations with the staff of the US Securities and Exchange Commission with respect to a settlement of the Commission s investigations of transactions between Barclays and Enron. Barclays does not expect that the amount of any settlement with the Commission would have a significant adverse effect on its financial position or operating results.

Like other UK financial services institutions, Barclays faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the Unfair Terms in Consumer Contracts Regulations 1999 or are unenforceable penalties or both. Pending resolution of the test case referred to below (the test case), existing and new claims in the County Courts are stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. In July 2007, and by agreement with all parties, the OFT launched the test case by commencing proceedings against seven banks and one building society including Barclays, the first stage of which seeks declarations on two issues of legal principle. The hearing commenced on 17th January 2008. Barclays is defending the test case vigorously. It is not practicable to estimate Barclays possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period.

Barclays is engaged in various other litigation proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against it which arise in the ordinary course of business. Barclays does not expect the ultimate resolution of any of the proceedings to which Barclays is party to have a significant adverse effect on the financial position of the Group and Barclays has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claims.

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36 Competition and regulatory matters

The scale of regulatory change remains challenging, arising in part from the implementation of some key European Union (EU) directives. Many changes to financial services legislation and regulation have come into force in recent years and further changes will take place in the near future. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere.

The nature and impact of future changes in policies and regulatory action are not predictable and beyond the Group s control but could have an impact on the Group s businesses and earnings. In June 2005 an inquiry into retail banking in all of the then 25 Member States was launched by the European Commission s Directorate General for Competition. The inquiry looked at retail banking in Europe generally. In January 2007 the European Commission announced that the inquiry had identified barriers to competition in certain areas of retail banking, payment cards and payment systems in the EU. The Commission indicated it will use its powers to address these barriers, and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the Commission and national competition authorities could have an impact on the payment cards and payment systems businesses of Barclays and on its retail banking activities in the EU countries in which it operates.

In September 2005 the UK Office of Fair Trading (OFT) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (PPI). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006, the OFT announced the outcome of the market study and, following a period of consultation, the OFT referred the PPI market to the UK Competition Commission for an in-depth inquiry in February 2007. This inquiry could last for up to two years. Also in October 2006, the UK Financial Services Authority (FSA) published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly. Barclays has cooperated fully with these investigations and will continue to do so.

In April 2006, the OFT commenced a review of the undertakings given following the conclusion of the Competition Commission inquiry in 2002 into the supply of banking services to small and medium enterprises. Based on the OFT s report, the Competition Commission issued its final decision on 21st December 2007 and decided to release the UK s four largest clearing banks (including Barclays) from most of the transitional undertakings given by them in 2002.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT s investigation in the Visa interchange case is at an earlier stage and a second MasterCard interchange case is ongoing. The outcome is not known but these investigations may have an impact on the consumer credit industry in general and therefore on Barclays business in this sector. In February 2007 the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

In April 2007, the UK consumer interest association known as Which? submitted a super-complaint to the OFT pursuant to the Enterprise Act 2002. The super-complaint criticises the various ways in which credit card companies calculate interest charges on credit card accounts. In June 2007, the OFT announced a new programme of work with the credit card industry and consumer bodies in order to make the costs of credit cards easier for consumers to understand. This OFT decision follows the receipt by the OFT of the super-complaint from Which? This new work will explore the issues surrounding the costs of credit for credit cards including purchases, cash advances, introductory offers and payment allocation. The OFT s programme of work is expected to take six months.

On 11th February 2008, the OFT announced its recommendations, which include the introduction of an FSA price comparison website, improvements to customer information in summary boxes and the use of standard terminology.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees made in April 2006 to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29th March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT announced a market study into personal current accounts (PCAs) in the UK on 26th April 2007. The market study will look at: (i) whether the provision of free if in credit PCAs delivers sufficiently high levels of transparency and value for customers; (ii) the implications for competition and consumers if there were to be a shift away from free if in credit PCAs; (iii) the fairness and impact on consumers generally of the incidence, level and consequences of account charges; and (iv) what steps could be taken to improve customers ability to secure better value for money, in particular to help customers make more informed current account choices and drive competition. The study will focus on PCAs but will include an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. The OFT will publish its interim findings after the test case (see below).

In July 2007, the OFT commenced a test case in the High Court by agreement with Barclays and seven other financial institutions in which the parties seek declarations on two legal issues arising from the banks terms and conditions relating to overdraft charges. The test case does not encompass claims from local, medium or larger business customers. The proceedings will run in parallel with the ongoing OFT dual inquiry into unauthorised overdraft charges and PCAs. Please also refer to Note 35.

In January 2007, the FSA issued a statement of good practice relating to mortgage exit administration fees. Barclays agreed to charge the fee applicable at the time the customer took out the mortgage, which was one of the options recommended by the FSA.

US laws and regulations require compliance with US economic sanctions, administered by the Office of Foreign Assets Control, against designated foreign countries, nationals and others. HM Treasury regulations similarly require compliance with sanctions adopted by the UK government. Barclays has been conducting an internal review of its conduct with respect to US dollar payments involving countries, persons or entities subject to these sanctions and has been reporting to governmental agencies about the results of that review. Barclays received inquiries relating to these sanctions and certain US dollar payments processed by its New York branch from the New York County District Attorney s Office and the US Department of Justice, which, along with other authorities, has been reported to be conducting investigations of sanctions compliance by non-US financial institutions. Barclays has responded to those inquiries and is cooperating with regulators, the Department of Justice and the District Attorney s Office in connection with their investigations of Barclays conduct with respect to sanctions compliance. Barclays has also been keeping the FSA informed of the progress of these investigations and Barclays internal review. Barclays review is ongoing. It is currently not possible to predict the ultimate resolution of the issues covered by Barclays review and the investigations, including the timing and potential financial effect of any resolution, which could be substantial. Barclays does not expect these matters to have a material adverse effect on the financial position of the Group, but it is not possible to estimate the effect they might have upon operating results in any particular financial period.

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37 Leasing

The Group is both lessor and lessee under finance and operating leases, providing asset financing for its customers and leasing assets for its own use. In addition, assets leased by the Group may be sublet to other parties. An analysis of the impact of these transactions on the Group balance sheet and income statement is as follows:

(a) As Lessor

Finance lease receivables

The Group specialises in asset-based lending and works with a broad range of international technology, industrial equipment and commercial companies to provide customised finance programmes to assist manufacturers, dealers and distributors of assets.

Finance lease receivables are included within loans and advances to customers.

The Group s net investment in finance lease receivables was as follows:

2007 2006

Gross Present value of Gross Present value of investment in Future minimum lease Unguaranteed investment in Future minimum lease Unguaranteed finance lease finance payments residual finance lease finance payments residual receivables income receivable values receivables income receivable values

£m £m £m £m £m £m £m £m

Not more than one year 3,657 (780) 2,877 213 3,650(734) 2,916 166 Over one year but not more than five years 7,385 (1,613) 5,772 374 5,824 (1,490) 4,334 334 Over five years 3,476 (935) 2,541 14 3,790(898) 2,892 15

Total 14,518 (3,328) 11,190 601 13,264 (3,122) 10,142 515

The allowance for uncollectable finance lease receivables included in the allowance for impairment amounted to £113m at 31st December 2007 (2006: £99m).

Operating lease receivables

The Group acts as lessor, whereby items of plant and equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The items purchased to satisfy these leases are treated as plant and equipment in the Group s financial statements and are generally disposed of at the end of the lease term (see Note 23).

The future minimum lease payments expected to be received under non-cancellable operating leases at 31st December 2007 were as follows:

2007 2006 Plant and Plant and equipment equipment

£m £m

Not more than one year 29 18 Over one year but not more than two years 24 5 Over two years but not more than three years 22 3 Over three years but not more than four years 20 3 Over four years but not more than five years 11 3 Over five years 10 7

Total 116 39

(b) As Lessee

Finance lease commitments

The Group leases items of property, plant and equipment on terms that meet the definition of finance leases. Finance lease commitments are included within other liabilities (see Note 25).

Obligations under finance leases were as follows:

2007 2006 Total future Total future minimum minimum payments payments

£m £m

Not more than one year 12 6 Over one year but not more than two years 14 21 Over two years but not more than three years 13 11 Over three years but not more than four years 12 14 Over four years but not more than five years 15 9 Over five years 17 31

Net obligations under finance leases 83 92

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For the year ended 31st December 2007

37 Leasing (continued)

(b) As Lessee (continued)

The carrying amount of assets held under finance leases at the balance sheet date was:

2007 2006

£m £m

Cost 94 44 Accumulated depreciation(24)(25)

Net book value 70 19

Operating lease commitments

The Group leases various offices, branches and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. The Group also leases equipment under non-cancellable lease arrangements.

Where the Group is the lessee the future minimum lease payment under non-cancellable operating leases are as follows:

2007 2006

Property Equipment Property Equipment

£m £m £m £m

Not more than one year 191 6 335 9 Over one year but not more than two years 396 1 337 9 Over two years but not more than three years 357 1 311 2 Over three years but not more than four years 323 268 Over four years but not more than five years 287 223 Over five years 2,225 2,057

Total 3,779 8 3,531 20

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is £167m (2006: £251m).

38 Acquisitions

The Group made the following material acquisitions in 2007:

(a) Indexchange Investment AG

On 8th February 2007, the Group acquired 100% of the ordinary shares of Indexchange Investment AG, based in Munich offering exchange traded fund products.

(b) Equifirst Corporation

On 30th March 2007, the Group acquired 100% of the ordinary shares of Equifirst Corporation, a sub-prime mortgage origination business.

(c) Walbrook Group Limited

On 18th May 2007, the Group acquired 100% of the ordinary shares of Walbrook Group Limited. The business serves high net worth private clients and corporate customers.

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38 Acquisitions (continued)

Details of the net assets of material companies acquired and consideration paid were as follows:

Carrying value pre- Fair value acquisition adjustments 2007

£m £m £m

Assets

Cash and balances at central banks 51 51 Assets designated at fair value 133 133 Goodwill 41(41) Property, plant and equipment 7 7 Other assets 19 19 Intangible assets 53 53 Deferred tax assets 10 10

Total assets 261 12 273 Liabilities

Deposits from banks 162 162 Deferred tax liabilities 4 4 Other liabilities 98(38) 60

Total liabilities 260(34) 226 Net assets acquired 47 Goodwill 267 Total 314

The excess of proceeds over the net assets acquired has generated goodwill of £267m, based on the exchange rate at the date of acquisition and is attributable to the operational synergies and earnings potential expected to be realised over the longer term.

In aggregate, the acquired businesses generated a loss of (£15m) to consolidated profit before tax for the period from acquisition date to 31st December 2007. If all of the above acquisitions had occurred on 1st January 2007 the impact on total Group income and net profit for the year would have been immaterial.

2007 £m

Acquisition cost

Cash paid 297 Deferred consideration 11 Attributable costs 6

Total consideration 314

Cash outflows in respect of acquisitions

The aggregate net outflow of cash from the acquisition of the above Group entities was as follows:

2007 £m

Cash paid 297 Cash and cash equivalents acquired(51)

Net cash outflow on acquisition 246

Cash paid in respect of acquisition of shares in Barclays Global Investors UK Holdings Limited 488 Cash paid in respect of acquisition of shares in Absa Bank Limited 180

Increase in investment in subsidiaries 668

39 Investment in subsidiaries

The investment in Barclays Bank PLC is stated in the balance sheet of Barclays PLC at a cost of £10,186m (2006: £8,641m). The increase of £1,545m (2006: £179m) during the year represents the cost of additional shares of £111m (2006: £179m) and a capital contribution of £1,434m (2006: £nil).

The investment in Barclays Investments (Netherlands) N.V. is stated in the balance sheet of Barclays PLC at a cost of £205m (2006: £nil). The increase of £205m (2006: £nil) during the year represents the cost of the initial share issue.

The investment in Odysseus Jersey (No. 1) Limited is stated in the balance sheet of Barclays PLC at a cost of £0.1m (2006: £nil). The increase of £0.1m (2006: £nil) during the year represents the cost of the initial share issue.

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For the year ended 31st December 2007

40 Principal subsidiaries

Percentage of equity Country of registration capital held or incorporation Company name Nature of business%

Botswana Barclays Bank of Botswana Limited Banking 74.9 Egypt Barclays Bank Egypt SAE Banking 100 England Barclays Bank PLC Banking, holding company 100* England Barclays Mercantile Business Finance Limited Loans and advances including leases to customers 100* England Barclays Global Investors UK Holdings Limited Holding company 94.1 England Barclays Global Investors Limited Investment management 94.1* England Barclays Life Assurance Company Limited Life assurance 100 England Barclays Bank Trust Company Limited Banking, securities industries and trust services 100 England Barclays Stockbrokers Limited Stockbroking 100 England Barclays Capital Securities Limited Securities dealing 100 England Barclays Global Investors Pensions Management Limited Investment management 94.1* England FIRSTPLUS Financial Group PLC Secured loan provider 100 England Gerrard Investment Management Limited Investment management 100* Ghana Barclays Bank of Ghana Limited Banking 100 Ireland Barclays Insurance (Dublin) Limited Insurance provider 100* Ireland Barclays Assurance (Dublin) Limited Insurance provider 100* Isle of Man Barclays Private Clients International Limited a Banking 100* Japan Barclays Capital Japan Limited Securities dealing 100* Jersey Barclays Private Bank & Trust Limited Banking, trust company 100* Kenya Barclays Bank of Kenya Limited Banking 68.5 South Africa Absa Group Limited Banking 58.8 Spain Barclays Bank SA Banking 99.7 Switzerland Barclays Bank (Suisse) S.A. Banking and trust services 100* USA Barclays Capital Inc. Securities dealing 100* USA Barclays Financial Corporation Holding company for US credit card issuer 100* USA Barclays Global Investors, National Association Investment management and securities industry 94.1* Zimbabwe Barclays Bank of Zimbabwe Limited Banking 67.8*

In accordance with Section 231(5) of the Companies Act 1985, the above information is provided solely in relation to principal subsidiaries.

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries. Investments in these subsidiaries are held directly by Barclays Bank PLC except where marked *.

Full information of all subsidiaries will be included in the Annual Return to be filed at Companies House.

Note a BBPLC is the beneficial owner of 38.1% of shares and Barclays Holdings (Isle of Man) Limited is the beneficial owner of 61.9% of shares.

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41 Other entities

There are a number of entities that do not qualify as subsidiaries under UK Law but which are consolidated when the substance of the relationship between the Group and the entity (usually a Special Purpose Entity (SPE)) indicates that the entity is controlled by the Group. Such entities are deemed to be controlled by the Group when relationships with such entities gives rise to benefits that are in substance no different from those that would arise were the entity a subsidiary.

The consolidation of such entities may be appropriate in a number of situations, but primarily when:

the operating and financial polices of the entity are closely defined from the outset (i.e. it operates on an autopilot basis) with such policies being largely determined by the Group;

the Group has rights to obtain the majority of the benefits of the entity and/or retains the majority of the residual or ownership risks related to the entity; or

the activities of the entity are being conducted largely on behalf of the Group according to its specific business objectives.

Such entities are created for a variety of purposes including securitisation, structuring, asset realisation, intermediation and management.

Entities may have a different reporting date from that of the parent of 31st December. Dates may differ for a variety of reasons including local reporting regulations or tax laws. In accordance with our accounting policies, for the purpose of inclusion in the consolidated financial statements of Barclays PLC, entities with different reporting dates are made up until 31st December.

Entities may have restrictions placed on their ability to transfer funds, including payment of dividends and repayment of loans, to their parent entity. Reasons for the restrictions include:

Central bank restrictions relating to local exchange control laws.

Central bank capital adequacy requirements.

Company law restrictions relating to treatment of the entities as going concerns.

Although the Group s interest in the equity voting rights in certain entities exceeds 50%, or it may have the power to appoint a majority of their Boards of Directors, they are excluded from consolidation because the Group either does not direct the financial and operating policies of these entities, or on the grounds that another entity has a superior economic interest in them. Consequently, these entities are not deemed to be controlled by Barclays. The table below includes information in relation to such entities as required by the Companies Act 1985, Section 231(5).

Equity

Percentage of share- Retained ordinary share holders profit for Country of registration capital held funds the year or incorporation Name% £m £m

UK Oak Dedicated Limited 100(3) 4 UK Oak Dedicated Two Limited 100(3) 2 UK Oak Dedicated Three Limited 100 1 1 UK Fitzroy Finance Limited 100 Cayman Islands St James Fleet Investments Two Limited 100 2 Cayman Islands BNY BT NewCo Limited

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For the year ended 31st December 2007

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For the year ended 31st December 2007

42 Related party transactions and Directors remuneration

(a) Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group s pension schemes, as well as other persons.

Subsidiaries

Transactions between Barclays PLC and subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Group financial statements. Transactions between Barclays PLC and its subsidiary, Barclays Bank PLC are fully disclosed directly in its balance sheet and income statement. A list of the Group s principal subsidiaries is shown in Note 40.

Associates, joint ventures and other entities

The Group provides banking services to its associates, joint ventures and the Group pension funds (principally the UK Retirement Fund), providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. Group companies, principally within Barclays Global Investors, also provide investment management and custodian services to the Group pension schemes. The Group also provides banking services for unit trusts and investment funds managed by Group companies and are not individually material. All of these transactions are conducted on the same terms as third-party transactions.

Amounts included in the accounts, in aggregate, by category of related party entity are as follows:

For the year ended and as at 31st December 2007

Associates

Joint ventures

Entities under common directorships

Pension funds unit trusts and investment funds Total

£m £m £m £m £m

Income statement:

Interest received 5 75 1 81

Interest paid (1) (58) (1) (60)

Fees received for services rendered (including investment management and custody and commissions) 1 34 26 61

Fees paid for services provided (52) (78) (130)

Principal transactions (24) 47 (16) 7

Assets:

Loans and advances to banks and customers 142 886 40 1,068

Derivative transactions 4 36 40

Other assets 19 18 14 51

Liabilities:

Deposits from banks 11 11

Customer accounts 61 33 12 106

Derivative transactions 10 50 60

Other liabilities 4 125 129

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42 Related party transactions and Directors remuneration (continued)

For the year ended and as at 31st December 2006

Associates

Joint ventures

Entities under common directorships

Pension funds unit trusts and investment funds

Total

£m £m £m £m £m

Income statement:

Interest received 45 38 2 85

Interest paid (31) (57) (88)

Fees received for services rendered (including investment management and custody and commissions) 14 7 28 49

Fees paid for services provided (115) (51) (1) (167)

Principal transactions 3 (2) 1

Assets:

Loans and advances to banks and customers 784 146 65 995

Derivative transactions

Other assets 19 3 17 39

Liabilities:

Deposits from banks 9 3 12

Customer accounts 19 18 5 34 76

Derivative transactions 2 2

Other liabilities 13 8 21

For the year ended and as at 31st December 2005

Associates

Joint ventures

Entities under common directorships

Pension funds unit trusts and investment funds

Total

£m £m £m £m £m

Income statement:

Interest received 23 14 37

Interest paid (37) (45) (82)

Fees received for services rendered (including investment management and custody and commissions) 5 7 17 29

Fees paid for services provided (120) (34) (154)

Principal transactions 33 1 34

Assets:

Loans and advances to banks and customers 632 19 651

Derivative transactions 36 36

Other assets 26 1 19 46

Liabilities:

Deposits from banks 827 827

Customer accounts 13 22 501 536

Derivative transactions 1 1

Other liabilities 22 6 28

No guarantees, pledges or commitments have been given or received in respect of these transactions in 2007, 2006 or 2005. There are no leasing transactions between related parties for 2007, 2006 or 2005.

Derivatives transacted on behalf of the Pensions Funds Unit Trusts and Investment Funds amounted to £22m (2006: £1,209m, 2005: £280m).

In 2007 Barclays paid £18m (2006: £19m) of its charitable donations through the Charities Aid Foundation, a registered charitable organisation, in which a Director of the Company is a Trustee.

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42 Related party transactions and Directors remuneration (continued)

Key Management Personnel

The Group s Key Management Personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays PLC (directly or indirectly) and comprise the Directors of Barclays PLC and the Officers of the Group, certain direct reports of the Group Chief Executive and the heads of major business units.

In the ordinary course of business, the Bank makes loans to companies where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays. These loans are made on substantially the same criteria and terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavourable features.

There were no material related party transactions with companies where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays.

The Group provides banking services to Directors and other Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding at 31st December 2007 were as follows:

Directors, other Key Management Personnel and connected persons

	2007	2006	2005
	£m	£m	£m
Loans outstanding at 1st January	7.8	7.4	7.8
Loans issued during the year	2.7	2.7	3.4
Loan repayments during the year	(3.2)	(2.3)	(3.2)
Loans outstanding at 31st December	7.3	7.8	8.0
Interest income earned	0.4	0.3	0.4

No allowances for impairment were recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person) in 2007, 2006 or 2005.

	2007	2006	2005
	£m	£m	£m
Deposits outstanding at 1st January	15.0	4.7	2.5
Deposits received during the year	114.4	105.2	20.4
Deposits repaid during the year	(115.0)	(94.8)	(18.2)
Deposits outstanding at 31st December	14.4	15.1	4.7

Interest expense on deposits 0.6 0.2 0.1

Of the loans outstanding above, £nil (2006: £nil, 2005: £0.7m) relates to Directors and other Key Management Personnel (and persons connected to them) that left the Group during the year. Of the deposits outstanding above, £2.8m (2006: £0.1m, 2005: £nil) related to Directors and other Key Management Personnel (and persons connected to them) that left the Group during the year.

All loans are provided on normal commercial terms to Directors and other Key Management Personnel (and persons connected to them), with the exception of £1,540 of loans which are provided to non-Director members of Key Management Personnel on staff preferential interest rates (5%) and £665 of loans which are provided on an interest free basis.

The loans of £1,540 provided at staff preferential rates of interest reflects the amortized principal amount of a home mortgage loan that was provided by Barclays to a non-Director member of key management personnel. The home mortgage loan was granted at a time when Barclays had in place a corporate policy of providing home mortgage loans at preferential rates of interest to all staff members. This policy has since been discontinued by Barclays. These home mortgage loans were made on substantially the same terms, including interest rates and collateral, to all staff members, who applied for such loans. The loans of £665 provided on an interest free basis relate to the granting of loans to one non-Director member of Barclays key management to purchase commuter rail tickets. The commuter rail ticket loans are still provided to all Barclays staff members upon request on the same terms.

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42 Related party transactions and Directors remuneration (continued)

Remuneration of Directors and other Key Management Personnel

Directors, other Key Management Personnel and connected persons

2007 2006 2005

£m £m £m

Salaries and other short-term benefits 23.7 34.2 32.9 Pension costs 1.1 0.8 1.1 Other long-term benefits 9.2 9.3 21.5 Termination benefits 1.4 1.5 Share-based payments 31.7 27.2 25.3 Employer social security charges on emoluments 7.8 10.0 10.4 73.5 82.9 92.7

(b) Disclosure required by the Companies Act 1985

The following information is presented in accordance with the Companies Act 1985:

Directors remuneration

2007 2006

£m £m Aggregate emoluments 29.2 32.0 Gains made on the exercise of share options 0.3 5.5 Amounts paid under long-term incentive schemes Actual pension contributions to money purchase scheme (2007: one Director, £10,233 and 2006: one Director, £11,414) Notional pension contributions to money purchase scheme (2007: no Directors and 2006: no Directors) 29.5 37.5

As at 31st December 2007, three Directors were accruing retirement benefits under a defined benefit scheme (2006: four Directors).

Two Directors (Naguib Kheraj and Frits Seegers) agreed to waive their fees as non-executive Directors of Absa Group Limited and Absa Bank Limited. The respective fees for 2007 were ZAR 0.1m (£0.01m) and ZAR 0.5m (£0.03m). The fees for 2006 were ZAR 0.4m (£ 0.03m) for Naguib Kheraj and ZAR 0.1m (£ 0.01m) for Frits Seegers. In both 2006 and 2007 the fees were paid to Barclays.

Directors and Officers shareholdings and options

The beneficial ownership of the ordinary share capital of Barclays PLC by all Directors and Officers of Barclays PLC (involving 21 persons) and Barclays Bank PLC (involving 22 persons) at 31st December 2007 amounted to 5,774,219 ordinary shares of 25p each (0.09% of the ordinary share capital outstanding) and 5,776,370 ordinary shares of 25p each (0.09% of the ordinary share capital outstanding), respectively.

Executive Directors and Officers of Barclays PLC as a group (involving 10 persons) held, at 31st December 2007, options to purchase 3,097,762 Barclays PLC ordinary shares of 25p each at prices ranging from 373p to 510p under Sharesave and at 397p under the Executive Share Option Scheme and ranging from 326p to 534p under the Incentive Share Option Plan, respectively.

Contracts with Directors (and their connected persons) and Managers

The aggregate amounts outstanding at 31st December 2007 under transactions, arrangements and agreements made by banking companies within the Group for persons who are, or were during the year, Directors of Barclays PLC and persons connected with them, as defined in the Companies Act 2006, and for Managers, within the meaning of the Financial Services and Markets Act 2000, of Barclays Bank PLC were:

Number of Directors or Managers

Number of connected persons

Amount

£m

Directors

Loans 2 5 2.1

Quasi-loans and credit card accounts 12 18

Managers

Loans 12 n/a 13.2

Quasi-loans and credit card accounts 11 n/a

(c) US disclosures

For US disclosure purposes, the aggregate emoluments of all Directors and Officers of Barclays PLC who held office during the year (2007: 22 persons, 2006: 24 persons, 2005: 25 persons) for the year ended 31st December 2007 amounted to £64.6m (2006: £72.1m, 2005: £75.2m). In addition, the aggregate amount set aside for the year ended 31st December 2007, to provide pension benefits for the Directors and Officers amounted to £1.1m (2006: £0.8m, 2005: £0.2m). The aggregate emoluments of all Directors and Officers of Barclays Bank PLC who held office during the year (2007: 23 persons, 2006: 25 persons, 2005: 26 persons) for the year ended 31st December 2007 amounted to £64.9m (2006: £72.2m, 2005: £75.4m). In addition, the aggregate amount set aside by the Bank and its subsidiaries for the year ended 31st December 2007, to provide pension benefits for the Directors and Officers amounted to £1.1m (2006: £0.8m, 2005: £0.2m).

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43 Events after the balance sheet date

On 3rd March 2008, Barclays entered into an agreement with Petropavlovsk Finance (Limited Liability Society) to acquire 100% of the Russian Bank, Expobank, for a consideration of approximately $745m (£373m). The transaction is expected to close in summer 2008 after receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994, it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

44 Share-based payments

The Group operates share schemes for employees throughout the world. The main current schemes are:

Sharesave

Eligible employees in the UK, Spain and Ireland may participate in the Barclays Sharesave scheme. Under this scheme, employees may enter into contracts to save up to £250 per month (Ireland: ¤320, Spain: ¤90) and, at the expiry of a fixed term of three, five or seven years (Spain: three years), have the option to use these savings to acquire shares in the Company at a discount, calculated in accordance with the rules of the scheme. The discount is currently 20% of the market price at the date the options are granted. Participants in the scheme have six months from the date of vest in which the option can be exercised.

Sharepurchase

Sharepurchase was introduced in January 2002. It is an HM Revenue & Customs approved all-employee share plan. The plan is open to all eligible UK employees, including executive Directors. Under the plan, participants are able to purchase up to £1,500 worth of Barclays PLC ordinary shares per tax year, which, if kept in trust for five years, can be withdrawn from the plan tax-free. Matching shares were introduced to the scheme during 2005 where the purchase of Barclays shares by the participant are matched equally by the Company up to a value of £600 per tax year. Any shares in the plan will earn dividends in the form of additional shares, which must normally be held by the trustee for three years before being eligible for release.

Executive Share Award Scheme (ESAS)

For certain employees of the Group an element of their annual bonus is in the form of a deferred award of a provisional allocation of Barclays PLC shares under ESAS. The total value of the bonus made to the employee of which ESAS is an element is dependent upon the business unit, Group and individual employee performance. The ESAS element of the annual bonus must normally be held for at least three years. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award. ESAS awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeit if the individual resigns and commences work with a competitor business.

Performance Share Plan (PSP)

The Performance Share Plan (PSP) was approved by shareholders at the 2005 AGM to replace the ISOP scheme. Performance shares are free Barclays shares for which no exercise price is payable and which qualify for dividends. Performance share awards are communicated to participants as an initial allocation. Barclays performance over a three-year period determines the final number of shares that may be released to participants.

Options granted under the following schemes are over subsidiaries of Barclays PLC:

Barclays Global Investors Equity Ownership Plan (BGI EOP)

The Equity Ownership Plan extends to key employees of BGI. The exercise price of the options is determined by the Remuneration Committee of Barclays PLC based on the fair value of BGI as determined by an independent appraiser. The options are granted over shares in Barclays Global Investors UK Holdings Limited, a subsidiary of Barclays Bank PLC. Options are not exercisable until vesting, with a third of the options held generally becoming exercisable at each anniversary of grant. The shareholder has the right to offer to sell the shares to Barclays Bank PLC 355 days following the exercise of the option. Barclays Bank PLC may accept the offer and purchase the shares at the most recently agreed valuation but is under no obligation to do so. Options lapse ten years after grant. The most recently agreed valuation was £106.03 at 30th June 2007.

Absa Group Limited Black Economic Empowerment (BEE) Transaction

On 25th June 2004, Absa shareholders approved the allocation of 73,152,300, redeemable cumulative option-holding Absa preference shares to Batho Bonke Capital Limited. Each redeemable preference share carries the option to acquire one Absa ordinary share. The shares carry the same rights as ordinary shares including voting rights, and receive dividends which are payable semi-annually. Options vest after three years and lapse after five years from the date of issue. Exercise may only occur in lots of 100 and within a price range varying from ZAR48 to ZAR69 (£3.40-£4.89) dependent on the 30-day volume weighted trading price on the JSE Limited. Options are redeemed by Absa on the final exercise date.

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44 Share-based payments (continued)

Absa Group Limited Share Incentive Trust (AGLSIT)

In terms of the rules of Absa Group Limited Share Incentive Trust the maximum number of shares which may be issued or transferred and/or in respect of which options may be granted to the participants shall be limited to shares representing 10% of the total number of issued shares. Options are allocated to Absa employees according to the normal Human Resources talent management process. The options issued up to August 2005 had no performance criteria linked to them and vested in equal tranches after three, four and five years respectively. No dividends accrue to the option holder over the period. The options expire after a period of ten years from the issuing date. Options issued since August 2005 have vesting performance criteria associated with them, which require headline earnings per share to exceed an agreed benchmark over a three-year period from July 2005 for the options to vest

Absa Group Limited Share Ownership Trust (AGLSOT)

The Absa Group Limited Share Ownership Trust (AGLSOT) enabled all Absa employees to participate in a one-off offer to purchase 200 redeemable cumulative option-holding preference shares. Each redeemable preference share carries the option to acquire one Absa ordinary share. Options vest after three years and lapse after five years from the date of issue. Exercise may only occur in lots of 100 and within a price range varying from ZAR48 to ZAR69 (£3.40-£4.89) dependent on the 30-day volume weighted trading price on the JSE Limited. Options are redeemed by Absa on the final exercise date.

Absa Group Limited Executive Share Award Scheme (AGLESAS)

For certain employees of Absa an element of their annual bonus is in the form of a deferred award of a provisional allocation of Absa Group Limited shares under Absa ESAS. The total value of the bonus made to the employee of which ESAS is an element is dependent upon the business unit and individual employee performance. The ESAS element of the annual bonus must be held for at least three years. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award. All awards are subject to potential forfeit if the individual resigns.

In addition, options remain outstanding under the following closed schemes:

Incentive Share Option Plan (ISOP)

The ISOP was open by invitation to the employees and Directors of Barclays PLC. Options were granted at the market price at the date of grant calculated in accordance with the rules of the plan, and are normally exercisable between three and ten years from that date. The final number of shares over which the option may be exercised is determined by reference to set performance criteria. The number of shares under option represents the maximum possible number that may be exercised. No awards were made under ISOP during 2006 or 2007.

Executive Share Option Scheme (ESOS)

The ESOS is a long-term incentive scheme and was available by invitation to certain senior executives of the Group with grants usually made annually. Options were issued with an exercise price equivalent to the market price at the date of the grant without any discount, calculated in accordance with the rules of the scheme, and are normally exercisable between three and ten years from that date. No further awards are made under ESOS.

Woolwich Executive Share Option Plan (Woolwich ESOP)

Options originally granted over Woolwich PLC shares at market value were exercised in 2001 or exchanged, in accordance with the proposals made under the offer to acquire the Woolwich, for options over Barclays PLC shares. Under the rules of ESOP, the performance conditions attached to the exercise of options were disapplied on acquisition of Woolwich PLC by Barclays. Options lapse ten years after grant.

At the balance sheet date, no options remained outstanding or exercisable in respect of the following closed scheme:

Woolwich Save as You Earn (Woolwich SAYE)

Under this scheme, employees entered into contracts to save up to £250 per month and, at the expiry of a fixed term of three, five, or seven years, have the option to use these savings to acquire the shares in the Company at a discount calculated in accordance with the rules of the scheme. The discount was 20% of the market price at the date the options were granted.

At the balance sheet date the following cash settled schemes operated within the group:

Barclays Africa Share Plan

The Barclays Africa Share Plan grants a number of notional shares and settles in a cash award linked to the Barclays PLC share price. The exercise price of options is equal to the increment of the market price of Barclays shares over the original price on the date of grant. The final number of notional shares over which the option may be exercised is determined by reference to set performance criteria. Awards vest three years from grant and expire four years from that date.

Absa Group Phantom Performance Share Plan (Absa Phantom PSP)

The Absa Phantom PSP was implemented during 2006 to replace the Absa Group Limited Share Incentive Trust (AGLSIT) scheme. Shares are awarded at no cost to participants and the cash paid is equal to the market value of ordinary shares of Absa Group Limited. The performance of Absa over a three-year period determines the final number of notional shares that any cash payment would be based on. Awards vest after three years to the extent that the performance conditions are satisfied.

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44 Share-based payments (continued)

The weighted average fair value per option granted during the year is as follows:

	2007	2006
	£	£
Sharesave	1.25	1.88
Sharepurchase	6.84	6.55
ESAS	6.96	6.73
PSP	8.03	7.53
BGI EOP	22.18	21.18
AGLSIT	3.18	2.70
AGLESAS	n/a	8.42

Fair values for Sharesave, PSP , BGI EOP and AGLSIT are calculated at the date of grant using either a Black-Scholes model or Monte Carlo simulation. Sharepurchase, ESAS and AGLESAS are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value at that date.

As described above, the terms of the ESAS scheme require shares to be held for a set number of years from the date of vest. The calculation of the vest date fair value of such awards includes a reduction for this post-vesting restriction. This discount is determined by calculating how much a willing market participant would rationally pay to remove the restriction using a Black-Scholes option pricing model. The total discount required in 2007 is £66m (2006: £62m, 2005: £36m).

The significant weighted average assumptions used to estimate the fair value of the options granted in 2007 are as follows:

2007	Sharesave	PSP	BGI EOP	AGLSIT
Weighted average share price	5.82	7.07	95.33	9.18
Weighted average exercise price	4.81		95.33	7.62
Expected volatility	25%	25%	20%	30%
Expected option life	4 years	3 years	4 years	5 years

The significant weighted average assumptions used to estimate the fair value of the options granted in 2006 are as follows:

2006

Sharesave PSP BGI EOP AGLSIT

Weighted average share price 6.20 6.74 81.12 8.92

Weighted average exercise price 5.11 81.12 6.57

Expected volatility 25% 25% 24% 29%

Expected option life 4 years 3 years 4 years 5 years

The significant weighted average assumptions used to estimate the fair value of the options granted in 2005 are as follows: 2005

Sharesave PSP BGI EOP AGLSIT ISOP

Weighted average share price 5.71 5.33 39.09 8.25 5.73

Weighted average exercise price 4.44 n/a 39.09 8.41 5.66

Expected volatility 24% 20% 25% n/a 34%

Option life 4 years 3 years 4 years 5-8 years 5 years

Expected volatility and dividend yield on the date of grant have been used as inputs into the respective valuation models for Sharesave and PSP. Expected volatility has been determined using historical volatility of its peers over the expected life of the options for BGI EOP and AGLSIT applies a five-year rolling period.

The yield on UK government bonds with a commensurate life has been used to determine the risk-free discount rate of 5% for all schemes other than AGLSIT. Option life is estimated based upon historical data for the holding period of options between grant and exercise dates. The risk-free rate on the AGLSIT scheme represents the yield, recorded on date of option grant, on South African government zero coupon bond of a term commensurate to the expected life of the option.

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44 Share-based payments (continued)

For the purposes of determining the expected life and number of options to vest, historical exercise patterns have been used, together with an assumption that a certain percentage of options will lapse due to leavers.

The assumed dividend yield for Barclays PLC is the average annual dividend yield on the date of grant of 4%. Dividend yield for AGLSIT of 3.5% was based on the average 12-month trailing yield over the year to grant date.

Analysis of the movement in the number and weighted average exercise price of options is set out below:

Sharesave a Sharepurchase a, d

Number (000s)

Weighted average ex. price (£)

Number (000s)

Weighted average ex. price (£)

2007 2006 2007 2006 2007 2006 2007 2006

Outstanding at beginning of year 78,929 85,686 4.22 3.95 2,472 1,126

Granted in the year 18,748 17,449 4.81 5.11 1,852 1,561

Exercised/released in the year (18,018) (18,727) 3.70 3.84 (256) (113)

Less: forfeited in the year (5,632) (5,479) 4.53 4.11 (244) (102)

Less: expired in the year

Outstanding at end of year 74,027 78,929 4.48 4.22 3,824 2,472

Of which exercisable: 2,324 915 3.69 3.87

ESAS a, d PSP a, d

Number (000s)

Weighted average ex. price (£)

Number (000s)

Weighted average ex. price (£)

2007 2006 2007 2006 2007 2006 2007 2006

Outstanding at beginning of year 142,359 121,515 42,832 20,269

Granted in the year 76,064 59,758 20,331 22,563

Exercised/released in the year (31,036) (33,663)

Less: forfeited in the year (5,187) (5,251)

Less: expired in the year

Outstanding at end of year 182,200 142,359 63,163 42,832

Of which exercisable: 16,587 9,607

BGI EOP b Absa BEE c

Number Weighted average Number Weighted average (000s) ex. price (£) (000s) ex. price (£)

2007 2006 2007 2006 2007 2006 2007 2006

Outstanding at beginning of year/acquisition date 6,929 5,442 57.79 25.26 73,152 73,152 3.50-5.03 4.41-6.35

Granted in the year 2,599 3,973 95.33 81.12

Exercised/released in the year (1,632) (2,188) 34.99 19.92

Less: forfeited in the year (394) (298) 59.63 52.66

Less: expired in the year

Outstanding at end of year 7,502 6,929 75.66 57.79 73,152 73,152 3.40-3.89 3.50-5.03

Of which exercisable: 1,556 1,050 47.00 18.99 73,152 3.40-3.89

AGLSIT c AGLSOT c

Number Weighted average Number Weighted average (000s) ex. price (£) (000s) ex. price (£)

2007 2006 2007 2006 2007 2006 2007 2006

Outstanding at beginning of year/acquisition date 18,778 25,126 3.87 4.38 4,847 5,359 3.50-5.03 4.41-6.35 Granted in the year 260 586 7.62 6.57

Exercised/released in the year (4,668) (6,137) 3.60 2.86 (3,592)

Less: forfeited in the year (752) (797) 5.22 4.12 (309) (512) 3.40-3.89 3.85-5.53

Less: expired in the year

Outstanding at end of year 13,618 18,778 4.81 3.87 946 4,847 3.40-3.89 3.50-5.03

Of which exercisable: 5,603 5,305 3.25 2.43 946 3.40-3.89

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

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44 Share-based payments (continued)

AGLESAS c, d

Number Weighted average (000s) ex. price (£)

2007 2006 2007 2006

Outstanding at beginning of year/acquisition date 37

Granted in the year 37 Exercised/released in the year Less: forfeited in the year Less: expired in the year Outstanding at end of year 37 37

Of which exercisable:

ISOP a ESOS a

Number Weighted average Number Weighted average (000s) ex. price (£) (000s) ex. price (£)

2007 2006 2007 2006 2007 2006 2007 2006

Outstanding at beginning of year 77,507 105,081 4.59 4.46 1,748 2,552 4.14 4.16 Granted in the year Exercised/released in the year (9,718) (25,122) 4.35 4.04 (325) (768) 4.20 4.20 Less: forfeited in the year (47,240) (2,452) 4.66 4.75 (36) 4.71 Less: expired in the year Outstanding at end of year 20,549 77,5 4.56 4.59 1,423 1,748 4.13 4.14

Of which exercisable: 20,238 14,544 4.54 4.29 1,423 1,748 4.13 4.14

Woolwich ESOP a Woolwich SAYE a

Number Weighted average Number Weighted average (000s) ex. price (£) (000s) ex. price (£)

2007 2006 2007 2006 2007 2006 2007 2006

Outstanding at beginning of year 700 1,260 3.81 3.80 3 3.32 Granted in the year Exercised/released in the year (160) (560) 3.84 3.79 (1) 3.32 Less: forfeited in the year (2) 3.32 Less: expired in the year Outstanding at end of year 540 700 3.81 3.81

Of which exercisable: 540 700 3.81 3.81

The table below shows the weighted average share price at the date of exercise/release of shares:

2007 2006

£ £

Sharesave a 5.72 6.95 Sharepurchase a, d 6.74 6.59 ESAS a, d 6.71 6.78 BGI EOP b 97.06 81.08 AGLSIT c 9.52 8.81 ISOP a 7.31 6.75 ESOS a 7.26 6.64 Woolwich ESOP a 7.24 6.65 Woolwich SAYE a n/a 6.09

The exercise price range, the weighted average contractual remaining life and number of options outstanding (including those exercisable) at the balance sheet date are as follows:

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

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44 Share-based payments (continued)

2007 2006 Weighted Weighted average average remaining Number remaining Number contractual of options contractual of options Exercise Price Range life in years outstanding life in years outstanding

Sharesave a

£2.50-£3.49 328,822 1 2,177,121 £3.50-£4.49 2 40,371,606 2 59,531,668 £4.50-£5.49 4 33,327,119 4 17,220,043

Sharepurchase a, d 2 3,824,021 3 2,472,304

ESAS a, d 3 182,200,170 3 142,359,494 PSP a, d 1 63,162,894 2 42,832,026

BGI EOP b

£6.11-£13.99 4 239,717 5 602,914 £14.00-£20.11 6 285,671 7 771,553 £20.12-£56.94 7 1,059,430 8 1,716,714 £56.95-£95.33 9 5,916,863 9 3,838,000

Absa BEE c

£3.40-£4.89 2 73,152,300 3 73,152,300

AGLSIT c

£3.60-£7.62 7 13,618,000 7 18,778,473

AGLSOT c

£3.40-£4.89 2 946,000 3 4,847,400

AGLESAS c, d 3 37,059 3 37,059

ISOP a

£2.50-£3.49 5 3,965,300 6 11,055,352 £3.50-£4.49 3 1,409,828 4 2,411,828 £4.50-£5.49 5 14,896,227 7 63,746,456 £5.50-£6.49 7 277,096 8 293,096

ESOS a

£2.50-£3.49 4,000 1 45,288 £3.50-£4.49 1 1,418,818 2 1,702,612

Woolwich ESOP a

£2.50-£3.49 2 110,616 3 128,624 £3.50-£4.49 2 429,584 3 571,836

There were no modifications to the share-based payment arrangements in the years 2007, 2006 and 2005. As at 31st December 2007, the total liability arising from cash-settled share-based payment transactions was £16m (2006: £7m).

At 31st December 2007, 7.5 million (2006: 6.9 million) options were outstanding under the terms of the BGI EOP (which would represent a 8.1% interest if exercised). Employees in BGI own 5.9% of the shares in Barclays Global Investors UK Holdings Limited (2006: 9.4%). If all the current options were exercised, £567.6m (2006: £400.5m) would be subscribed. Since the scheme was introduced, options over 20.9 million (2006: 19.3 million) shares have been exercised, of which 5.0 million are still held by employees and represent a minority interest in the Group.

At 31st December 2007, there were 73.2 million, 13.6 million and 0.9 million options granted over Absa Group Limited shares under the Absa Group Limited Black Economic Empowerment Transaction, Absa Group Limited Share Incentive Trust and Absa Group Limited Share Ownership Trust respectively. In aggregate, these options would represent a 13.1% interest in Absa Group Limited if exercised.

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

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45 Financial risks

Financial risk management

Barclays PLC is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Financial instruments are fundamental to the Group s business and managing financial risks, especially credit risk, is a fundamental part of its business activity. Barclays achieves its risk management goals by keeping risk management at the centre of the executive agenda and by building a culture where risk management is part of everyday business decision-making. Barclays ensures that it has the capacity to manage the risk in its established businesses as well as new and growing ones, and that its business plans are consistent with risk appetite, that is, the level of risk Barclays is willing to accept in fulfilling its business objectives.

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 up-to-date data. Risk management policies, models and systems are regularly reviewed to reflect changes to markets, products and best market practice. Individual responsibility and accountability, instilled through training, are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

Risk responsibilities

The Board approves risk appetite and the Board Risk Committee monitors the Group s risk profile against this appetite:

The Group Risk Director, under delegated authority from the Group Chief Executive and Group Finance Director, has responsibility for ensuring effective risk management and control;

Business Heads are responsible for the identification and management of risk in their businesses;

Business risk teams, each under the management of a Business Risk Director, are responsible for assisting Business Heads in the identification and management of their business risk profiles for implementing appropriate controls. These risk management teams also assist Group Risk in the formulation of Group Risk policy and the implementation of it across the businesses;

Within Group risk, Risk-Type Heads and their teams are responsible for establishing a risk control framework and risk oversight; and

Internal Audit is responsible for the independent review of risk management and the control environment.

Oversight of risk management is exercised by the Risk Oversight Committee which is chaired by the Group Risk Director under authority delegated by the Group Finance Director. The Risk Oversight Committee oversees management of the Group s risk profile, exercised through the setting, review and challenge of the size and constitution of the profile when viewed against the Group risk appetite.

The Group Executive Committee monitors and manages risk-adjusted performance of businesses and receives a regularly quarterly risk update including a copy of the Group Risk Profile Report.

The Board Risk Committee (BRC) reviews the Group risk profile, approves the Group Control Framework and approves minimum control requirements for principal risks.

The Board Audit Committee (BAC) considers the adequacy and effectiveness of the Group Control Framework and receives quarterly reports on control issues of significance and half-yearly reports on impairment allowances and regulatory reports.

Both BRC and BAC also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both Committees are reported to the full Board. The Board approves the overall Group risk appetite.

The Risk Oversight Committee is chaired by the Group Risk Director and oversees the management of the Group s risk profile and all of its significant risks. Oversight is exercised through the setting, review and challenge of the size and constitution of the profile when viewed against the Group s risk appetite. It has delegated and apportioned responsibility for credit risk management to the Retail and Wholesale Credit Risk Management Committees.

The main financial risks affecting the Group are discussed in Notes 46 to 48.

46 Market risk

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

Most market risk arises from trading activities. Barclays is also exposed to interest rate and potential foreign exchange risks arising from financial assets and liabilities not held for trading.

Market risk management and control responsibilities

The Board approves the overall market risk appetite. The Market Risk Director is responsible for the market risk control framework and, under delegated authority from the Group Risk Director, sets a limit framework within the context of the approved market risk appetite.

The head of each business, assisted by the business risk management team, is accountable for identifying, measuring and managing all market risks associated with the business activities. Oversight and support is provided by the Market Risk Director, assisted by the central market risk team.

Market risk measurement

The measurement techniques used to measure and control market risk include:

- Daily Value at Risk;
- Stress Tests; and
- Annual Earnings at Risk.

Daily Value at Risk (DVaR)

DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

In Barclays Capital, DVaR is an important market risk measurement and control tool. DVaR is calculated using the historical simulation method with a historical sample of two years.

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46 Market risk (continued)

DVaR Back-testing

The DVaR model is regularly assessed. The main approach employed is the technique known as back-testing which counts the number of days when trading losses exceed the corresponding DVaR estimate.

On the basis of DVaR estimated to a 98% confidence level, on average there would be five days each year when trading losses would be expected to exceed DVaR and would therefore be reflected as back-testing exceptions. For Barclays Capital s trading book, there were seven instances of a daily trading loss exceeding the corresponding 98% back-testing DVaR. These back-testing exceptions in 2007 reflected the increased volatility across a number of markets in which Barclays Capital operates. There were no instances of back-testing exceptions on a similar basis in 2006.

Annual Earnings at Risk (AEaR)

AEaR measures the sensitivity of net interest income (NII) over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 50 basis points increase or decrease in interest rates.

AEaR is used primarily to measure interest rate risk arising on non-trading assets and liabilities.

Traded market risk

Traded market risk management

Barclays policy is to concentrate trading activities in Barclays Capital. This includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, client and market activities are managed together.

In Barclays Capital, the Head of Market Risk is responsible for implementing the market risk control framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Market Risk Management team that operates independently of the trading areas. Daily market risk reports are produced for the main Barclays Capital business areas covering the different risk categories including: interest rate, credit spread, commodity, equity and foreign exchange. A more detailed trading market risk presentation is produced fortnightly and discussed at Barclays Capital s Traded Products Risk Review meeting. This meeting is attended by the senior managers from Barclays Capital and the central market risk team.

Analysis of trading market risk exposures

The table below shows the DVaR statistics for Barclays Capital s trading and non-trading activities. DVaR is the main measure for internal risk management within Barclays Capital.

Barclays Capital's market risk exposure, as measured by average total Daily Value at Risk (DVaR), increased by 13% to £42.0m (2006: £37.1m). Interest rate and credit spread risks were broadly unchanged while commodity DVaR and equity DVaR increased by £8.9m and £3.4m respectively. The growth in both these risks is consistent with Barclays Capital s business plan. Diversification across risk types remained significant, reflecting the broad product mix. Total DVaR as at 31st December 2007 was £53.9m (31st December 2006 £41.9m). This growth reflected the increased market volatility in the second half of the year.

Barclays Capital DVaR: Summary table for 2007 and 2006

12 months to 31st December 2007 Average High Low

£m £m £m

Interest rate risk 20.0 33.3 12.6 Credit spread risk 24.9 43.3 14.6 Commodities risk 20.2 27.2 14.8 Equities risk 11.2 17.6 7.3 Foreign exchange risk 4.9 9.6 2.9 Diversification effect a (39.2) n/a n/a

Total DVaR 42.0 59.3 33.1

12 months to 31st December 2006 Average High Low

£m £m £m Interest rate risk 20.1 28.8 12.3 Credit spread risk 24.3 33.1 17.9 Commodities risk 11.3 21.6 5.7 Equities risk 7.8 11.6 5.8 Foreign exchange risk 4.0 7.7 1.8 Diversification effect a (30.4) n/a n/a Total DVaR 37.1 43.2 31.3

Note a The high (and low) DVaR figures reported for each category did not necessarily occur on the same day as the high (and low) DVaR reported as a whole. Consequently, a diversification effect number for the high (and low) DVaR figures would not be meaningful and it is therefore omitted from the above table.

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46 Market risk (continued)

Non-trading interest rate risk Asset and liability market risk

Interest rate risk arises from the provision of retail and wholesale (non-trading) banking products and services, as well as foreign currency translational exposures within the Group s balance sheet.

The Group s approach is to transfer risk from the businesses either into local treasuries or to Group Treasury using an internal transfer price or interest rate swap. The methodology used to transfer this risk depends on whether the product contains yield curve risk, basis risk or customer optionality. Limits exist to ensure there is no material risk retained within any business or product area.

Sensitivity analysis

Set out below are the impacts on net interest income and equity of a reasonably possible change in market rates of interest, based on the AEaR model described above.

(a) Impact on net interest income

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the non-trading financial assets and financial liabilities held at 31st December 2007, including the effect of hedging instruments.

The effect on net interest income, and therefore profit before tax, of a 50 basis points change would be as follows:

+50 basis 50 basis +50 basis 50 basis points points points points 2007 2007 2006 2006

£m £m £m £m GBP 19 (19) 11 (11) USD (1) 1 (4) 4 EUR (11) 11 (9) 9 ZAR 9 (9) 12 (12) Others 2 (2) 1 (1)

Total 18 (18) 11 (11)

As percentage of net interest income 0.19% (0.19%) 0.12% (0.12%)

Note: This table excludes exposures held or issued by Barclays Capital as these are measured and managed using DVaR.

(b) Impact on equity

Interest rate changes affect equity in the following three ways:

Higher or lower profit after tax resulting from higher or lower net interest income

Higher or lower available for sale reserves reflecting higher or lower fair values of available for sale financial instruments

Higher or lower values of derivatives held in the cash flow hedging reserves

The sensitivities of equity shown below are based on scenarios constructed from actual exposures and consider the impact on the cash flow hedging reserve and the available for sale reserve only. They are calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges, and derivatives designated as cash flow hedges, for the effect of the assumed changes in interest rates. They are based on the assumption that there are parallel shifts in the yield curve. The effects of taxation have been estimated using the Group s effective tax rate of 28% (2006: 27%).

+50 basis 50 basis +50 basis 50 basis points points points points 2007 2007 2006 2006

£m £m £m £m Net interest income 18 (18) 11 (11) Taxation effects on the above (5) 5 (3) 3

Effect on profit for the year 13 (13) 8 (8) As percentage of net profit after tax 0.26% (0.26%) 0.15% (0.15%)

Effect on profit for year (per above) 13 (13) 8 (8) Available for sale reserve (150) 150 (185) 185 Cashflow hedging reserve (225) 225 (304) 304 Taxation effects on the above 105 (105) 132 (132)

Effect on equity (257) 257 (349) 349 As a percentage of equity (0.79%) 0.79% (1.28%) 1.28%

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46 Market risk (continued)

Concentrations of interest rate risk

The table below summarises the repricing profiles of the Group s financial instruments and other assets and liabilities at their carrying value on 31st December 2007. Items are allocated to time periods by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

As at 31st December 2007

Over Over Over three six Over three Over Not months months one year years five years more but not but not but not but not but not Trading than more more more more more Over portfolio Non-three than six than one than three than five than ten ten and interest months months year years years years years derivatives bearing Total

£m £m £m £m £m £m £m £m £m £m

Assets

Cash and balances at central banks 4,370 1,431 5,801 Items in course of collection from other banks 194 1,642 1,836 Trading portfolio assets 193,691 193,691

Financial assets designated at fair value:

Held on own account 21,436 12,587 9,208 3,526 2,706 1,339 2,753 3,074 56,629

Derivative financial instruments 248,088 248,088

Loans and advances to banks 33,770 501 500 164 181 158 4,846 40,120 Loans and advances to customers 246,776 20,481 14,452 20,312 10,864 10,082 5,193 17,238 345,398

Available for sale financial instruments 25,989 2,370 2,223 3,632 1,466 4,414 2,057 921 43,072

Reverse repurchase agreements and cash collateral on securities borrowed 175,679 3,307 2,032 802 191 118 946 183,075 Total financial assets 508,214 39,246 28,415 28,436 15,408 16,111 10,949 441,779 29,152 1,117,710 Other assets 109,651 109,651 Total assets 508,214 39,246 28,415 28,436 15,408 16,111 10,949 441,779 138,803 1,227,361

Liabilities

Deposits from other banks 81,802 2,244 907 235 1 21 181 5,155 90,546

Items in course of collection due to other banks 76 1,716 1,792 Customer accounts 233,474 8,812 3,844 2,511 377 59 1,217 44,693 294,987

Trading portfolio liabilities 65,402 65,402 Financial liabilities designated at fair value: Held on own account 27,030 7,993 3,874 3,122 2,323 724 766 28,65 74,489

Derivative financial instruments 248,288 248,288

Debt securities in issue 102,883 10,034 4,529 1,821 632 209 120 120,228

Repurchase agreements and cash collateral on securities lent 163,112 1,789 2,085 37 92 4 2,310 169,429 Subordinated liabilities 5,735 695 59 650 1,134 5,465 4,410 2 18,150 Total financial liabilities 614,112 31,567 15,298 8,376 4,559 6,482 6,694 313,690 82,533 1,083,311 Other liabilities 111,574 111,574 Total liabilities 614,112 31,567 15,298 8,376 4,559 6,482 6,694 313,690 194,107 1,194,885 Interest rate repricing gap (105,898) 7,679 13,117 20,060 10,849 9,629 4,255 Cumulative gap (105,898) (98,219) (85,102) (65,042) (54,193) (44,564) (40,309)

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets or liabilities.

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For the year ended 31st December 2007

46 Market risk (continued)

As at 31st December 2006

Over Over Over three six Over three Over Not months months one year years five years more but not but not but not but not but not Trading than more more more more more Over portfolio Non-three than six than one than three than five than ten ten and interest months months year years years years years derivatives bearing Total

£m £m £m £m £m £m £m £m £m £m

Assets

Cash and balances at central banks 7,012 333 7,345 Items in course of collection from other banks 654 1,754 2,408 Trading portfolio assets 177,867 Financial assets designated at fair value: Held on own account 17,831 834 387 1,121 2,544 1,131 6,231 1,720 31,799 Derivative financial instruments 138,353 138,353 Loans and advances to banks 25,012 483 233 211 69 36 1 4,881 30,926 Loans and advances to customers 195,500 15,048 14,225 24,850 9,485 6,399 7,699 9,094 282,300 Available for sale financial instruments 25,899 2,427 7,780 3,737 3,234 6,701 1,091 834 51,703 Reverse repurchase agreements and cash collateral on securities borrowed 157,592 4,721 8,338 3,431 8 174,090 Total financial assets 429,500 23,513 30,963 29,919 18,763 14,267 15,022 316,220 18,624 896,791 Other assets 99,996 99,996 Total assets 429,500 23,513 30,963 29,919 18,763 14,267 15,022 316,220 118,620 996,787

Liabilities

Deposits from other banks 72,353 1,377 763 351 7 199 4,512 79,562 Items in course of collection due to other banks 20 2,201 2,221 Customer accounts 207,023 3,965 3,963 2,371 506 43 216 38,667 256,754 Trading portfolio liabilities 71,874 71,874 Financial liabilities designated at fair value: Held on own account 20,186 5,635 3,800 1,538 1,607 1,843 774 18,604 53,987 Derivative financial instruments 140,697 140,697 Debt securities in issue 92,649 5,624 2,430 4,020 1,630 3,249 1,535 111,137 Repurchase agreements and cash collateral on securities lent 122,612 6,132 2,348 1,662 2,818 1,384 136,956 Subordinated liabilities 3,192 377 21 1,074 783 3,475 4,842 22 13,786 Total financial liabilities 518,035 23,110 13,325 11,016 4,526 8,617 10,384 212,571 65,390 866,974 Other liabilities 102,423 102,423 Total liabilities 518,035 23,110 13,325 11,016 4,526 8,617 10,384 212,571 167,813 969,397 Interest rate repricing gap (88,535) 403 17,638 18,903 14,237 5,650 4,638 Cumulative gap (88,535) (88,132) (70,494) (51,591) (37,354) (31,704) (27,066)

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets or liabilities.

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46 Market risk (continued)

Effective interest rates

Weighted average effective interest rates were as follows:

2007 2006

% %

As at 31st December Assets

Cash and balances at central banks 4.2 4.1 Loans and advances to banks 4.5 4.1 Loans and advances to customers 7.1 6.5 Available for sale financial instruments 5.0 4.6 Reverse repurchase agreements and cash collateral on securities borrowed 4.2 4.2

Liabilities

Deposits from other banks 4.2 4.3 Customer accounts 3.8 3.4 Debt securities in issue 5.3 5.0 Repurchase agreements and cash collateral on securities lent 3.9 4.2 Subordinated liabilities 5.9 5.9

Foreign exchange risk

The group is exposed to two sources of foreign exchange risk.

(a) Transactional foreign currency exposure

Transactional foreign exchange exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Group s risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by Barclays Capital which is monitored through DVaR.

There were no material net transactional foreign currency exposures outside the trading portfolio at either 31st December 2007 or 2006. Due to the low level of non-trading exposures no reasonably possible change in foreign exchange rates would have a material effect on either the Group s profit or movements in equity for the year ended 31st December 2007 or 2006.

(b) Translational foreign exchange exposure

The Group operates in a number of economic environments resulting in structural foreign exchange exposures on net investments in branches, subsidiaries or associated undertakings, the functional currencies of which are currencies other than Sterling.

Exchange differences are created by the translation of these net assets measured in their functional currencies to Sterling, the Group s presentational currency. These exchange differences are recorded in the consolidated translation reserve and reflected in the statement of recognised income and expense. Additionally the Group s regulatory capital ratios are sensitive to foreign exchange movements in reserves, goodwill, minority interests and other non-Sterling debt capital as well as non sterling risk weighted assets.

The Group s policy is to economically hedge foreign currency net investments, where practical, after taking consideration of available markets to conduct hedging, the size of the investment and the cost of hedging; unless doing so would result in capital ratios which are overly sensitive to foreign exchange movements.

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For the year ended 31st December 2007

46 Market risk (continued)

The Group uses foreign currency borrowings and derivatives to hedge its foreign currency net investments. There was no ineffectiveness arising from these hedges in the year ended 31st December 2007. The carrying value of the Group s foreign currency net investments and the foreign currency borrowings and derivatives used to hedge them as at 31st December 2007 were as follows:

Structural

Foreign Borrowings Derivatives currency Remaining currency which hedge which hedge exposures structural net the net the net pre economic Economic currency At 31st December 2007 investments investments investments hedges hedges exposures

Functional currency of the operation involved £m £m £m £m £m £m

United States Dollar 3,273 1,000 2,273 3,575 (1,302) Euro 3,690 1,506 2,184 2,387 (203) Rand 3,205 2,599 606 165 441 Japanese Yen 2,986 180 2,773 33 33 Swiss Franc 2,140 2,131 9 9 Other 1,847 53 465 1,329 1,329 Total 17,141 2,739 7,968 6,434 6,127 307

Structural

Foreign Borrowings Derivatives currency Remaining currency which hedge which hedge exposures structural net the net the net pre economic Economic currency At 31st December 2006 investments investments investments hedges hedges exposures

Functional currency of the operation involved £m £m £m £m £m £m United States Dollar 4,462 2,141 2,321 2,361 (40) Euro 3,409 1,185 2,224 2,180 44 Rand 2,849 2,665 184 165 19 Japanese Yen 2,754 202 2,527 25 25 Swiss Franc 2,071 158 1,900 13 13 Other 2,069 205 410 1,454 742 712 Total 17,614 3,891 7,502 6,221 5,448 773

The economic hedges represent the US Dollar and Euro Preference Shares and Reserve Capital Instruments in issue that are treated as equity under IFRS, and do not qualify as hedges for accounting purposes.

The impact of a change in the exchange rate between Sterling and any of the major currencies would be:

A higher or lower profit after tax, arising from changes in the exchange rates used to translate items in the consolidated income statement

A higher or lower currency translation reserve within equity, representing the retranslation of non Sterling subsidiaries, branches and associated undertakings net of the revaluation of the hedges of net investments.

A higher or lower value of available for sale investments denominated in foreign currencies, impacting the available for sale reserve.

The impact of foreign exchange rate changes on derivatives and borrowings designated as IFRS net investment hedges would be fully offset by the impact on the hedged net investments, resulting in no impact on the Group profit or equity.

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47 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. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Barclays is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities (trading exposures) including, non- equity trading portfolio assets, derivatives as well as settlement balances with market counterparties and reverse repo loans. Losses arising from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than impairment charges, even though the fall in value causing the loss may be attributable to credit deterioration.

Credit risk management and control responsibilities

The granting of credit is one of the Group's major sources of income and is therefore one of its most significant risks, and the Group dedicates considerable resources to controlling it effectively.

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 Group Risk Director.

The Credit Risk function provides Group-wide direction of credit risk-taking. The teams within this function manage the resolution of all significant credit policy issues and run the Credit Committee, which approves major credit decisions.

Each business segment has an embedded credit risk management team. These teams assist Group Risk in the formulation of Group Risk policy and the implementation of it across the businesses. Examples include ensuring that:

- Maximum exposure guidelines are in place relating to the exposures to any individual customer or counterparty;
- Country risk policy specifies risk appetite by country and avoids excessive concentration of credit risk by country; and
- Policies are in place to monitor exposures to individual industrial sectors.

The principal committees that review credit risk management, formulate overall Group credit policy and resolve all significant credit policy issues are the Wholesale Credit Risk Management Committee, the Retail Credit Risk Management Committee, the Risk Oversight Committee and the Board Risk Committee. All these Committees receive regular and comprehensive reports on risk issues.

The Retail Credit Risk Management Committee (RCRMC) oversees exposures, which comprise unsecured personal lending (including small businesses), mortgages and credit cards. The RCRMC monitors the risk profile and performance of the retail portfolios by receipt of key risk measures and indicators at an individual portfolio level, ensuring mitigating actions taken to address performance are appropriate and timely. Metrics reviewed will consider portfolio composition and both an overall stock and new flow level.

The Wholesale Credit Risk Management Committee (WCRMC) oversees wholesale exposures, comprising lending to businesses, banks and other financial institutions. The WCRMC monitors exposure by country, industry sector, individual large exposures and exposures to sub-investment grade countries.

The monthly Wholesale and Retail Credit Risk Management Committees exercise oversight through review and challenge of the size and constitution of the portfolios when viewed against Group risk appetite for wholesale and retail credit risks. They are chaired by the Group Wholesale and Retail Credit Risk Directors.

Corporate and commercial lending

Corporate accounts which are deemed to contain heightened levels of risk are recorded on graded problem loan lists known as early-warning or watch lists. These are updated monthly and circulated to the relevant risk control points. Once listing has taken place, exposures are closely monitored and, where appropriate, reduced.

These lists are graded in line with the perceived severity of the risk attached to the lending, and its probability of default. Businesses with exposure to corporate customers all work to three categories of increasing concern. By the time an account becomes impaired it will normally have passed through all three categories, which reflect the need for ever-increasing caution and control.

Where an obligor s financial health gives grounds for concern, it is immediately placed into the appropriate category. 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.

Retail lending

Within the retail portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow the risk of impairment to be monitored on a portfolio basis. This applies to UK Retail Banking, Barclays Wealth, International Retail and Commercial Banking and Barclaycard.

Within 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 or medium term, are transferred to a separate Caution refer stream where a cautious approach is appropriate. Accounts on the Caution refer stream are reviewed on at least a quarterly basis at which time consideration will be given to continuing with the agreed strategy, returning the customer to a lower risk refer stream, or instigating recovery or exit action if the strategy has failed.

Debt securities

Managing credit risk associated with debt securities differs in important respects from the process for loans originated by the Group. Firstly, market prices are generally available for listed bonds and securities and these prices are a good indicator of the credit standing of the issuer. Secondly, most listed and some unlisted securities are rated by external rating agencies which is another strong indicator of overall credit quality. Where such ratings are not available or are not current, the Group will have regard to its own internal ratings for the securities.

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For the year ended 31st December 2007

47 Credit risk (continued)

Settlement risk

The Group is exposed to settlement risk in its dealings with market counterparties (predominantly other financial institutions). These risks arise, for example, in foreign exchange transactions when Barclays pays away its side of the transaction to another bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. It also arises on derivative contracts where the carrying value of the financial asset is related to the credit condition of the counterparty.

Settlement risk also arises through the operation of a number of systems through which Barclays makes and receives payments on behalf of its customers. While these exposures are of short duration, they can be large. In recent years, settlement risk has been reduced by several industry initiatives that have enabled simultaneous and final settlement of transactions to be made (such as payment-versus-payment through Continuous Linked Settlement and delivery-versus-payment in central bank money).

Barclays has worked with its peers in the development of these arrangements. Increasingly the majority of high value transactions are settled by such mechanisms. Where these mechanisms are not available, the risk is further reduced by dealing predominantly with highly-rated counterparties, holding collateral and limiting the size of the exposures according to the rating of the counterparty, with smaller exposures to those of higher risk.

Country risk

Credit risk is 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 asset, or where the counterparty is the country itself.

Barclays manages country risk by setting a country risk appetite, which is known as the Country Guideline and agreed at the Group Credit Committee. All cross-border or domestic foreign currency transactions are aggregated to give the current utilisation, in terms of country loss given default (CLGD), against country appetite. The level of CLGD incurred by a counterparty transaction will largely depend on three main factors: the country severity, the product severity and counterparty grade. The calculation and loss given default is described under Credit Risk measurement below.

CLGD is incurred in the country of direct risk, defined as where the majority of operating assets are held. This may differ from the country of incorporation. However, where transactions are secured with collateral, the country risk can be transferred from the country of the borrower to the country of the collateral provider. This is only permitted where the collateral definitely covers the borrowing and is not expected to decrease over time.

Credit risk measurement

Barclays uses statistical modelling techniques throughout its business in its credit rating systems. These systems assist the Bank in frontline credit decisions on new commitments and in managing the portfolio of existing exposures. They enable a coherent approach to risk measurement across all credit exposures, retail and wholesale. The key building blocks in the measurement system are the probability of customer default (PD), exposure in the event of default (EAD), and severity of loss-given-default (LGD). Using these, Barclays builds the analyses that lead to its decision support systems in the Risk Appetite context described previously.

Where financial models are used to monitor credit risk, they are based upon customers personal and financial performance information over recent periods as a predictor for future performance. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

For corporate and wholesale customers, Barclays also assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating. There are two different categories of default rating used. The first reflects the statistical probability of a customer in a rating class defaulting within the next 12-month period, and is referred to as a point in time rating (PIT). The second also reflects the statistical probability of a customer in a rating class defaulting, but the period of assessment is 12 months of average credit conditions for the customer type. This type of rating therefore provides a measure of risk that is independent of the current credit conditions for a particular customer type, is much more stable over time than a PIT rating and is referred to as a through the cycle (TTC) rating.

Country risk grades are assigned to all countries where the Group has, or is likely to have, exposure and are reviewed every quarter to ensure they remain appropriate. Country grades, which are derived from long-term sovereign foreign currency ratings, range from 1 (lowest probability of default) to 21 (highest probability of default). A ceiling is applied where a country is graded 12 or lower so that the counterparty cannot be graded higher than the country, unless some form of protection is available in the event of a cross-border event, such as a significant portion of a counterparty s assets or income being held or generated in a convertible currency.

As noted above, for listed debt securities, the Group has regard to both external credit ratings and internal default grades where such ratings are not available or current.

Multiple rating methodologies may be used to inform the rating decision on individual large credits, such as internal and external models, rating agency grades and, for wholesale assets, market information such as credit spreads. For smaller credits, a single source may suffice, such as the result from a rating model.

For debt securities and counterparties where third party ratings are used to inform credit decisions, the Group mainly uses those provided by Standards and Poors or Moody s.

Barclays wholesale credit rating contains 21 grades, representing the Group s best estimate of credit risk for a counterparty based on current economic conditions.

Retail customers are not assigned internal risk ratings in this way for account management purposes, although a mapping of the PIT probability of default to one of eight Barclays Retail Grades (BRG) is used for some internal reporting purposes.

The tables below detail how external rating grades, Default Grades and Barclays Retail Grades relate to the categories of credit quality selected for the financial statements. Where applicable, the internal measure of probability of default has been presented for indicative purposes.

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47 Credit risk (continued)

Listed and unlisted debt securities and market counterparties where external ratings are available

External ratings Financial statements description AAA, AA+, AA, AA-, A+, A, A-,BBB+, BBB, BBB- Strong BB+, BB, BB-, B+, B Satisfactory B-, CCC+, CCC and lower Weak / Substandard

Wholesale lending

Default Grade Financial statements description Probability of default 1-3 Strong 0.0-0.05% 4-5 0.05-0.15% 6-8 0.15-0.30% 9-11 0.30-0.60% 12-14 Satisfactory 0.60-2.15% 15-19 2.15-11.35% 20-21 Weak / Substandard 11.35% +

Retail lending

Barclays Retail Grade Financial statements description Probability of default

1 Strong 0.0-0.15%

2 0.15-0.30%

3 0.30-0.60% 4-5 Satisfactory 0.60-2.50% 5-7 2.50-10.00%

8 Weak / Substandard 10.00% +

Financial statement descriptions can be summarised as follows:

Strong there is a very high likelihood of the asset being recovered in full. If it is a debt security, then it will be investment grade.

Satisfactory whilst there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Group, the asset may not be collateralised, or may relate to retail facilities, such as credit card balances and unsecured loans, which have been conservatively classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored, for example corporate customers which are indicating some evidence of some deterioration, mortgages with a high loan to value ratio, and unsecured retail loans operating outside normal product guidelines.

Weak/Sub-standard there is concern over the obligor s ability to make payments when due. However, these have not yet converted to actual delinquency. There may also be doubts over the value of collateral or security provided. However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Credit risk mitigation, collateral, security, and other credit enhancements

The Group uses a wide variety of techniques to reduce credit risk on its lending. The most important of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing. Barclays policy is to establish that loans are within the customer s capacity to repay, rather than to rely excessively on security. As a result no security is required for a wide range of lending products.

Credit risk mitigation

Barclays actively manages its credit exposures. When weaknesses in exposures are detected either in individual exposures or in groups of exposures the Group takes action to mitigate the risks. Such actions may, for example, include; reducing the amounts outstanding (in discussion with the customers, clients or counterparties if appropriate); using credit derivatives securitising the assets; and, on occasion, selling them.

Barclays maintains the diversification of its portfolio to avoid unwanted credit risk concentrations. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to higher-rated borrowers than to lower-rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly, and are reported to the Risk Oversight Committee and the Board Risk Committee.

Similarly, country risk policy specifies risk appetite by country and avoids excessive concentrations of credits in individual countries, whilst other policies limit lending to certain industries.

A further protection against undesirable concentration of risk is the mandate and scale framework. Mandate and scale limits, which can also be set at Group level to reflect overall risk appetite, can relate either to the stock of current exposures in the relevant portfolio or to the flow of new exposures into that portfolio. Typical limits include the proportion of lending with maturity in excess of seven years and the proportion of new mortgage business that is buy-to-let.

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For the year ended 31st December 2007

47 Credit risk (continued)

Businesses may put in place other forms of credit risk mitigation, such as credit derivatives or other forms of credit protection in accordance with their procedures or policies. Hedges and mitigants are monitored and risk appetite reviewed to ensure that credit risk is kept to acceptable levels.

Collateral and security

Collateral and security can be an important mitigant of credit risk.

The Group routinely obtains collateral and security, such as in the case of a residential or commercial mortgage, a reverse repurchase agreement, or a commercial loan with a floating charge over book debts and inventories.

The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, businesses holding specific, agreed classes of collateral must ensure that they are holding a correctly perfected charge.

The principal collateral and security types are as follows:

Personal lending mortgages over residential properties;

Commercial and industrial sector charges over business assets such as premises, stock and debtors, and third party credit protection (i.e. guarantees);

Commercial real estate sector charges over the properties being financed; and,

Over-The-Counter (OTC) trading exposures cash; direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country, debt issued by supranationals and letters of credit issued by an institution with a long-term unsecured debt rating of A+/A3 or better.

Valuation of the collateral and security taken is within agreed parameters.

Before reliance is placed on third party protection in the form of bank, government or corporate guarantees or credit derivative protection from financial intermediary counterparties, a credit assessment is undertaken. Eligibility parameters for guarantees and credit derivative are similar to those applied to collateral held against OTC traded exposures.

Any collateral taken in respect of OTC trading exposures will be subject to a haircut which is negotiated at the time of signing the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security. The Group also uses various forms of specialised legal agreements to reduce risk, including entering into master netting agreement with counterparties, which the Group uses to restrict its exposure to credit losses. Group policy requires all netting arrangements to be legally documented. The ISDA Master Agreement is the Group s preferred agreement for documenting OTC activity. It provides the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-determined events occur. In the normal course of events, where the master agreement is ISDA, the collateral document will be the ISDA Credit Support Annex (CSA). The collateral document must give Barclays the power to realise any collateral placed with it in the event of the failure of the counterparty, and to place further collateral when requested or in the event of insolvency, administration or similar processes, as well as in the case of early termination.

Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

Any properties repossessed are made available for sale in an orderly and timely fashion, with any proceeds realised being used to reduce or repay the outstanding loan. For business customers, in some circumstances,where excess funds are available after repayment in full of the outstanding loan, they are offered to any other, lower ranked, secured lenders. Any additional funds are returned to the customer. Barclays does not, as a rule, occupy repossessed properties for its business use.

Maximum exposure to credit risk before collateral held or other credit enhancements

For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that Barclays would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The following table presents the maximum exposure at 31 December 2007 and 2006 to credit risk of balance sheet and off balance sheet financial instruments, before taking account of any collateral held or other credit enhancements and after allowance for impairment and netting where appropriate.

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47 Credit risk (continued)

This analysis and all subsequent analyses of credit risk include financial assets subject to credit risk only. They exclude other financial assets, mainly equity securities held in trading portfolio or available for sale as well as non-financial assets. The nominal value of off-balance sheet credit related instruments are also shown, where appropriate.

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts have not been included as the Group is not exposed to credit risk on these assets. Credit losses in these portfolios, if any, would lead to a reduction in the linked liabilities and result in no direct loss to the Group.

2007 2006

£m £m

On balance sheet:

Cash and balances at central banks 5,801 7,345 Items in course of collection from other banks 1,836 2,408 Trading portfolio:

Treasury and other eligible bills 2,094 2,960 Debt securities 152,778 140,576 Traded loans 1,780 1,843

Total trading portfolio 156,652 145,379 Financial assets designated at fair value held on own account:

Loans and advances 23,491 13,196 Debt securities 24,217 12,100 Other financial assets 3,545 2,792

Total financial assets designated at fair value held on own account 51,253 28,088 Derivative financial instruments 248,088 138,353 Loans and advances to banks 40,120 30,926 Loans and advances to customers:

Residential mortgage loans 111,955 94,511 Credit card receivables 14,289 13,399 Other personal lending 24,968 20,511 Wholesale and corporate loans and advances 183,109 143,836 Finance lease receivables 11,077 10,043

Total loans and advances to customers 345,398 282,300 Available for sale financial investments:

Treasury and other eligible bills 2,723 2,420 Debt securities 38,673 47,912

Total available for sale financial investments 41,396 50,332 Reverse repurchase agreements 183,075 174,090 Other assets 3,966 4,097 Total on balance sheet 1,077,585 863,318 Off balance sheet:

Acceptances and endorsements 365 287 Guarantees and letters of credit pledged as collateral security 35,692 31,252 Commitments 192,639 205,504

Total off balance sheet 228,696 237,043 Total maximum exposure at 31st December 1,306,281 1,100,361

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For the year ended 31st December 2007

47 Credit risk (continued)

Whilst the Group s maximum exposure to credit risk is the carrying value of the assets, or, in the case of off-balance sheet items the amount guaranteed, committed, accepted or endorsed, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the Group s exposure, described below for each class of financial instrument:

Asset Nature of collateral obtained or other credit risk mitigation

Cash with central banks, items Due to the nature of the counterparties, collateral is generally not sought on these balances which are in the course of collection, and considered to be low risk. loans and advances to banks Trading portfolio The credit risk of these assets is reflected in their fair values. No collateral or enhancements are obtained directly from the issuer or counterparty but may be implicit in the terms of the instrument.

Financial assets designated at fair value The credit risk of these assets is reflected in their fair values. Debt securities may be collateralised, according to held on own account their terms. Loans and advances included in this category may be collateralised.

Derivatives Credit risk is also minimised where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Collateral will also be sought, depending on the creditworthiness of the counterparty and/or nature of the transaction.

Loans and advances to customers

Residential mortgage loans These are secured by a fixed charge over the property. In addition, portfolios may be securitised.

Credit card receivables This lending is generally unsecured. Balances may be securitised.

Other personal lending In general this is unsecured. For certain personal lending, a charge over the borrower s property or other assets may be sought.

Wholesale and corporate loans Various forms of collateral may be sought for these loans, often in the form of a fixed charge over the and advances borrower s property and a floating charge over the current assets of a corporate borrower. Loan covenants may be put in place to safeguard the bank s financial position. If the exposure is sufficiently large, either individually or at the portfolio level, credit protection in the form of guarantees, credit derivatives or insurance may be taken out.

Finance lease receivables The net investment in the lease is secured through retention of legal title to the leased assets.

Available for sale assets No collateral or enhancements are obtained although collateral may be inherent in the structure of the asset. Reverse repurchase agreements and These loans are fully collateralised with the securities legally transferred to the Group. The level of collateral cash collateral on securities borrowed is monitored daily and further collateral calls made when required.

Off balance sheet The Group applies the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. Collateral may be sought, depending on the strength of the counterparty and/or nature of the transaction.

Acceptances and endorsements Amounts paid are normally repaid by the customer on presentation.

Guarantees and letters of credit The Group is only required to meet its obligations should the customer default, in which case the Group will pledged as security generally have recourse to the customer.

Commitments These are commitments to future lending and are subject to the Group s normal lending policies including taking collateral depending on the customers circumstances.

Financial assets that would be past due or impaired had their terms not been renegotiated

Financial assets are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue (delinquent) and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

Credit risk concentrations

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 or other conditions.

The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged, otherwise, the product type in accordance with the manner in which the Group manages credit risk.

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47 Credit risk (continued)

Analyses of the Group s credit exposure are set out below:

Credit risk concentrations by geographical sector

2007

Other Rest of United European United the

Kingdom Union States Africa World Total

£m £m £m £m £m £m

On balance sheet:

Cash and balances at central banks 1,458 2,170 206 1,406 561 5,801 Items in the course of collection from other banks 1,638 75 110 13 1,836

Trading portfolio 28,959 41,675 53,208 877 31,933 156,652

Financial assets designated at fair value held on own account 15,713 5,907 20,396 958 8,279 51,253

Derivative financial instruments 60,534 75,017 82,975 2,229 27,333 248,088 Loans and advances to banks 5,515 11,102 13,443 2,581 7,479 40,120 Loans and advances to customers 187,824 56,189 39,944 38,653 22,788 345,398

Available for sale financial investments 5,934 18,354 7,818 2,944 6,346 41,396

Reverse repurchase agreements 42,160 51,734 67,018 2,156 20,007 183,075 Other assets 1,813 617 424 698 414 3,966 Total on balance sheet 351,548 262,840 285,432 52,612 125,153 1,077,585

Off balance sheet:

Acceptances and endorsements 227 5 5 34 94 365 Guarantees and letters of credit pledged as collateral security 7,377 1,468 23,696 1,286 1,865 35,692

Commitments 90,964 23,946 48,657 20,471 8,601 192,639 Total off balance sheet 98,568 25,419 72,358 21,791 10,560 228,696

Total 450,116 288,259 357,790 74,403 135,713 1,306,281

Credit risk concentrations by geographical sector

2006

Other Rest of United European United the

Kingdom Union States Africa World Total

£m £m £m £m £m £m

On balance sheet:

Cash and balances at central banks 4,367 2,275 109 515 79 7,345 Items in the course of collection from other banks 2,296 21 82 9 2,408 Trading portfolio assets 27,900 30,508 55,674 762 30,535 145,379 Financial assets designated at fair value held on own account 9,969 4,559 10,951 244 2,365 28,088 Derivative financial instruments 44,022 41,424 35,485 1,639 15,783 138,353 Loans and advances to banks 6,227 8,511 9,056 2,219 4,913 30,926 Loans and advances to customers

168,043 43,121 25,577 31,274 14,285 282,300 Available for sale financial investments 9,262 22,288 9,132 2,287 7,363 50,332 Reverse repurchase agreements 33,544 41,725 73,415 1,147 24,259 174,090 Other assets 1,288 1,433 237 982 157 4,097 Total on balance sheet 306,918 195,865 219,636 41,151 99,748 863,318

Off balance sheet:

Acceptances and endorsements 220 6 47 14 287 Guarantees and letters of credit pledged as collateral security 5,210 3,489 19,682 1,196 1,675 31,252 Commitments 88,731 27,355 56,546 20,880 11,992 205,504 Total off balance sheet 94,161 30,850 76,228 22,123 13,681 237,043

Total 401,079 226,715 295,864 63,274 113,429 1,100,361

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47 Credit risk (continued)

Credit risk concentrations by industrial sector

2007 Transport, Postal and Agriculture, communi- Manufac-cation and turing and Con-

Government Business Wholesale struction Energy Residential Other Finance and Central Financial and other and retail and and mortgage personal lease

Banks Services services trade Property water loans lending receivables Total

£m £m £m £m £m £m £m £m £m £m

On balance sheet:

Cash and balances at central banks 5,801 5,801

Items in the course of collection from other banks 8 1,828 1,836

Trading portfolio assets 58,608 83,790 4,434 3,928 924 4,072 895 1 156,652

Financial assets designated at fair value held on own account 10,914 23,742 570 699 11,325 396 3,509 98 51,253

Derivative financial instruments 2,886 227,609 2,771 5,567 1, 106 8,031 87 31 248,088

Loans and advances to banks 7,881 32,239 40,120

Loans and advances to customers 2,036 70,699 41,678 37,722 22,288 8,623 111,955 39,320 11,077 345,398

Available for sale financial investments 8,880 29,693 2,142 249 167 246 19 41,396

Reverse repurchase agreements 1,713 179,459 416 735 752 183,075 Other assets 270 1,506 542 307 168 5 112 1,056 3,966 Total on balance sheet 98,997 650,565 52,553 49,207 36,730 21,373 116,558 40,525 11,077 1,077,585

Off balance sheet:

Acceptances and endorsements 125 111 91 21 4 13 365

Guarantees and letters of credit pledged as collateral security 51 17,021 12,847 1,867 538 2,687 1 680 35,692 Commitments 4,511 30,492 26,370 32,388 11, 282 9,961 10,969 66,666 192,639 Total off balance sheet 4,562 47,638 39,328 34,346 11,841 12,652 10,970 67,359 228,696

Total 103,559 698,203 91,881 83,553 48,571 34,025 127,528 107,884 11,077 1,306,281

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47 Credit risk (continued)

Credit risk concentrations by industrial sector

2006 Transport, Postal and Agriculture, communi- Manufac-cation and turing and Con-

Government Business Wholesale struction Energy Residential Other Finance and Central Financial and other and retail and and mortgage personal lease

Banks Services services trade Property water loans lending receivables Total

£m £m £m £m £m £m £m £m £m £m

On balance sheet:

Cash and balances at central banks 7,345 7,345 Items in the course of collection from other banks 5 2,403 2,408 Trading portfolio assets 56,22 2,793 3,333 792 3,043 871 3 145,379 Financial assets designated at fair value held on own account 6,412 12,101 269 325 6,797 162 2,022 28,088 Derivative financial instruments 1,701 119,812 2,496 5,945 642 7,681 53 23 138,353 Loans and advances to banks 2,221 28,705 30,926 Loans and advances to customers 2,426 45,033 34,543 34,755 20,542 6,810 94,511 33,538 10,142 282,300 Available for sale financial investments 10,055 39,105 733 9 141 257 31 1 50,332 Reverse repurchase agreements 1,205 171,146 107 435 918 20 259 174,090 Other assets 43 2,637 469 78 97 5 768 4,097 Total on balance sheet 87,635 499,264 41,410 44,880 29,929 17,978 97,488 34,592 10,142 863,318

Off balance sheet:

Acceptances and endorsements 11 99 38 114 21 1 1 2 287 Guarantees and letters of credit pledged as collateral security 12 20,999 4,313 1,915 907 2,900 9 197 31,252 Commitments 4,914 49,917 23,807 29,164 15,263 12,401 19,375 50,663 205,504 Total off balance sheet 4,937 71,015 28,158 31,193 16,191 15,302 19,385 50,862 237,043

Total 92,572 570,279 69,568 76,073 46,120 33,280 116,873 85,454 10,142 1,100,361

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For the year ended 31st December 2007

47 Credit risk (continued)

Financial assets subject to credit risk

For the purposes of the Group s disclosures regarding credit quality, its financial assets have been analysed as follows:

As at 31st December 2007 Neither past Past due due nor but not Total individually individually Individually Impairment carrying impaired impaired impaired Total allowance value

£m £m £m £m £m £m

Cash and balances at central banks 5,801 5,801 5,801 Items in the course of collection from other banks 1,836 1,836 1,836

Trading portfolio 156,652 156,652 156,652

Financial assets designated at fair value held on own account 50,896 357 51,253 51,253

Derivatives 248,088 248,088 248,088 Loans and advances to banks 37,601 2,522 40,123 (3) 40,120 Loans and advances to customers 324,318 16,005 8,844 349,167 (3,769) 345,398

Available for sale financial investments 41,304 92 41,396 41,396 Reverse repurchase agreements 183,075 183,075 183,075

Other assets 3,966 3,966 3,966 Total 1,053,537 18,976 8,844 1,081,357 (3,772) 1,077,585

As at 31st December 2006 Neither past Past due due nor but not Total individually individually Individually Impairment carrying impaired impaired impaired Total allowance value

£m £m £m £m £m £m

Cash and balances at central banks 7,345 7,345 7,345 Items in the course of collection from other banks 2,408 2,408 2,408 Trading portfolio 145,379 145,379 145,379 Financial assets designated at fair value held on own account 28,088 28,088 28,088 Derivatives 138,353 138,353 138,353 Loans and advances to banks 29,355 1,575 30,930 (4) 30,926 Loans and advances to customers 270,321 10,989 4,321 285,631 (3,331) 282,300 Available for sale financial investments 50,156 176 50,332 50,332 Reverse repurchase agreements 174,090 174,090 174,090 Other assets 4,097 4,097 4,097 Total 849,592 12,740 4,321 866,653 (3,335) 863,318

Financial assets designated at fair value, derivatives, and trading portfolios are not subject to impairment allowances as credit losses are fully reflected in their fair values.

The impairment allowance above includes allowances against financial assets that have been individually impaired and those subject to collective impairment. Assets subject to a collective impairment allowance are included in financial assets neither past due nor individually impaired or financial assets past due but not individually impaired, as appropriate.

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47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired

The credit quality of financial assets subject to credit risk, that were neither past due nor impaired, based on the credit ratings on page 243, was as follows:

2007

Weak/sub-

Strong Satisfactory standard Total

£m £m £m £m

Cash and balances at central banks 5,801 5,801 Items in the course of collection from other banks 1,713 123 1,836 Trading portfolio:

Treasury bills and other eligible bills 1,984 110 2,094

Debt securities 143,161 8,958 659 152,778 Traded loans 223 1,228 329 1,780 Total trading portfolio 145,368 10,296 988 156,652

Financial assets designated at fair value held on own account:

Loans and advances 13,844 6,186 3,104 23,134 Debt securities 10,010 14,207 24,217

Other financial assets 3,541 4 3,545

Total financial assets designated at fair value held on own account 27,395 20,397 3,104 50,896 Derivative financial instruments 243,491 3,630 967 248,088 Loans and advances to banks 35,635 1,955 11 37,601 Loans and advances to customers:

Residential mortgage loans 62,748 41,144 1,761 105,653

Credit card receivables 12,582 5 12,587

Other personal lending 2,882 19,915 889 23,686

Wholesale and corporate loans and advances 114,695 54,380 2,427 171,502 Finance lease receivables 4,586 6,036 268 10,890

Total loans and advances to customers 184,911 134,057 5,350 324,318 Available for sale financial investments:

Debt securities 36,623 1,528 430 38,581

Treasury bills and other eligible bills 2,130 593 2,723

Total available for sale financial investments 38,753 2,121 430 41,304 Reverse repurchase agreements 180,637 2,391 47 183,075

Other assets 2,410 1,452 104 3,966

Total financial assets neither past due nor individually impaired 866,114 176,422 11,001 1,053,537

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For the year ended 31st December 2007

47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired (continued)

2006

Weak/sub-

Strong Satisfactory standard Total

£m £m £m £m

Cash and balances at central banks 7,345 7,345 Items in the course of collection from other banks 1,814 594 2,408 Trading portfolio:

Treasury bills and other eligible bills 2,947 13 2,960 Debt securities 133,230 5,907 1,439 140,576 Traded loans 405 1,425 13 1,843 Total trading portfolio 136,582 7,345 1,452 145,379

Financial assets designated at fair value held on own account:

Loans and advances 10,586 2,228 382 13,196 Debt securities 5,307 6,793 12,100 Other financial assets 2,637 155 2,792

Total financial assets designated at fair value held on own account 18,530 9,176 382 28,088 Derivative financial instruments 133,980 4,194 179 138,353 Loans and advances to banks 29,008 336 11 29,355 Loans and advances to customers:

Residential mortgage loans 53,760 34,019 1,316 89,095 Credit card receivables 11,858 49 11,907 Other personal lending 2,832 16,652 110 19,594 Wholesale and corporate loans and advances 92,912 44,583 2,295 139,790 Finance lease receivables 4,481 5,349 105 9,935

Total loans and advances to customers 153,985 112,461 3,875 270,321 Available for sale financial investments:

Debt securities 47,687 49 47,736 Treasury bills and other eligible bills 2,313 107 2,420

Total available for sale financial investments 50,000 156 50,156 Reverse repurchase agreements 171,725 856 1,509 174,090

Other assets 2,548 1,546 3 4,097

Total financial assets neither past due nor individually impaired 705,517 136,664 7,411 849,592

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47 Credit risk (continued)

(b) Financial assets that are past due but not individually impaired

An age analysis of financial assets that are past due but not individually impaired is set out below.

For the purposes of this analysis an asset is considered past due and included below when any payment due under the strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest or both, overdue.

The Group expends considerable effort in monitoring overdue assets. Assets may be overdue for a number of reasons, including late processing of payments or documentation, for example, over weekends and holiday periods. Where assets are considered to be uncollectable they are subject to individual impairment.

Trading portfolio and derivative assets are measured on a fair value basis such that their carrying amount reflects expected defaults. Amounts that are past due as a result of counterparty credit issues are not significant.

2007

Past Past Past Past due due due Past due up to 1 1-2 2-3 due 6 months month months months 3-6 months and over Total

£m £m £m £m £m £m

Financial assets designated at fair value held on own account:

Loans and advances 261 4 1 24 67 357

Total financial assets designated at fair value held on own account 261 4 1 24 67 357 Loans and advances to banks 2,031 305 186 2,522 Loans and advances to customers:

Residential mortgage loans 3,609 1,349 456 215 184 5,813

Credit card receivables 558 155 107 205 1 1,026

Other personal lending 271 199 193 152 205 1,020

Wholesale and corporate loans and advances 6,970 622 267 62 66 7,987 Finance lease receivables 75 28 18 38 159

Total loans and advances to customers 11,483 2,353 1,041 672 456 16,005 Available for sale financial investments:

Debt securities 92 92

Total available for sale financial investments 92 92 Total financial assets past due but not individually impaired 13,867 2,662 1,228 696 523 18,976

2006

Past Past Past Past due due due Past due up to 1 1-2 2-3 due 6 months month months months 3-6 months and over Total

£m £m £m £m £m £m

Financial assets designated at fair value held on own account:

Loans and advances

Total financial assets designated at fair value held on own account Loans and advances to banks 1,004 234 337 1,575 Loans and advances to customers:

Residential mortgage loans 3,394 1,124 280 208 150 5,156 Credit card receivables 622 202 144 304 1,272 Other personal lending 276 118 119 253 1 767 Wholesale and corporate loans and advances 3,322 130 180 20 53 3,705 Finance lease receivables 35 10 22 22 89

Total loans and advances to customers 7,649 1,584 745 807 204 10,989 Available for sale financial investments:

Debt securities 131 22 23 176

Total available for sale financial investments 131 22 23 176 Total financial assets past due but not individually impaired 8,784 1,840 1,082 830 204 12,740

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For the year ended 31st December 2007

47 Credit risk (continued)

(c) Impaired financial assets

Financial assets individually assessed as impaired

An analysis of financial assets individually assessed as impaired is as follows:

2007 2006

Original Revised Original Revised carrying Impairment carrying carrying Impairment carrying amount allowance amount amount allowance amount

£m £m £m £m £m £m

Loans and advances to customers:

Residential mortgage loans 621 (88) 533 384 (75) 309 Credit card receivables 1,517 (725) 792 1,250 (839) 411 Other personal lending 1,635 (1,030) 605 1,289 (954) 335 Wholesale and corporate loans and advances 4,930 (944) 3,986 1,280 (589) 691 Finance lease receivables 141 (102) 39 118 (79) 39

Total loans and advances to customers individually impaired 8,844 (2,889) 5,955 4,321 (2,536) 1,785 Collective impairment allowance (883) (799) Total impairment allowance (3,772) (3,335)

In addition to the above, there are impaired available for sale debt securities with a carrying value at 31st December 2007 of £432m, after a write-down of £13m. In 2006, all impaired available for sale debt securities had been disposed of prior to 31st December.

The movements on the impairment allowance during the year were as follows:

2007

Amounts

At Acquisitions Unwind Exchange Amounts charged to Balance beginning and of and other written income at 31st of year disposals discount adjustments off Recoveries statement December

£m £m £m £m £m £m £m £m

Loans and advances to banks 4 (1) 13 (13) 3 Loans and advances to customers:

Residential mortgage loans 124 2 (5) 5 6 132

Credit card receivables 1,030 (75) (60) 4 (819) 103 658 841 Other personal lending 1,139 (53) 10 (668) 54 891 1,373

Wholesale and corporate loans and advances 939 1 37 (440) 46 727 1,310 Finance lease receivables 99 1 (30) 6 37 113

Total loans and advances to customers 3,331 (73) (113) 53 (1,962) 214 2,319 3,769

Total impairment allowance 3,335 (73) (113) 53 (1,963) 227 2,306 3,772

2006

Amounts

At Acquisitions Unwind Exchange Amounts charged to Balance beginning and of and other written income at 31st of year disposals discount adjustments off Recoveries statement December

£m £m £m £m £m £m £m £m

Loans and advances to banks 4 33 (33) 4 Loans and advances to customers:

Residential mortgage loans 139 (8) (8) (51) 14 38 124 Credit card receivables 978 (66) (21) (887) 101 925 1,030 Other personal lending 975 (22) (42) (557) 63 722 1,139 Wholesale and corporate loans and advances 1,253 (12) (2) (69) (626) 41 354 939 Finance lease receivables 101 (11) (13) (53) 7 68 99 Total loans and advances to customers 3,446 (23) (98) (153) (2,174) 226 2,107 3,331

Total impairment allowance 3,450 (23) (98) (153) (2,174) 259 2,074 3,335

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47 Credit risk (continued)

Collateral and other credit enhancements held

Financial assets that are past due or individually assessed as impaired may be partially or fully collateralised or subject to other forms of credit enhancement.

Assets in these categories subject to collateralisation are mainly corporate and residential mortgage loans.

For corporate loans, security may be in the form of floating charges where the value of the collateral varies with the level of assets such as inventory and receivables held by the customer. For these and other reasons collateral given is only accurately valued on origination of the loan or in the course of enforcement actions and as a result it is not practicable to estimate the fair value of the collateral held.

A description and the estimated fair value of collateral held in respect of residential mortgage loans that are past due or individually assessed as impaired was as follows:

	2007 Fair value	2006 Fair value
	£m	£m
Nature of assets		
Residential Property	6,488	6,183
Total	6,488	6,183

Collateral included in the above table reflects the Group s interest in the property in the event of default.That held in the form of charges against residential property in the UK is restricted to the outstanding loan balance. In other territories, where the Group is not obliged to return any sale proceeds to the mortgagee, the full estimated fair value has been included.

Collateral and other credit enhancements obtained

The carrying value of assets held by the Group as at 31st December 2007 as a result of the enforcement of collateral was as follows:

	2007 Carrying Amount	2006 Carrying Amount
	£m	£m
Nature of assets		
Residential Property	34	12
Commercial and industrial property	1	2
Other credit enhancements		
Total	35	14

The Group does not use assets obtained in its operations. Assets obtained are normally sold, generally at auction, or realised in an orderly manner for the maximum benefit of the Group, the borrower and the borrower s other creditors in accordance with the relevant insolvency regulations.

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48 Liquidity risk

Liquidity risk management and measurement

This is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to meet its obligations is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Intraday liquidity

The need to monitor, manage and control intraday liquidity in real time is recognised by the Group as a mission critical process: any failure to meet specific intraday commitments would have significant consequences.

The Group policy is that each operation must ensure that it has access to sufficient intraday liquidity to meet any obligations it may have to clearing and settlement systems. Major currency payment flows and payment system collateral are monitored and managed in real time to ensure that at all times there is sufficient collateral to make payments.

Day to day funding

Day to day funding is managed by short-term mismatch limits for the next day, week and month which control cash flows to ensure that requirements can be met. These requirements include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets and monitors and manages the wholesale money market capacity for the Group s name to enable that to happen.

In addition to cash flow management, Barclays Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquid Assets

The Group maintains a portfolio of highly marketable assets including UK, US and Euro-area government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The Group accesses secured funding markets in these assets on a regular basis to ensure market access. The Group does not rely on committed funding lines for protection against unforeseen interruption to cash flow.

Diversification of liquidity sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. In addition, to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors confidence. Such confidence is based on a number of factors including the Group s reputation and relationship with those clients, the strength of earnings and the Group s financial position.

Structural liquidity

An important source of structural liquidity is provided by our core retail deposits in the UK, Europe and Africa, mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts at short notice, the Group s broad base of customers numerically and by depositor type helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group s operations and liquidity needs.

The Group policy is to fund the balance sheet of the retail and commercial bank on a global basis with customer deposits without recourse to the wholesale markets. This provides protection from the liquidity risk of wholesale market funding. The exception to this policy is ABSA, which has a large portion of wholesale funding due to the structural nature of the South African financial sector.

Stress tests

Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group s liquidity at risk.

Treasury develops and monitors a range of stress tests on the Group s projected cash flows. These stress scenarios include Barclays-specific scenarios such an unexpected rating downgrade and operational problems, and external scenarios such as Emerging Market crises, payment system disruption and macroeconomic shocks. The output informs both the liquidity mismatch limits and the Group s contingency funding plan. This is maintained by Treasury and is aligned with the Group and country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

The ability to raise funds is in part dependent on maintaining the Bank s credit rating. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered significant in overall Group terms.

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48 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities which are included in the on demand column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have been included in Other assets and Other liabilities as the Group is not exposed to liquidity risk arising from them; any request for funds from creditors would be met by simultaneously liquidating or transferring the related investment.

Over three Over Over Over Over months six months one year three years five years Not more but not but not but not but not but not

On than three more than more than more than more than more than Over demand months six months one year three years five years ten years ten years Total

At 31st December 2007 £m £m £m £m £m £m £m £m £m Assets

Cash and balances at central banks 4,785 1,016 5,801 Items in course of collection from other banks 1,651 185 1,836 Trading portfolio assets 193,69 193,691

Financial assets designated at fair value:

held on own account 1,901 3,202 657 3,029 13,882 7,022 10,637 16,299 56,629

Derivative financial instruments:

held for trading 246,950 246,950

designated for risk management 76 92 39 260 105 317 249 1,138

Loans and advances to banks 5,882 22,143 446 3,189 1,259 1,035 5,680 486 40,120 Loans and advances to customers 43,469 62,294 12,793 19,307 35,195 30,926 47,297 94,117 345,398

Available for sale financial instruments 994 9,009 4,544 2,377 10,831 6,466 5,268 3,583 43,072

Reverse repurchase agreements and cash collateral on securities borrowed 158,475 7,369 7,835 4,921 4,348 127 183,075 Total financial assets 499,323 256,400 25,901 35,776 66,348 49,902 69,326 114,734 1,117,710 Other assets 109,651 109,651 Total assets 499,323 256,400 25,901 35,776 66,348 49,902 69,326 224,385 1,227,361

Liabilities

Deposits from other banks 16,288 69,049 1,977 991 651 1,171 231 188 90,546

Items in the course of collection due to other banks 1,781 11 1,792 Customer accounts 174,269 101,667 5,692 4,097 1,656 1,240 993 5,373 294,987

Trading portfolio liabilities 65,402 65,402 Financial liabilities designated at fair value: held on own account 655 18,022 8,331 6,933 10,830 11,601 12,625 5,492 74,489

Derivative financial instruments:

held for trading 247,378 247,378

designated for risk management 51 43 82 310 150 215 59 910

Debt securities in issue 698 70,760 11,798 6,945 13,308 7,696 3,123 5,900 120,228

Repurchase agreements and cash collateral on securities lent 160,822 2,906 5,547 40 92 22 169,429 Subordinated liabilities 250 934 7,511 9,455 18,150 Total financial liabilities 506,471 420,382 30,747 24,595 27,045 22,884 24,720 26,467 1,083,311 Other liabilities 111,574 111,574 Total liabilities 506,471 420,382 30,747 24,595 27,045 22,884 24,720 138,041 1,194,885 Cumulative liquidity gap (7,148) (171,130) (175,976) (164,795) (125,492) (98,474) (53,868) 32,476 32,476

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48 Liquidity risk (continued)

Over three Over Over Over Over months six months one year three years five years Not more but not but not but not but not but not

On than three more than more than more than more than more than Over demand months six months one year three years five years ten years ten years Total

At 31st December 2006 £m £m £m £m £m £m £m £m £m Assets

Cash and balances at central banks 7,050 295 7,345 Items in course of collection from other banks 1,782 626 2,408 Trading portfolio assets 177,867 177,867 Financial assets designated at fair value: held on own account 1,899 1,975 295 942 5,692 5,239 4,018 11,739 31,799 Derivative financial instruments: held for trading 137,273 137,273 designated for risk management 72 88 37 249 100 296 238 1,080 Loans and advances to banks 2,887 18,806 800 3,063 1,595 1,130 1,012 1,633 30,926 Loans and advances to customers 32,492 44,424 9,901 15,508 31,986 27,668 38,036 82,285 282,300 Available for sale financial instruments 564 9,084 2,516 8,733 13,854 4,621 6,999 5,332 51,703 Reverse repurchase agreements and cash collateral on securities borrowed 149,872 4,670 11,025 1,375 6,939 168 41 174,090 Total financial assets 361,814 225,154 18,270 39,308 54,751 45,697 50,529 101,268 896,791 Other assets 99,996 99,996 Total assets 361,814 225,154 18,270 39,308 54,751 45,697 50,529 201,264 996,787

Liabilities

Deposits from other banks 19,163 55,534 1,418 891 593 1,406 367 190 79,562 Items in the course of collection due to other banks 2,154 67 2,221 Customer accounts 153,642 89,079 5,594 3,604 1,655 1,436 807 937 256,754 Trading portfolio liabilities 71,874 71,874 Financial liabilities designated at fair value: held on own account 6 13,958 6,297 5,143 7,090 8,447 10,978 2,068 53,987 Derivative financial instruments: held for trading 139,746 139,746 designated for risk management 306 13 59 230 284 51 8 951 Debt securities in issue 17 70,805 8,669 5,311 10,408 3,798 4,017 8,112 111,137 Repurchase agreements and cash collateral on securities lent 121,278 6,362 2,659 2,305 4,352 136,956 Subordinated liabilities 236 911 4,623 8,016 13,786 Total financial liabilities 386,602 351,027 28,353 17,667 22,517 16,282 20,843 23,683 866,974 Other liabilities 102,423 102,423 Total liabilities 386,602 351,027 28,353 17,667 22,517 16,282 20,843 126,106 969,397 Cumulative liquidity gap (24,788) (150,661) (160,744) (139,103) (106,869) (77,454) (47,768) 27,390 27,390

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48 Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows. Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

Over

Over one year but

On Within less than Over demand one year five years five years Total

At 31st December 2007 £m £m £m £m £m

Deposits from other banks 16,288 72,533 2,099 275 91,195

Items in the course of collection due to other banks 1,781 11 1,792

Customer accounts 174,269 112,875 3,739 10,280 301,163

Trading portfolio liabilities 65,402 65,402 Financial liabilities designated at fair value: held on own account 655 34,008 25,870 31,868 92,401

Derivative financial instruments:

held for trading 247,378 247,378

designated for risk management 226 479 186 891

Debt securities in issue 698 91,201 22,926 15,020 129,845

Repurchase agreements and cash collateral on securities lent 169,725 146 23 169,894

Subordinated liabilities 463 4,964 17,875 23,302

Other financial liabilities 2,968 1,456 4,424

Total financial liabilities 506,471 484,010 61,679 75,527 1,127,687

Off balance sheet items

Loan commitments 183,784 3,111 4,513 963 192,371 Other commitments 453 200 145 12 810 Total off balance sheet items 184,237 3,311 4,658 975 193,181

Total financial liabilities and off balance sheet items 690,708 487,321 66,337 76,502 1,320,868

Over one year but not

On Within more than Over demand one year five years five years Total

At 31st December 2006 £m £m £m £m £m

Deposits from other banks 19,163 58,101 2,317 590 80,171 Items in the course of collection due to other banks 2,154 68 2,222 Customer accounts 153,642 99,165 3,593 2,836 259,236 Trading portfolio liabilities 71,874 71,874 Financial liabilities designated at fair value: held on own account 6 27,539 13,861 19,827 61,233 Derivative financial instruments: held for trading 139,746 139,746 designated for risk management 378 584 199 1,161 Debt securities in issue 17 89,222 13,932 15,668 118,839 Repurchase agreements and cash collateral on securities lent 137,040 366 137,406 Subordinated liabilities 837 7,487 9,411 17,735 Other financial liabilities 3,138 1,072 4,210 Total financial liabilities 386,602 415,488 43,212 48,531 893,833

Off balance sheet items

Loan commitments 192,293 10,939 1,255 624 205,111 Other commitments 313 370 38 56 777

Total off balance sheet items 192,606 11,309 1,293 680 205,888 Total financial liabilities and off balance sheet items 579,208 426,797 44,505 49,211 1,099,721

Financial liabilities designated at fair value in respect of linked liabilities under investment contracts have been excluded from this analysis as the Group is not exposed to liquidity risk arising from them. Any request for funds from investors would be met simultaneously from the linked assets.

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

The principal due under perpetual subordinated liability instruments has been included in the over five years category. Further interest payments have not been included on this amount, which according to their strict contractual terms, could carry on indefinitely.

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For the year ended 31st December 2007

49 Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

The following table summarises the carrying amounts of financial assets and financial liabilities presented on the Group s balance sheet, and their fair values:

2007 2006

Carrying Fair Carrying Fair amount value amount value Notes £m £m £m £m

Financial assets:

Cash and balances at central banks a 5,801 5,801 7,345 7,345 Items in the course of collection from other banks a 1,836 1,836 2,408 2,408 Trading portfolio assets Treasury and other eligible bills b 2,094 2,094 2,960 2,960 Debt securities b 152,778 152,778 140,576 140,576 Equity securities b 36,307 36,307 31,548 31,548 Traded Loans b 1,780 1,780 1,843 1,843 Commodities b 732 732 940 940 Financial assets designated at fair value: held in respect of linked liabilities under investment contracts b 90,851 90,851 82,798 82,798 held under own account: Equity securities b 5,376 5,376 3,711 3,711 Loans and advances b 23,491 23,491 13,196 13,196 Debt securities b 24,217 24,217 12,100 12,100 Other financial assets designated at fair value b 3,545 3,545 2,793 2,793 Derivative financial instruments b 248,088 248,088 138,353 138,353 Loans and advances to banks c 40,120 40,106 30,926 30,895 Loans and advances to customers: Residential mortgage loans c 111,955 111,951 94,511 94,511 Credit card receivables c 14,289 14,289 13,399 13,399 Other personal lending c 24,968 24,968 20,511 20,488 Wholesale and corporate loans and advances c 183,109 181,589 143,835 143,621 Finance lease receivables c 11,077 11,066 10,044 10,042 Available for sale financial instruments Treasury and other eligible bills b 2,723 2,723 2,420 2,420 Debt securities b 38,673 38,673 47,912 47,912 Equity securities b 1,676 1,676 1,371 1,371 Reverse repurchase agreements and cash collateral on securities borrowed c 183,075 183,075 174,090 174,090

Financial liabilities:

Deposits from banks d 90,546 90,508 79,562 79,436 Items in the course of collection due to other banks a 1,792 1,792 2,221 2,221 Customer accounts: Current and demand accounts d 80,006 80,006 77,216 77,216 Savings accounts d 74,599 74,599 65,784 65,792 Other time deposits d 140,382 141,917 113,754 113,653 Trading portfolio liabilities: Treasury and other eligible bills b 486 486 608 608 Debt securities b 50,506 50,506 58,142 58,142 Equity securities b 13,702 13,702 12,697 12,697 Commodities b 708 708 427 427 Financial liabilities designated at fair value: Liabilities to customers under investment contracts b 92,639 92,639 84,637 84,637 Held on own account b 74,489 74,489 53,987 53,987 Derivative financial instruments b 248,288 248,288 140,697 140,697 Debt securities in issue e 120,228 120,176 111,137 111,131 Repurchase agreements and cash collateral on securities lent d 169,429 169,429 136,956 136,956 Subordinated liabilities f 18,150 17,410 13,786 13,976

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49 Fair value of financial instruments (continued)

Notes a Fair value approximates carrying value due to the short-term nature of these financial assets and liabilities. b Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available for sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics. These estimates are calibrated against industry standards, economic models and observed transaction prices. Changes to assumptions or estimated levels can potentially impact the fair value of an instrument as reported. The effect of changing these assumptions, for those financial instruments for which the fair values were measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable market prices, to a range of reasonably possible alternative assumptions, would be to increase the fair value by up to £1.5bn (2006: £0.1bn) or to decrease the fair value by up to £1.2bn (2006: £0.1bn).

These variations in the assumptions have been estimated on a product by product basis and form part of the Bank s internal control processes over the determination of fair value.

The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model, market data and assumptions or estimates in these are all subject to internal review and approval procedures and consistent application between accounting periods.

The amount that has yet to be recognised in income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, was as follows:

2007 2006

At 31st December £m £m

At 1st January 534 260 New transactions 134 359 Amounts recognised in profit or loss during the year (514) (85) At 31st December 154 534

The net asset fair value position of the related financial instruments increased by £2,842m for the year ended 31st December 2007 (31st December 2006: £2,814m). In many cases these changes in fair values were offset by changes in fair values of other financial instruments, which were priced in active markets or valued by using a valuation technique which is supported by observable market prices or rates, or by transactions which have been realised. c The fair value for loans and advances, and other lending (including reverse repurchase agreements and cash collateral on securities borrowed) is calculated using discounted cash flows, applying either market rates where practicable or, where the counterparty is a bank, rates currently offered by other financial institutions for placings with similar characteristics. In many cases the fair value approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently. d The fair value of customer accounts other deposits and other borrowings (including repurchase agreements and cash collateral on securities lent) is estimated using market rates at the balance sheet date. The fair value of these instruments approximate to carrying amount in most cases because, in general, they are short term in nature and reprice frequently. e Fair values of short-term debt securities in issue are approximately equal to their carrying amount. Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable, are estimated using other valuation techniques. f The calculated fair values for dated and undated convertible and non-convertible loan capital were based upon quoted market rates for the issue concerned or equivalent issues with similar terms and conditions.

The Group considers that, given the lack of an established market, the diversity of fee structures and the difficulty of separating the value of the instruments from the value of the overall transaction, it is not meaningful to provide an estimate of the fair value of financial commitments and contingent liabilities.

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For the year ended 31st December 2007

50 Capital Management

Barclays operates a centralised capital management model, considering both regulatory and economic capital. The capital management strategy is to continue to maximise shareholder value through optimising both the level and mix of capital resources. Decisions on the allocation of capital resources are conducted as part of the strategic planning review.

The Group s capital management objectives are to:

Support the Group s AA credit rating.

Maintain sufficient capital resources to support the Group s risk appetite and economic capital requirements.

Maintain sufficient capital resources to meet the FSA s minimum regulatory capital requirements and the US Federal Reserve Bank s requirements that a financial holding company be well capitalised.

Ensure locally regulated subsidiaries can meet their minimum capital requirements.

External Regulatory Capital Requirements

The Group is subject to minimum capital requirements imposed by the Financial Services Authority (FSA), following guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and implemented in the UK via European Union Directives.

Minimum requirements under FSA s Basel rules are expressed as a ratio of capital resources to risk weighted assets (Risk Asset Ratio). Risk weighted assets are a function of risk weights applied to the Group s assets using calculations developed by the Basel Committee on Banking Supervision. Under Basel II, effective from 1st January 2008, the Group has been granted approval by the FSA to adopt the advanced approaches to credit and operational risk management. Pillar 1 risk weighted assets will be generated using the Group s risk models. Pillar 1 minimum capital requirements under Basel II are Pillar 1 risk weighted assets multiplied by 8%, the internationally agreed minimum ratio.

Under Pillar 2 of Basel II, the Group is subject to an overall regulatory capital requirement based on individual capital guidance (ICG) received from the FSA. The ICG imposes additional capital requirements in excess of Pillar 1 minimum capital requirements. Barclays received its ICG from the FSA in December 2007.

Outside the UK, the Group has operations (and main regulators) located in continental Europe, in particular France, Germany, Spain, Portugal and Italy (local central banks and other regulatory authorities); Asia Pacific (various regulatory authorities including the Hong Kong Monetary Authority, the Japanese FSA and the Monetary Authority of Singapore); Africa, where the Group s operations are headquartered in Johannesburg, South Africa (The South African Reserve Bank and the Financial Services Board (FSB)) and the United States of America (the Board of Governors of the Federal Reserve System (FRB) and the Securities and Exchange Commission).

The Group manages its capital resources to ensure that those Group entities that are subject to local capital adequacy regulation in individual countries meet their minimum capital requirements. Local management manages compliance with subsidiary entity minimum regulatory capital requirements with reporting to local Asset and Liability Committees and to Treasury Committee, as required.

Regulatory Capital Ratios

The table below provides details under Basel I of the Group s capital ratios and risk weighted assets at 31st December 2007 and 2006.

2007 2006

% %

Capital Ratios

Tier 1 ratio 7.8 7.7 Risk asset ratio 12.1 11.7

£m £m

Total risk weighted assets 353,476 297,833

The table below provides details of the regulatory capital resources managed by the Group.

2007 2006

£m £m

Total qualifying Tier 1 capital 27,408 23,005 Total qualifying Tier 2 capital 17,123 14,036 Total deductions (1,889) (2,330) Total net capital resources 42,642 34,711

Insurance businesses

Insurance businesses are subject to separate regulation regarding Capital management and have constraints on the transfer of capital. Capital resource requirements are assessed at company level in accordance with local laws and regulations. However, the requirement is that each life fund should be able to meet its own liabilities. In the event that this should not be the case, shareholders equity would be required to meet its liabilities to the extent that they could not otherwise be met.

The capital resource requirement of the insurance businesses at 31st December 2007 was £216m (31st December 2006: £225m).

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51 Segmental reporting

Business segments

The Group reports the results of its operations through seven business segments: UK Banking, Barclaycard, International Retail and Commercial Banking, Barclays Capital, Barclays Global Investors, Barclays Wealth, and Head Office and other operations.

UK Banking provides banking solutions to Barclays UK retail and commercial banking customers. Barclaycard provides credit card services across Europe and the United States. International Retail and Commercial Banking provides banking services to personal and corporate customers in Europe, Africa and the Middle East. Barclays Capital conducts the Group s investment banking business providing corporate, institutional and government clients with financing and risk management products. Barclays Global Investors provides investment management products and services to international institutional clients. Barclays Wealth provides banking and asset management services to affluent and high net worth clients. Head Office functions and other operations comprise all the Group s central function costs and other central items including businesses in transition.

During 2007 Barclays realigned a number of reportable business segments to better reflect the type of client served, the nature of the products offered and the associated risks and rewards. The changes have no impact on the Group Income Statement or Balance Sheet, and are summarised as follows: UK Retail Banking. The unsecured lending business, previously managed and reported within Barclaycard and the Barclays Financial Planning business, previously managed and reported within Barclays Wealth are now managed and reported within UK Retail Banking. The changes combine these products with related products already offered by UK Retail Banking. In the UK certain UK Premier customers are now managed and reported within Barclays Wealth. Barclaycard. The unsecured lending portfolio, previously managed and reported within Barclaycard, is now managed and reported within UK Retail Banking. International Retail and Commercial Banking excluding Absa. A number of high net worth customers are now managed and reported within Barclays Wealth in order to better match client profiles to wealth services.

Barclays Wealth. In the UK and Western Europe certain Premier and high net worth customers are now managed and reported within Barclays Wealth having been previously reported within UK Retail Banking and International Retail and Commercial Banking excluding Absa.

The Barclays Financial Planning business previously managed and reported within Barclays Wealth, is now managed and reported within UK Retail Banking. Finally with effect from 1st January 2007 Barclays Wealth closed life assurance activities continues to be managed within Barclays Wealth and for reporting purposes has been combined rather than being reported separately.

The structure and reporting remains unchanged for Barclays Commercial Bank, International Retail and Commercial Banking Absa, Barclays Capital and Barclays Global Investors.

All transactions between business segments are conducted on an arms length basis. Internal charges and transfer pricing adjustments are reflected in the performance of each business. Head office functions and other operations contains a centralised treasury function, which deals with the Group s funding requirements. The funding requirements of each business segment reflects funding at market rates and not internally generated transfer prices and is therefore not separately disclosed within inter-segment net income.

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Notes to the accounts

For the year ended 31st December 2007

51 Segmental reporting (continued)

International Head office Retail and Barclays functions UK Commercial Barclays Global Barclays and other

Banking Barclaycard Banking Capital Investors Wealth operations Total

As at 31st December 2007 £m £m £m £m £m £m £m £m

Income from external customers, net of insurance claims 6,913 2,340 3,510 6,934 1,915 1,343 45 23,000 Inter-segment income (62) 146 13 185 11 (56) (237) Total income net of insurance claims 6,851 2,486 3,523 7,119 1,926 1,287 (192) 23,000

Impairment charge and other credit provisions (849) (838) (252) (846) (7) (3) (2,795) Segment expenses external (2,521) (909) (3,494) (3,989) (1,180) (829) (277) (13,199) Inter-segment expenses (849) (192) 1,138 16 (12) (144) 43 Total expenses (3,370) (1,101) (2,356) (3,973) (1,192) (973) (234) (13,199)

Share of post-tax results of associates and joint ventures 7 (7) 7 35 42 Profit on disposal of subsidiaries, associates and joint ventures 14 13 1 28 Business segment performance before tax 2,653 540 935 2,335 734 307 (428) 7,076

Additional information

Depreciation and amortisation 107 57 242 181 22 18 26 653 Impairment loss intangible assets 13 1 14

Capital expenditure a 393 105 456 407 687 196 55 2,299

Investments in associates and joint ventures (6) 19 108 171 85 377 Total assets 161,777 22,164 89,457 839,662 89,224 18,024 7,053 1,227,361 Total liabilities 166,988 1,559 48,809 811,516 87,101 43,988 34,924 1,194,885

International Head office Retail and Barclays functions UK Commercial Barclays Global Barclays and other

Banking Barclaycard Banking Capital Investors Wealth operations Total

As at 31st December 2006 £m £m £m £m £m £m £m £m

Income from external customers, net of insurance claims 6,804 2,355 3,220 6,206 1,670 1,198 142 21,595 Inter-segment income (63) 159 29 61 (5) (38) (143) Total income net of insurance claims 6,741 2,514 3,249 6,267 1,665 1,160 (1) 21,595

Impairment charge and other credit provisions (887) (1,067) (167) (42) (2) 11 (2,154) Segment expenses external (2,626) (712) (2,177) (3,988) (940) (772) (1,459) (12,674) Inter-segment expenses (763) (269) 15 (21) (11) (141) 1,190 Total expenses (3,389) (981) (2,162) (4,009) (951) (913) (269) (12,674)

Share of post-tax results of associates and joint ventures 5 (8) 49 46 Profit on disposal of subsidiaries, associates and joint ventures 76 247 323 Business segment performance before tax 2,546 458 1,216 2,216 714 245 (259) 7,136

Additional information

Depreciation and amortisation 96 45 180 132 13 10 115 591 Impairment loss intangible assets 7 7 Capital expenditure a 232 84 206 246 406 45 152 1,371 Investments in associates and joint ventures 12 89 56 71 228 Total assets 147,576 20,082 68,588 657,922 80,515 15,022 7,082 996,787 Total liabilities 156,906 1,812 37,031 632,208 79,366 37,652 24,422 969,397

Note a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

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3 Financial statements

51 Segmental reporting (continued)

International Head office Retail and Barclays functions UK Commercial Barclays Global Barclays and other

Banking Barclaycard Banking Capital Investors Wealth operations Total

As at 31st December 2005 £m £m £m £m £m £m £m £m

Income from external customers, net of insurance claims 6,240 2,138 1,904 4,388 1,318 1,051 294 17,333 Inter-segment income (4) 161 12 117 (17) (269) Total income net of insurance claims 6,236 2,299 1,916 4,505 1,318 1,034 25 17,333

Impairment charge and other credit provisions (671) (753) (33) (111) (2) (1) (1,571)

Segment expenses external (2,663) (736) (1,338) (2,952) (769) (765) (1,304) (10,527) Inter-segment expenses (663) (172) 2 (11) (10) (103) 957 Total expenses (3,326) (908) (1,336) (2,963) (779) (868) (347) (10,527)

Share of post-tax results of associates and joint ventures (3) 1 46 1 45 Business segment performance before tax 2,236 639 593 1,431 540 164 (323) 5,280

Additional information

Depreciation and amortisation 54 40 111 99 10 8 119 441 Impairment loss intangible assets 6 3 9 Capital expenditure a 78 153 2,580 294 155 14 192 3,466 Investments in associates and joint ventures 31 80 415 20 546 Total assets 137,981 18,236 63,383 601,193 80,900 13,401 9,263 924,357 Total liabilities 140,658 1,561 34,458 576,350 80,115 34,802 31,983 899,927

Geographic segments

Other

United European United Rest of

Kingdom Union States Africa the World Total

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

Total income net of insurance claims 13,127 3,374 2,209 3,188 1,102 23,000 Total assets (by location of asset) 429,443 285,719 301,973 56,117 154,109 1,227,361

Capital expenditure (by location of asset) a 894 303 789 225 88 2,299

Other

United European United Rest of

Kingdom Union States Africa the World Total

Year ended 31st December 2006 £m £m £m £m £m £m

Total income net of insurance claims 12,154 2,882 2,840 2,791 928 21,595 Total assets (by location of asset) 406,328 203,929 229,779 44,696 112,055 996,787 Capital expenditure (by location of asset) a 569 62 565 136 39 1,371

Other

United European United Rest of

Kingdom Union States Africa the World Total

Year ended 31st December 2005 £m £m £m £m £m £m

Total income net of insurance claims 10,697 1,995 2,421 1,445 775 17,333 Total assets (by location of asset) 348,703 196,965 230,200 48,803 99,686 924,357 Capital expenditure (by location of asset) a 449 119 276 2,586 36 3,466

Note a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

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Barclays Bank PLC data

Consolidated income statement

Consolidated income statement

For the year ended 31st December

2007 2006 2005 Notes £m £m £m

Continuing operations

Interest income a 25,308 21,805 17,232 Interest expense a (15,707) (12,662) (9,157) Net interest income 9,601 9,143 8,075 Fee and commission income b 8,682 8,005 6,430 Fee and commission expense b (970) (828) (725) Net fee and commission income 7,712 7,177 5,705 Net trading income c 3,759 3,632 2,321 Net investment income c 1,216 962 858 Principal transactions 4,975 4,594 3,179 Net premiums from insurance contracts 5 1,011 1,060 872 Other income d 224 257 178 Total income 23,523 22,231 18,009 Net claims and benefits incurred on insurance contracts 5 (492) (575) (645) Total income net of insurance claims 23,031 21,656 17,364 Impairment charges 7 (2,795) (2,154) (1,571) Net income 20,236 19,502 15,793 Staff costs 8 (8,405) (8,169) (6,318) Administration and general expenses 9 (4,141) (3,914) (3,768) Depreciation of property, plant and equipment 23 (467) (455) (362) Amortisation of intangible assets 22 (186) (136) (79) Operating expenses (13,199) (12,674) (10,527) Share of post-tax results of associates and joint ventures 20 42 46 45 Profit on disposal of subsidiaries, associates and joint ventures 28 323 Profit before tax 7,107 7,197 5,311 Tax 10 (1,981) (1,941) (1,439) Profit after tax 5,126 5,256 3,872 Profit attributable to minority interests 377 342 177 Profit attributable to equity holders 4,749 4,914 3,695 5,126 5,256 3,872

The note numbers refer to the notes on pages 182 to 265, whereas the note letters refer to those on pages 270 to 278.

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3 Financial statements

Barclays Bank PLC data Consolidated balance sheet

Consolidated balance sheet

As at 31st December

2007 2006 Notes £m £m

Assets

Cash and balances at central banks 5,801 6,795 Items in the course of collection from other banks 1,836 2,408 Trading portfolio assets e 193,726 177,884 Financial assets designated at fair value: held on own account 13 56,629 31,799 held in respect of linked liabilities to customers under investment contracts 13 90,851 82,798 Derivative financial instruments 14 248,088 138,353 Loans and advances to banks 15 40,120 30,926 Loans and advances to customers 15 345,398 282,300 Available for sale financial investments f 43,256 51,952 Reverse repurchase agreements and cash collateral on securities borrowed 17 183,075 174,090 Other assets g 5,153 5,850 Current tax assets 19 518 557 Investments in associates and joint ventures 20 377 228 Goodwill 21 7,014 6,092 Intangible assets 22 1,282 1,215 Property, plant and equipment 23 2,996 2,492 Deferred tax assets 19 1,463 764

Total assets 1,227,583 996,503 Liabilities

Deposits from banks 90,546 79,562 Items in the course of collection due to other banks 1,792 2,221 Customer accounts 295,849 256,754 Trading portfolio liabilities e 65,402 71,874 Financial liabilities designated at fair value 24 74,489 53,987 Liabilities to customers under investment contracts 13 92,639 84,637 Derivative financial instruments 14 248,288 140,697 Debt securities in issue 120,228 111,137 Repurchase agreements and cash collateral on securities lent 17 169,429 136,956 Other liabilities h 10,514 10,337 Current tax liabilities 19 1,311 1,020 Insurance contract liabilities, including unit-linked liabilities 26 3,903 3,878 Subordinated liabilities 27 18,150 13,786 Deferred tax liabilities 19 855 282 Provisions 28 830 462 Retirement benefit liabilities 30 1,537 1,807

Total liabilities 1,195,762 969,397 Shareholders equity

Called up share capital i 2,382 2,363 Share premium account i 10,751 9,452 Other reserves j (170) (484) Other shareholders equity k 2,687 2,534 Retained earnings j 14,222 11,556

Shareholders equity excluding minority interests 29,872 25,421 Minority interests l 1,949 1,685

Total shareholders equity 31,821 27,106 Total liabilities and shareholders equity 1,227,583 996,503

The note numbers refer to the notes on pages 182 to 265, whereas the note letters refer to those on pages 270 to 278. These financial statements have been approved for issue by the Board of Directors on 7th March 2008.

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Barclays Bank PLC data

Consolidated statement of recognised income and expense

Consolidated statement of recognised income and expense

For the year ended 31st December

2007 2006 2005

£m £m £m

Available for sale reserve:

Net gains/(losses) from changes in fair value 389 107 (217) Losses transferred to net profit due to impairment 13 86 Net gains transferred to net profit on disposal (563) (327) (120) Net losses transferred to net profit due to fair value hedging 68 14 260

Cash flow hedging reserve:

Net gains/(losses) from changes in fair value 106 (437) (50) Net losses/(gains) transferred to net profit 253 (50) (69) Currency translation differences 54 (781) 300 Tax 54 253 50 Other 22 25 (102) Amounts included directly in equity 396 (1,110) 52

Profit after tax 5,126 5,256 3,872 Total recognised income and expense for the year 5,522 4,146 3,924

Attributable to:

Equity holders 5,135 4,132 3,659 Minority interests 387 14 265 5,522 4,146 3,924

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3 Financial statements

Barclays Bank PLC data

Consolidated cash flow statement

Consolidated cash flow statement

For the year ended 31st December

2007 2006 2005

£m £m £m

Reconciliation of profit before tax to net cash flows from operating activities:

Profit before tax 7,107 7,197 5,311 Adjustment for non-cash items:

Allowance for impairment 2,795 2,154 1,571 Depreciation and amortisation and impairment of property, plant, equipment and intangibles 669 612 450 Other provisions, including pensions 753 558 654 Net profit from associates and joint ventures (42) (46) (45) Net profit on disposal of investments and property, plant and equipment (862) (778) (530) Net profit from disposal of associates and joint ventures (26) (263) Net profit from disposal of subsidiaries (2) (60) Other non-cash movements (1,471) 1,661 1,505

Changes in operating assets and liabilities:

Net (increase) in loans and advances to banks and customers (77,987) (27,385) (63,177) Net increase in deposits and debt securities in issue 91,451 46,944 67,012 Net (increase)/decrease in derivative financial instruments (2,144) 1,196 841 Net (increase) in trading portfolio assets (18,245) (18,333) (42,585) Net (decrease)/increase in trading liabilities (6,472) 310 9,888 Net (increase)/decrease in financial investments (4,379) 1,538 27,129 Net (increase)/decrease in other assets 1,296 (1,527) (411) Net (decrease) in other liabilities (1,056) (1,580) (2,852) Tax paid (1,583) (2,141) (1,082)

Net cash from operating activities (10,198) 10,057 3,679 Purchase of available for sale investments (26,947) (47,109) (53,626) Proceeds from sale or redemption of available for sale investments 38,423 46,069 51,114 Purchase of intangible assets (263) (212) (91) Purchase of property, plant and equipment (1,241) (654) (588) Proceeds from sale of property, plant and equipment 617 786 98 Acquisition of subsidiaries, net of cash acquired (270) (248) (2,115) Disposal of subsidiaries, net of cash disposed 383 (15) Increase in investment in subsidiaries (668) (432) (160) Decrease in investment in subsidiaries 57 44 49 Acquisition of associates and joint ventures (220) (162) (176) Disposal of associates and joint ventures 145 739 40 Other cash flows associated with investing activities 17 23

Net cash used in investing activities 10,016 (1,177) (5,432) Dividends paid (3,418) (2,373) (2,325) Proceeds from borrowings and issuance of debt securities 4,625 2,493 1,179 Repayments of borrowings and redemption of debt securities (683) (366) (464) Issue of shares and other equity instruments 1,355 585 2,383 Capital injection from Barclays PLC 1,434 Net issues of shares to minority interests 199 226 20

Net cash from financing activities 3,512 565 793 Exchange (loss)/gain on foreign currency cash and cash equivalents (654) 552 (237) Net increase/(decrease) in cash and cash equivalents 2,676 9,997 (1,197) Cash and cash equivalents at beginning of year 30,402 20,405 21,602

Cash and cash equivalents at end of year 33,078 30,402 20,405 Cash and cash equivalents comprise:

Cash in hand 5,801 6,795 3,506 Loans and advances to banks 40,120 30,926 31,105 Less: amounts with original maturity greater than three months (19,376) (15,892) (17,987) 20,744 15,034 13,118 Available for sale financial investments 43,256 51,952 53,703 Less: non-cash and amounts with original maturity greater than three months (41,872) (50,933) (53,487) 1,384 1,019 216 Trading portfolio assets 193,726 177,884 155,730 Less: non-cash and amounts with maturity greater than three months (188,591) (170,346) (152,190) 5,135 7,538 3,540 Other 14 16 25 33,078 30,402 20,405

In 2005, the opening cash and cash equivalents balance was adjusted to reflect the adoption of IAS 32 and IAS 39.

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Barclays Bank PLC data Notes to the accounts

a Net interest income

2007 2006 2005

£m £m £m

Cash and balances with central banks 145 91 9 Available for sale investments 2,580 2,811 2,272 Loans and advances to banks 1,416 903 690 Loans and advances to customers 19,559 16,290 12,944 Other 1,608 1,710 1,317

Interest income 25,308 21,805 17,232 Deposits from banks (2,720) (2,819) (2,056) Customer accounts (4,110) (3,076) (2,715) Debt securities in issue (6,651) (5,282) (3,268) Subordinated liabilities (878) (777) (605) Other (1,348) (708) (513)

Interest expense (15,707) (12,662) (9,157) Net interest income 9,601 9,143 8,075

Interest income includes £113m (2006: £98m, 2005: £76m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements. Similarly, other interest expense principally includes interest expense relating to repurchase agreements and hedging activity.

Included in net interest income is hedge ineffectiveness as detailed in Note 14.

b Net fee and commission income

2007 2006 2005

£m £m £m

Fee and commission income

Brokerage fees 109 70 64 Investment management fees 1,787 1,535 1,250 Securities lending 241 185 151 Banking and credit related fees and commissions 6,367 6,031 4,805 Foreign exchange commissions 178 184 160

Fee and commission income 8,682 8,005 6,430

Brokerage fees paid (970) (828) (725) Fee and commission expense (970) (828) (725) Net fee and commission income 7,712 7,177 5,705

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c Principal transactions

2007 2006 2005

£m £m £m

Rates related business 4,162 2,866 1,732 Credit related business (403) 766 589

Net trading income 3,759 3,632 2,321 Gain from disposal of available for sale assets/investment securities 560 307 120 Dividend income on equity investments 26 15 22 Net gain from financial instruments designated at fair value 293 447 389 Other investment income 337 193 327

Net investment income 1,216 962 858 Principal transactions 4,975 4,594 3,179

Net trading income includes the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income and expense

from these instruments and the related funding cost.

Of the total net trading income, a £756m loss (2006: £947m gain, 2005: £498m gain) was made on securities and £640m gain (2006: £480m, 2005: £340m) was earned in foreign exchange dealings.

The net gain on financial assets designated at fair value included within principal transactions was £78m (2006: £489m, 2005: £391m) of which losses of £215m (2006: £42m gain, 2005: £2m gain) were included in net trading income and gains of £293m (2006: £447m, 2005: £389m) were included in net investment income.

The net loss on financial liabilities designated at fair value included within principal transactions was £231m (2006: £920m, 2005: £666m) all of which was included within net trading income.

The net gain from widening of credit spreads relating to Barclays Capital issued notes held at fair value was £658m (2006: £nil, 2005: £nil).

d Other income

2007 2006 2005

£m £m £m

Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts 5,592 7,417 9,234 Increase in liabilities to customers under investment contracts (5,592) (7,417) (9,234) Property rentals 53 55 54 Other income 171 202 124

Other income 224 257 178

Included in other income are sub-lease receipts of £18m (2006: £18m, 2005: £18m).

Included in other income in 2007 is a loss on the part disposal of Monument credit card portfolio and gains on reinsurance transactions in 2007 and 2006.

e Trading portfolio assets

2007 2006

£m £m

Trading portfolio assets

Treasury and other eligible bills 2,094 2,960 Debt securities 152,778 140,576 Equity securities 36,342 31,565 Traded loans 1,780 1,843 Commodities 732 940

Trading portfolio assets 193,726 177,884

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Barclays Bank PLC data Notes to the accounts

f Available for sale financial investments

2007 2006

£m £m

Debt securities 38,673 47,912 Treasury bills and other eligible bills 2,723 2,420 Equity securities 1,860 1,620

Available for sale financial investments 43,256 51,952

2007 2006

Movement in available for sale financial investments £m £m At beginning of year 51,952 53,703 Exchange and other adjustments 1,499 (3,999) Acquisitions and transfers 26,950 47,109 Disposals (sale and redemption) (37,498) (44,959) Gains from changes in fair value recognised in equity 391 182 Impairment (13) (86) Amortisation of discounts/premium (25) 2

At end of year 43,256 51,952

g Other assets

2007 2006

£m £m

Sundry debtors 4,045 4,298 Prepayments 551 658 Accrued income 400 722 Reinsurance assets 157 172

Other assets 5,153 5,850

Included in the above Group balances are £4,541m (2006: £5,065m) expected to be recovered within no more than 12 months after the balance sheet date; and balances of £612m (2006: £785m) expected to be recovered more than 12 months after the balance sheet date.

Other assets comprise £3,966m (2006: £4,097m) of receivables which meet the definition of financial assets.

h Other liabilities

2007 2006

£m £m

Accruals and deferred income 6,075 6,127 Sundry creditors 4,356 4,118 Obligations under finance leases 83 92

Other liabilities 10,514 10,337

Included in the above are balances of £9,058m (2006: £9,265m) expected to be settled within no more than 12 months after the balance sheet date; and balances of £1,456m (2006: £1,072m) expected to be settled more than 12 months after the balance sheet date.

Accruals and deferred income included £102m (2006: £107m) in relation to deferred income from investment contracts and £677m (2006: £822m) in relation to deferred income from insurance contracts for the Group.

3 Financial statements

i Called up share capital

Ordinary Shares

The authorised ordinary share capital of the Bank, as at 31st December 2007, was 3,000 million (2006: 3,000 million) ordinary shares of £1 each. During the year, the Bank issued 7 million ordinary shares with an aggregate nominal value of £7m, for cash consideration of £111m.

Preference Shares

The authorised preference share capital of Barclays Bank PLC, as at 31st December 2007, was 1,000 Preference Shares (2006: 1,000) of £1; 400,000 Preference Shares of ¤100 each (2006: 400,000); 400,000 Preference Shares of £100 each (2006: 400,000); 400,000 Preference Shares of US$100 each (2006: 400,000); 150 million Preference Shares of US$0.25 each (2006: 80 million). The issued preference share capital of Barclays Bank PLC, as at 31st December 2007, comprised 1,000 (2006: 1,000) Sterling Preference Shares of £1 each; 240,000 (2006: 240,000) Euro Preference Shares of ¤100 each; 75,000 (2006: 75,000) Sterling Preference Shares of £100 each; 100,000 (2006: 100,000) US Dollar Preference Shares of US$100 each; 131 million (2006: 30 million) US Dollar Preference Shares of US$0.25 each.

2007 2006

£m £m

Called up share capital, allotted and fully paid

At beginning of year 2,329 2,318 Issued for cash 7 11

At end of year 2,336 2,329 Called up preference share capital, allotted and fully paid At beginning of year 34 30 Issued for cash 12 4

At end of year 46 34 Called up share capital 2,382 2,363

Share premium

2007 2006

£m £m

At beginning of year 9,452 8,882 Ordinary shares issued for cash 104 168 Preference shares issued for cash 1,195 402

At end of year 10,751 9,452

Sterling £1 Preference Shares

1,000 Sterling cumulative callable preference shares of £1 each (the £1 Preference Shares) were issued on 31st December 2004 at nil premium.

The £1 Preference Shares entitle the holders thereof to receive sterling cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a rate reset semi-annually equal to the sterling interbank offered rate for six-month sterling deposits.

Barclays Bank PLC shall be obliged to pay such dividends if (1) it has profits available for the purpose of distribution under the Companies Act 1985 as at each dividend payment date and (2) it is solvent on the relevant dividend payment date, provided that a capital regulations condition is satisfied on such dividend payment date. The dividends shall not be due and payable on the relevant dividend payment date except to the extent that Barclays Bank PLC could make such payment and still be solvent immediately thereafter. Barclays Bank PLC shall be considered solvent on any date if (1) it is able to pay its debts to senior creditors as they fall due and (2) its auditors have reported within the previous six months that its assets exceed its liabilities.

If Barclays Bank PLC shall not pay, or shall pay only in part, a dividend for a period of seven days or more after the due date for payment, the holders of the £1 Preference Shares may institute proceedings for the winding-up of Barclays Bank PLC. No remedy against Barclays Bank PLC shall be available to the holder of any £1 Preference Shares for the recovery of amounts owing in respect of £1 Preference Shares other than the institution of proceedings for the winding-up of Barclays Bank PLC and/or proving in such winding-up.

On a winding-up or other return of capital (other than a redemption or purchase by Barclays Bank PLC of any of its issued shares, or a reduction of share capital, permitted by the Articles of Barclays Bank PLC and under applicable law), the assets of Barclays Bank PLC available to shareholders shall be applied in priority to any payment to the holders of ordinary shares and any other class of shares in the capital of Barclays Bank PLC then in issue ranking junior to the £1 Preference Shares on such a return of capital and pari passu on such a return of capital with the holders of any other class of shares in the capital of Barclays Bank PLC then in issue (other than any class of shares in the capital of Barclays Bank PLC then in issue ranking in priority to the £1 Preference Shares on a winding-up or other such return of capital), in payment to the holders of the £1 Preference Shares of a sum equal to the aggregate of: (1) an amount equal to the dividends accrued thereon for the then current dividend period (and any accumulated arrears thereof) to the date of the commencement of the winding-up or other such return of capital; and (2) an amount equal to £1 per £1 Preference Share.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the £1 Preference Shares will have no right or claim to any of the remaining assets of Barclays Bank PLC and will not be entitled to any further participation in such return of capital. The £1 Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, subject to the Companies Act and its Articles. Holders of the £1 Preference Shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC.

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Barclays Bank PLC data

Notes to the accounts

i Called up share capital (continued)

Euro Preference Shares

100,000 Euro 4.875% non-cumulative callable preference shares of ¤100 each (the 4.875% Preference Shares) were issued on 8th December 2004 for a consideration of ¤993.6m (£688.4m), of which the nominal value was ¤10m and the balance was share premium. The 4.875% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.875% per annum on the amount of ¤10,000 per preference share until 15th December 2014, and thereafter quarterly at a rate reset quarterly equal to 1.05% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.875% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2014, and on each dividend payment date thereafter at ¤10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption. 140,000 Euro 4.75% non-cumulative callable preference shares of ¤100 each (the 4.75% Preference Shares) were issued on 15th March 2005 for a consideration of ¤1,383.3m (£966.7m), of which the nominal value was ¤14m and the balance was share premium. The 4.75% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.75% per annum on the amount of ¤10,000 per preference share until 15th March 2020, and thereafter quarterly at a rate reset quarterly equal to 0.71% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th March 2020, and on each dividend payment date thereafter at ¤10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

Sterling Preference Shares

75,000 Sterling 6.0% non-cumulative callable preference shares of £100 each (the 6.0% Preference Shares) were issued on 22nd June 2005 for a consideration of £732.6m, of which the nominal value was £7.5m and the balance was share premium. The 6.0% Preference Shares entitle the holders thereof to receive Sterling non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 6.0% per annum on the amount of £10,000 per preference share until 15th December 2017, and thereafter quarterly at a rate reset quarterly equal to 1.42% per annum above the London interbank offered rate for three-month Sterling deposits.

The 6.0% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2017, and on each dividend payment date thereafter at £10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

US Dollar Preference Shares

100,000 US Dollar 6.278% non-cumulative callable preference shares of US$100 each (the 6.278% Preference Shares), represented by 100,000 American Depositary Shares, Series 1, were issued on 8th June 2005 for a consideration of US$995.4m (£548.1m), of which the nominal value was US$10m and the balance was share premium. The 6.278% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a fixed rate of 6.278% per annum on the amount of US$10,000 per preference share until 15th December 2034, and thereafter quarterly at a rate reset quarterly equal to 1.55% per annum above the London interbank offered rate for three-month US Dollar deposits.

The 6.278% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2034, and on each dividend payment date thereafter at US$10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

30 million US Dollar 6.625% non-cumulative callable preference shares of US$0.25 each (the 6.625% Preference Shares), represented by 30 million American Depositary Shares, Series 2, were issued on 25th and 28th April 2006 for a consideration of US$727m (£406m), of which the nominal value was US$7.5m and the balance was share premium. The 6.625% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 6.625% per annum on the amount of US$25 per preference share.

The 6.625% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th September 2011, and on each dividend payment date thereafter at US$25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

55 million US Dollar 7.1% non-cumulative callable preference shares of US$0.25 each (the 7.1% Preference Shares), represented by 55 million American Depositary Shares, Series 3, were issued on 13th September 2007 for a consideration of US$1,335m (£657m), of which the nominal value was US$13.75m and the balance was share premium. The 7.1% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.1% per annum on the amount of US$25 per preference share.

The 7.1% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on 15th December 2012, and on each dividend payment date thereafter at US$25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

46 million US Dollar 7.75% non-cumulative callable preference shares of US$0.25 each (the 7.75% Preference Shares), represented by 46 million American Depositary Shares, Series 4, were issued on 7th December 2007 for a consideration of US$1,116m (£550m), of which the nominal value was US$11.5m and the balance was share premium. The 7.75% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.75% per annum on the amount of US$25 per preference share.

The 7.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on 15th December 2013, and on each dividend payment date thereafter at US$25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

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3 Financial statements

i Called up share capital (continued)

No redemption or purchase of any 4.875% Preference Shares, the 4.75% Preference Shares, the 6.0% Preference Shares, the 6.278% Preference Shares, the 6.625% Preference Shares, the 7.1% Preference Shares and the 7.75% Preference Shares (together the Preference Shares) may be made by Barclays Bank PLC without the prior notification to the UK FSA and any such redemption will be subject to the Companies Act and the Articles of Barclays Bank PLC.

On a winding-up of Barclays Bank PLC or other return of capital (other than a redemption or purchase of shares of Barclays Bank PLC, or a reduction of share capital), a holder of Preference Shares will rank in the application of assets of Barclays Bank PLC available to shareholders (1) junior to the holder of any shares of Barclays Bank PLC in issue ranking in priority to the Preference Shares, (2) equally in all respects with holders of other preference shares and any other shares of Barclays Bank PLC in issue ranking pari passu with the Preference Shares and (3) in priority to the holders of ordinary shares and any other shares of Barclays Bank PLC in issue ranking junior to the Preference Shares.

The holders of the £400m 6% Callable Perpetual Core Tier One Notes and the US$1,000m 6.86% Callable Perpetual Core Tier One Notes of Barclays Bank PLC (together, the TONs) and the holders of the US$1,250m 8.55% Step-up Callable Perpetual Reserve Capital Instruments, the US$750m 7.375% Step-up Callable Perpetual Reserve Capital Instruments, the ¤850m 7.50% Step-up Callable Perpetual Reserve Capital Instruments, the £500m 5.3304% Step-up Callable Perpetual Reserve Capital Instruments, the US$1,350m 5.926% Step-up Callable Perpetual Reserve Capital Instruments, the £500m 6.3688% Step-up Callable Perpetual Reserve Capital Instruments and the US$1,250m 7.434% Step-up Callable Perpetual Reserve Capital Instruments of Barclays Bank PLC (together, the RCIs) would, for the purposes only of calculating the amounts payable in respect of such securities on a winding-up of Barclays Bank PLC, subject to limited exceptions and to the extent that the TONs and the RCIs are then in issue, rank pari passu with the holders of the most senior class or classes of preference shares then in issue in the capital of Barclays Bank PLC. Accordingly, the holders of the preference shares would rank equally with the holders of such TONs and RCIs on such a winding-up of Barclays Bank PLC (unless one or more classes of shares of Barclays Bank PLC ranking in priority to the preference shares are in issue at the time of such winding-up, in which event the holders of such TONs and RCIs would rank equally with the holders of such shares and in priority to the holders of the preference shares).

Subject to such ranking, in such event, holders of the preference shares will be entitled to receive out of assets of Barclays Bank PLC available for distributions to shareholders, liquidating distributions in the amount of ¤10,000 per 4.875% Preference Share, ¤10,000 per 4.75% Preference Share, £10,000 per 6.0% Preference Share, US$10,000 per 6.278% Preference Share, US$25 per 6.625% Preference Share, US$25 per 7.1% Preference Share and US$25 per 7.75% Preference Share, plus, in each case, an amount equal to the accrued dividend for the then current dividend period to the date of the commencement of the winding-up or other such return of capital. If a dividend is not paid in full on any preference shares on any dividend payment date, then a dividend restriction shall apply.

This dividend restriction will mean that neither Barclays Bank PLC nor Barclays PLC may (a) declare or pay a dividend (other than payment by Barclays PLC of a final dividend declared by its shareholders prior to the relevant dividend payment date, or a dividend paid by Barclays Bank PLC to Barclays PLC or to a wholly owned subsidiary) on any of their respective ordinary shares, other preference shares or other share capital or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital, other than shares of Barclays Bank PLC held by Barclays PLC or a wholly owned subsidiary, until the earlier of (1) the date on which Barclays Bank PLC next declares and pays in full a preference dividend and (2) the date on or by which all the preference shares are redeemed in full or purchased by Barclays Bank PLC.

Holders of the preference shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC. Barclays Bank PLC is not permitted to create a class of shares ranking as regards participation in the profits or assets of Barclays Bank PLC in priority to the preference shares, save with the sanction of a special resolution of a separate general meeting of the holders of the preference shares (requiring a majority of not less than three-fourths of the holders of the preference shares voting at the separate general meeting), or with the consent in writing of the holders of three-fourths of the preference shares.

Except as described above, the holders of the preference shares have no right to participate in the surplus assets of Barclays Bank PLC.

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Barclays Bank PLC data Notes to the accounts

j Reserves

Other reserves

Available Cash flow for sale hedging Translation reserve reserve reserve Total

£m £m £m £m

At 1st January 2007 184 (230) (438) (484)

Net gains from changes in fair value 385 182 567 Net (gains)/losses transferred to net profit (560) 198 (362) Currency translation differences 29 29 Losses transferred to net profit due to impairment 13 13 Changes in insurance liabilities 22 22 Net losses transferred to net profit due to fair value hedging 68 68

Tax (1) (124) 102 (23)

At 31st December 2007 111 26 (307) (170)

Retained earnings

Retained earnings £m

At 1st January 2007 11,556

Profit attributable to equity holders 4,749 Equity-settled share schemes 567 Tax on equity-settled shares schemes 28 Vesting of Barclays PLC shares under share-based payment schemes (524) Dividends paid (3,287) Dividends on preference shares and other shareholders equity (345) Capital injection from Barclays PLC 1,434 Other movements 44

At 31st December 2007 14,222 At 1st January 2006 8,462 Profit attributable to equity holders 4,914 Equity-settled share schemes 663 Tax on equity-settled shares schemes 96 Vesting of Barclays PLC shares under share-based payment schemes (394) Dividends paid (1,964) Dividends on preference shares and other shareholders equity (329) Other movements 108

At 31st December 2006 11,556

Transfers from the cashflow hedging reserve to the income statement were: interest income £93m loss (2006: £7m loss), interest expense £11m gain (2006: £73m gain), net trading income £100m loss (2006: £15m loss) and administration and general expenses of £16m loss (2006: £nil).

k Other shareholders equity

2007 2006

£m £m

At 1st January 2,534 2,490 Appropriations 8 44 Other movements 145

At 31st December 2,687 2,534

Included in other shareholders equity are:

Issuances of reserve capital instruments which bear a fixed rate of interest ranging between 7.375%-8.55% until 2010 or 2011. After these dates, in the event that the reserve capital instruments are not redeemed, they will bear interest at rates fixed periodically in advance, based on London or European interbank rates. These instruments are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June or December 2010 or 2011. The Bank may elect to defer any payment of interest on the reserve capital instruments for any period of time. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

Issuance of capital notes which bear interest at rates fixed periodically in advance, based on London interbank rates. These notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The Bank is not obliged to make a payment of interest on its capital notes if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC.

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3 Financial statements

l Minority interests

2007 2006

£m £m

At beginning of year 1,685 1,578 Share of profit after tax 377 342 Dividend and other payments (131) (127) Equity issued by subsidiaries 137 233 Available for sale reserve: net gain/(loss) from changes in fair value 1 (2) Cash flow hedges: net loss from changes in fair value (16) (9) Currency translation differences 16 (316) Additions 27 20 Disposals (111) (34) Other (36)

At end of year 1,949 1,685

m Dividends

2007 2006

£m £m

On ordinary shares

Final dividend 791 730 Interim dividends 2,496 1,234

Dividends 3,287 1,964

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and in 2007, to fund the repurchase by Barclays PLC of ordinary share capital.

Dividends paid on preference shares amounted to £193m (2006: £174m). Dividends paid on other equity instruments as detailed in Note k amounted to £152m (2006: £151m).

n Financial risks

The only significant financial instruments that are held by Barclays Bank PLC and not Barclays PLC are investments in Barclays PLC ordinary shares, dealt with as trading portfolio equity assets and available for sale financial investments as appropriate.

There consequently are no significant differences in exposures to market risk, credit risk, liquidity risk and the fair value of financial instruments between Barclays PLC and Barclays Bank PLC, and no differences in the manner in which these financial risks are managed. Therefore the disclosures regarding financial risks appearing in Notes 45 to 48 are in all material respects the same for Barclays Bank PLC and Barclays PLC.

o Capital

The Barclays Bank PLC Group s policies and objectives for managing capital are the same as those for the Barclays PLC Group, disclosed in Note 50. The table below provides details under Basel I of the Barclays Bank PLC Group capital ratios and risk weighted assets at 31st December 2007 and 2006.

2007 2006

% %

Capital Ratios

Tier 1 ratio 7.5 7.5 Risk asset ratio 11.8 11.5

	2007	2006
	£m	£m
Total risk weighted assets	353,471	297,833

The table below provides details of the regulatory capital resources of Barclays Bank PLC Group.

	2007	2006
	£m	£m
Total qualifying Tier 1 capital	26,534	22,455
Total qualifying Tier 2 capital	17,123	14,036
Total deductions	(1,889)	(2,330)
Total net capital resources	41,768	34,161

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Barclays Bank PLC data Notes to the accounts

p Segmental analysis

Other

United European United Rest of

Kingdom Union States Africa the World Total

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

Total income 13,310 3,600 2,209 3,302 1,102 23,523

Insurance claims and benefits (152) (226) (114) (492)

Total income net of insurance claims 13,158 3,374 2,209 3,188 1,102 23,031

Percentage of total income net of insurance claims (%) 57% 15% 9% 14% 5% 100%

Total assets (by location of asset) 429,665 285,719 301,973 56,117 154,109 1,227,583

Percentage of total assets (%) 35% 23% 25% 4% 13% 100% Capital expenditure (by location of asset) a 894 303 789 225 88 2,299

Other

United European United Rest of

Kingdom Union States Africa the World Total

Year ended 31st December 2006 £m £m £m £m £m £m

Total income 12,503 3,063 2,840 2,897 928 22,231 Insurance claims and benefits (288) (181) (106) (575) Total income net of insurance claims 12,215 2,882 2,840 2,791 928 21,656 Percentage of total income net of insurance claims (%) 57% 13% 13% 13% 4% 100% Total assets (by location of asset) 406,044 203,929 229,779 44,696 112,055 996,503 Percentage of total assets (%) 41% 20% 23% 5% 11% 100% Capital expenditure (by location of asset) a 569 62 565 136 39 1,371

Note

a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

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3 Financial statements

Barclays Bank PLC data Financial Data

IFRS UK GAAP 2007 2006 2005 2004 a 2003

Selected financial statistics % % % % %

Attributable profit as a percentage of:

average total assets 0.4 0.4 0.4 0.5 0.6 average shareholders equity 16.3 20.2 17.4 21.3 17.0 Average shareholders equity as a percentage of average total assets 2.2 2.2 2.2 2.4 3.3

Selected income statement data £m £m £m £m £m

Interest income 25,308 21,805 17,232 13,880 12,427 Interest expense (15,707) (12,662) (9,157) (7,047) (5,823) Non-interest income 13,922 13,088 9,934 8,543 5,807 Operating expenses (13,199) (12,674) (10,527) (8,536) (7,253) Provisions bad and doubtful debts n/a n/a n/a n/a (1,347) contingent liabilities and commitments n/a n/a n/a n/a 1 Impairment charges (2,795) (2,154) (1,571) (1,093) n/a Share of post-tax results of associates and joint ventures 42 46 45 56 29 Profit on disposal of subsidiaries, associates and joint ventures 28 323 45 n/a Exceptional items n/a n/a n/a n/a 4 Profit before tax 7,107 7,197 5,311 4,589 3,845 Attributable profit 4,749 4,914 3,695 3,263 2,744

Selected balance sheet data £m £m £m £m £m

Total shareholders equity 31,821 27,106 24,243 16,849 16,485 Subordinated liabilities 18,150 13,786 12,463 12,277 12,339 Deposits from banks, customer accounts and debt securities in issue 506,623 447,453 417,139 412,358 329,815 Loans and advances to banks and customers 385,518 313,226 300,001 343,041 288,743 Total assets 1,227,583 996,503 924,170 538,300 443,373

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

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Barclays Bank PLC data Financial Data

Ratio of earnings to fixed charges Barclays Bank PLC

2007 2006 2005 2004 a 2003 b (in £m except for ratios)

Ratio of earnings to fixed charges IFRS/UK GAAP: Fixed charges

Interest expense 37,903 30,385 20,965 14,464 10,754 Rental expense 161 137 126 93 85 Total fixed charges 38,064 30,522 21,091 14,557 10,839

Earnings

Income before taxes and minority interests 7,107 7,197 5,311 4,589 3,845 Less: Unremitted pre-tax income of associated companies and joint ventures (45) (41) (28) (51) (21) 7,062 7,156 5,283 4,538 3,824 Fixed charges 38,064 30,522 21,091 14,557 10,839 Total earnings including fixed charges 45,126 37,678 26,374 19,095 14,663

Ratio of earnings to fixed charges 1.19 1.23 1.25 1.31 1.35

Ratio of earnings to fixed charges and preference shares Barclays Bank PLC

2007 2006 2005 2004 a 2003 b (in £m except for ratios)

Combined fixed charges, preference share dividends and similar appropriations IFRS/UK GAAP:

Interest expense 37,903 30,385 20,965 14,464 10,754 Rental expense 161 137 126 93 85 Fixed charges 38,064 30,522 21,091 14,557 10,839 Preference share dividends and similar appropriations 345 395 304 3 Total fixed charges 38,409 30,917 21,395 14,560 10,839

Earnings

Income before taxes and minority interests 7,107 7,197 5,311 4,589 3,845 Less: Unremitted pre-tax (income)/loss of associated companies and joint ventures (45) (41) (28) (51) (21) 7,062 7,156 5,283 4,538 3,824 Fixed charges 38,409 30,917 21,091 14,557 10,839 Total earnings including fixed charges 45,471 38,073 26,374 19,095 14,663

Ratio of earnings to combined fixed charges, preference share dividends and similar appropriations 1.18 1.23 1.23 1.31 1.35

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

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Shareholder information

Dividends on the ordinary shares of Barclays PLC

Barclays PLC has paid dividends on its ordinary shares every year without interruption since its incorporation in 1896. The dividends declared for each of the last five years were:

Pence per 25p ordinary share

	2007	2006	2005	2004	2003
Interim	11.50	10.50	9.20	8.25	7.05
Final	22.50	20.50	17.40	15.75	13.45
Total	34.00	31.00	26.60	24.00	20.50

US Dollars per 25p ordinary share

	2007	2006	2005	2004	2003
Interim	0.23	0.20	0.16	0.15	0.12
Final	0.45	0.41	0.31	0.30	0.24
Total	0.68	0.61	0.47	0.45	0.36

The gross dividends applicable to an American Depositary Share (ADS) representing four ordinary shares, before deduction of withholding tax, are as follows:

US Dollars per American Depositary Share

	2007	2006	2005	2004	2003
Interim	0.93	0.80	0.65	0.60	0.48
Final	1.79	1.64	1.24	1.20	0.95
Total	2.72	2.44	1.89	1.80	1.43

Dividends expressed in Dollars are translated at the Noon Buying Rates in New York City for cable transfers in Pounds Sterling as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) for the days on which dividends are paid, except for the 2007 final dividend, payable in the UK on 25th April 2008, which is translated at the Noon Buying Rate applicable on 27th February 2008. No representation is made that Pounds Sterling amounts have been, or could have been, or could be, converted into Dollars at these rates.

Trading market for ordinary shares of Barclays PLC

The nominal capital of Barclays PLC is divided into 9,996,000,000 ordinary shares of 25p each (ordinary shares) and 1,000,000 staff shares of £1 each (staff shares). At the close of business on 31st December 2007, 6,600,181,801 ordinary shares and 875,000 staff shares were outstanding.

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. Ordinary share listings were also obtained on the Tokyo Stock Exchange with effect from 1st August 1986 and the New York Stock Exchange (NYSE) with effect from 9th September 1986.

Trading on the NYSE is in the form of ADSs under the symbol BCS . Each ADS represents four ordinary shares and is evidenced by an American Depositary Receipt (ADR). The ADR depositary is The Bank of New York. Details of trading activity are published in the stock tables of leading daily newspapers in the US.

There were 838 ADR holders and 1,434 recorded holders of ordinary shares with US addresses at 31st December 2007, whose shareholdings represented approximately 3.94% of total outstanding ordinary shares on that date. Since certain of the ordinary shares and ADRs were held by brokers or other nominees, the number of recorded holders in the US may not be representative of the number of beneficial holders or of their country of residence.

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The following table shows the high and low sales price for the ordinary shares during the periods indicated, based on mid-market prices at close of business on the London Stock Exchange and the high and low sale price for ADSs as reported on the NYSE composite tape.

American 25p ordinary shares Depositary Shares High Low High Low p p US$ US$

2008

By month:

January 508.5 420.75 41.37 33.75 February 520.0 427.5 41.58 33.23

2007

By month:

July 738.5 681.0 60.35 54.93 August 712.5 589.0 57.75 46.61 September 639.0 580.0 51.47 47.10 October 665.5 580.0 54.48 47.30 November 571.5 474.5 47.23 39.86 December 569.0 499.0 46.90 39.90

By quarter:

First quarter 790.0 673.5 62.46 53.35 Second quarter 756.0 696.0 60.37 55.79 Third quarter 738.5 580.0 60.35 46.61 Fourth quarter 665.5 474.5 54.48 39.86

2006

Fourth quarter 737 676 61.52 51.02 Third quarter 680 586 51.75 42.90 Second quarter 701 588 51.03 43.20 First quarter 684 587.5 48.00 41.80 2007 790 474.5 62.46 39.86 2006 737 586 61.52 41.80 2005 615 520 47.00 37.16 2004 586 443 45.99 32.78 2003 527 311 36.57 20.30

This section incorporates information on the prices at which securities of Barclays PLC have traded. It is emphasised that past performance cannot be relied upon as a guide to future performance.

Shareholdings at 31st December 2007 a

Shares held as a Shareholders percentage Percentage Number of of issued of total shares held ordinary Number holders (millions) shares

Classification of shareholders

Personal holders 724,760 97.3 462.0 7.0 Banks and nominees 18,232 2.45 5,993.6 90.8 Other companies 1,810 0.25 144.19 2.18

Insurance companies 14 0.0 0.2 0.02

Pensions funds 16 0.0 0.019 0.0 Totals 744,832 100 6,600 100

Shareholding range

1-100 28,398 3.81 0.69 0.01 101-250 273,942 36.78 19.8 0.3 251-500 212,358 28.51 28.3 0.43 501-1,000 108,967 14.63 36.9 0.56 1,001-5,000 92,200 12.38 134.5 2.01 5,001-10,000 15,350 2.06 89.7 1.36 10,001-25,000 9,253 1.24 119.5 1.81 25,001-50,000 2,231 0.30 67.0 1.02 50,001 and over 2,133 0.29 6,104 92.5 Totals 744,832 100 6,600 100

United States holdings 1,434 0.16 2.27 0.034

Note a These figures include Barclays Sharestore members.

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Shareholder information

Memorandum and Articles of Association

The Company was incorporated in England on 20th July 1896 under the Companies Acts 1862 to 1890 as a company limited by shares and was reregistered in 1982 as a public limited company under the Companies Acts 1948 to 1980. The Company is registered under company number 48839. The Company was reregistered as Barclays PLC on 1st January 1985.

The objects of the Company are set out in full in clause 4 of its Memorandum of Association which provides, among other things, that the Company s objects are to carry on business as an investment and holding company in all its aspects.

The Company may, by special resolution, amend its Articles of Association. The Company is proposing to adopt new Articles of Association at its annual general meeting in 2008, to update its Articles of Association for the operative provisions of the Companies Act 2006. A summary of the proposed changes may be found in the notice of annual general meeting that accompanies this report.

Directors

(i) The minimum number of Directors (excluding alternate Directors) is five. There is no maximum limit. There is no age limit for Directors.

(ii) Excluding executive remuneration and any other entitlement to remuneration for extra services (including service on board committees) under the Articles, a Director is entitled to a fee at a rate determined by the Board but the aggregate fees paid to all Directors shall not exceed £1,000,000 per annum or such higher amount as may be approved by an ordinary resolution of the Company. Each Director is entitled to reimbursement for all travelling, hotel and other expenses properly incurred by him/her in or about the performance of his/her duties.

(iii) No auditor or member of a firm of auditors of the Group of companies may be appointed a Director. A Director may hold any other office of the Company on such terms as the Board shall determine.

(iv) At each annual general meeting (AGM) of the Company, one third of the Directors (rounded down) are required to retire from office by rotation and may offer themselves for re-election. The Directors so retiring are those who have been longest in office (and in the case of equality of service length are selected by lot). Other than a retiring Director, no person shall (unless recommended by the Board) be eligible for election unless a member notifies the Company Secretary in advance of his/her intention to propose a person for election.

(v) The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any Director so appointed holds office until the next AGM, when he/she may offer himself/herself for re-election. He/she is not taken into account in determining the number of Directors retiring by rotation.

(vi) The Board may appoint any Director to any executive position or employment in the Company on such terms as they determine.

(vii) A Director may appoint either another Director or some other person approved by the Board to act as his/her alternate with power to attend Board meetings and generally to exercise the functions of the appointing Director in his/her absence (other than the power to appoint an alternate).

(viii) A Director may hold positions with or be interested in other companies and, subject to legislation applicable to the Company and the FSA s requirements, may contract with the Company or any other company in which the Company is interested. A Director may not vote or count towards the quorum on any resolution concerning any proposal in which he/she (or any person connected with him/her) has a material interest (other than by virtue of his/her interest in securities of the Company) or if he/she has a duty which conflicts or may conflict with the interests of the Company, unless the resolution relates to any proposal:

(a) to indemnify a Director or provide him/her with a guarantee or security in respect of money lent by him/her to, or any obligation incurred by him/her or any other person for the benefit of (or at the request of), the Company (or any other member of the Group);

(b) to indemnify or give security or a guarantee to a third party in respect of a debt or obligation of the Company (or any other member of the Group) for which the Director has personally assumed responsibility;

(c) to indemnify a Director or provide him/her with a guarantee or security for any liability which he/she may incur in the performance of his/her duties or to obtain insurance against such a liability;

(d) involving the acquisition by a Director of any securities of the Company pursuant to an offer to existing holders of securities or to the public;

(e) that the Director underwrite any issue of securities of the Company (or any of its subsidiaries);

(f) concerning any other company in which the Director is interested as an officer or creditor or shareholder but, broadly, only if he/she (together with his/her connected persons) is directly or indirectly interested in less than 1% of either any class of the issued equity share capital or of the voting rights of that company;

(g) concerning any superannuation fund or retirement, death or disability benefits scheme under which a Director may benefit or any employees share scheme, so long as any such fund or scheme does not give additional advantages to the Director which are not granted to the employees who are in the fund or scheme; and

(h) concerning any other arrangement for the benefit of employees of the Company (or any other member of the Group) under which the Director benefits or stands to benefit in a similar manner to the employees concerned and which does not give the Director any advantage which the employees to whom the arrangement relates would not receive.

(ix) A Director may not vote or be counted in the quorum on any resolution which concerns his/her own employment or appointment to any office of the Company or any other company in which the Company is interested. (x) Subject to applicable legislation, the provisions described in sub-paragraphs (viii) and (ix) may be relaxed or suspended by an ordinary resolution of the Company.

(xi) A Director is required to hold an interest in ordinary shares having a nominal value of at least £500, which currently equates to 2,000 Ordinary Shares. A Director may act before acquiring those Ordinary Shares but must acquire the qualification Ordinary Shares within two months from his or her appointment. Where a Director is unable to acquire the requisite number of Ordinary Shares within that time owing to legislative, regulatory or share-dealing restrictions, he/she must acquire the Ordinary Shares as soon as reasonably practicable once the restriction(s) end.

(xii) The Board may exercise all of the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities.

Classes of share

The Company has two classes of shares, Ordinary Shares and Staff Shares, to which the provisions set out below apply:

(i) Dividends

Subject to the provisions of the Articles and applicable legislation, the Company in general meeting may declare dividends by ordinary resolution, but such dividend may not exceed the amount recommended by the Board. The Board may also pay interim or final dividends if it appears they are justified by the Company s financial position.

The profits which are resolved to be distributed in respect of any period are applied first in payment of a fixed dividend of 20% per annum on the Staff Shares and then in payment of dividends on the Ordinary Shares. No dividend will be declared on the Staff Shares unless a dividend is also paid on the Ordinary Shares in respect of that period. Any Staff Share held by anyone not an employee of Barclays or Barclays Bank (an Employee) will be treated as a Ordinary Share in respect of dividends, up to a maximum dividend of 6% for the year upon the amount paid up on that share.

All unclaimed dividends payable in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. If a dividend is not claimed after 12 years of it becoming payable, it is forfeited and reverts to the Company.

The Board may (although it currently does not), with the approval of an ordinary resolution of the Company, offer shareholders the right to choose to receive an allotment of additional fully paid Ordinary Shares instead of cash in respect of all or part of any dividend.

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(ii) Voting

Every member who is present in person or represented at any general meeting of the Company and who is entitled to vote has one vote on a show of hands. On a poll, every member who is present or represented has one vote for every share held. Any joint holder may vote in respect of jointly owned shares, but the vote of the senior holder (as determined by order in the share register) shall take precedence. If any sum payable remains unpaid in relation to a member s shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of the Company unless the Board otherwise determine.

If any member, or any other person appearing to be interested in any of the Company s Ordinary Shares, is served with a notice under Section 793 of the Companies Act 2006 and does not supply the Company with the information required in the notice, then the Board, in its absolute discretion, may direct that that member shall not be entitled to attend or vote at any meeting of the Company.

The Board may further direct that if the shares of the defaulting member represent 0.25% or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by the Company until the direction ceases to have effect and that no transfer of those shares shall be registered (other than certain specified approved transfers). A direction ceases to have effect seven days after the Company has received the information requested, or when the Company is notified that an approved transfer to a third party has occurred, or as the Board otherwise determines.

(iii) Transfers

Certificated shares shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. Transfers of uncertificated shares shall be made in accordance with the applicable regulations. The Board may make any arrangements to regulate and evidence the transfer of shares as they consider fit in accordance with applicable legislation and the rules of the FSA.

In order to transfer a Staff Share, the transferor must serve a notice on the Company (a Transfer Notice) indicating his/her wish to transfer such share at such sum as he/she specifies as the fair value (subject to a maximum amount determined in accordance with the Articles). The Staff Shares must be transferred at the specified fair value to such Employee as is willing to purchase it and who has been identified by the Board within 60 days of the Transfer Notice. If the Company has not found a person willing to purchase the share within 60 days of the Transfer Notice, the Staff Share may be freely transferred at any price (although the Board may decline to prepare or register the transfer). Such a procedure may also be initiated by the Board if a Staff Share is held by a non-Employee.

Registration of shares may be suspended, subject to applicable legislation, for such periods as the Board may determine (but for not more than 30 days in any calendar year).

The Board is not bound to register a transfer of partly paid shares, or fully paid shares in exceptional circumstances approved by the FSA. The Board may also decline to register an instrument of transfer of certificated shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, it is in respect of one class of shares only, and it is in favour of not more than four transferees (except in the case of executors or trustees of a member).

(iv) Return of Capital and Liquidation

In the event of any return of capital by reduction of capital or on liquidation, the Ordinary Shares and the Staff Shares rank equally in proportion to the amounts paid up or credited as paid up on the shares of each class, except that in the event of a winding up of the Company the holders of the Staff Shares are only entitled to participate in the surplus assets available for distribution up to the amount paid up on the Staff Shares plus 10% of such amount.

(v) Redemption and Purchase

Subject to applicable legislation and the rights of the other shareholders, any share may be issued on terms that it is, at the option of the Company or the holder of such share, redeemable. The Company currently has no redeemable shares in issue.

The Company may purchase its own shares subject to the provisions of applicable legislation, the Articles and the approval of any class of convertible shares in issue (by extraordinary resolution or written consent of 75% of such class).

(vi) Calls on capital

The Directors may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred. Interest will be chargeable on any unpaid amount called at a rate determined by the Board (of not more than 20%).

If a member fails to pay any call in full (following notice from the Board that such failure will result in forfeiture of the relevant shares), such shares (including any dividends declared but not paid) may be forfeited by a resolution of the Board, and will become the property of the Company. Forfeiture shall not absolve a previous member for amounts payable by him/her (which may continue to accrue interest).

The Company also has a lien over all partly paid shares of the Company for all monies payable or called on that share and over the debts and liabilities of a member to the Company. If any monies which are the subject of the lien remain unpaid after a notice from the Board demanding payment, Barclays may sell such shares.

(vii) Variation of Rights

The rights attached to any class of shares may be varied with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them.

Annual and extraordinary general meetings

The Company is required to hold a general meeting each year as its AGM in addition to other meetings (called extraordinary general meetings) as the Directors think fit. The type of the meeting will be specified in the notice calling it. Under the Companies Act 1985, not more than 15 months may elapse between the date of one AGM and the next. Under the Companies Act 2006, the AGM must be held within six months of the financial year end. An extraordinary general meeting may be convened by the Board on requisition in accordance with the applicable legislation.

In the case of an AGM or a meeting for the passing of a special resolution (i.e. requiring the consent of a 75% majority) 21 clear days notice is required. In other cases 14 clear days notice is required. The notice must be in writing and must specify the place, the day and the hour of the meeting, and the general nature of the business to be transacted. A notice convening a meeting to pass an extraordinary or special resolution shall specify the intention to propose the resolution as such. The accidental omission to give notice of a general meeting or the non-receipt of such notice will not invalidate the proceedings at such meeting.

Subject as noted above, all shareholders are entitled to attend and vote at general meetings. The Articles do, however, provide that arrangements may be made for simultaneous attendance at a general meeting at a place other than that specified in the notice of meeting, in which case shareholders may be excluded from the specified place.

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Limitations on foreign shareholders

There are no restrictions imposed by the Company s Memorandum or Articles or (subject to the effect of any economic sanctions that may be in force from time to time) by English law which relate only to non-residents of the UK and which limit the rights of such non-residents to hold or vote the Company s Ordinary Shares.

Notices

A document or information may be sent by the Company in hard copy form, electronic form, by being made available on a website, or by another means agreed with the recipient. A document or information may only be sent in electronic form to a person who has agreed to receive it in that form or, in the case of a company, who has been deemed to have so agreed pursuant to applicable legislation. A document or information may only be sent by being made available on a website if the recipient has agreed to receive it in that form or has been deemed to have so agreed pursuant to applicable legislation, and has not revoked that agreement.

In respect of joint holdings, documents or information shall be sent to the joint holder whose name stands first in the register.

A member who (having no registered address within the UK) has not supplied an address in the UK at which documents or information may be sent is not entitled to have documents or information sent to him/her.

Alteration of share capital

The Company may, by way of ordinary resolution:

increase its share capital by a sum to be divided into shares of an amount prescribed by the resolution;

consolidate and divide all or any of its share capital into shares of a larger nominal amount;

subject to legislation, sub-divide all or part of its shares into shares of a smaller nominal amount and may decide by that resolution that the resulting shares have preference or other advantage or restrictions; and

cancel any shares which, at the date of the resolution, have not been subscribed or agreed to have been subscribed for and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may also, by special resolution, reduce its share capital or capital redemption reserve or any share premium account or other undistributable reserve in any manner authorised by legislation.

The Company may, by ordinary resolution, upon the recommendation of the Board capitalise all or any part of an amount standing to the credit of a reserve or fund to be set free for distribution provided that amounts from the share premium account, capital redemption reserve or any profits not available for distribution should be applied only in paying up unissued shares issued to members and no unrealised profits shall be applied in paying up debentures of the Company or any amount unpaid on any share in the capital of the Company.

Indemnity

Subject to applicable legislation, every current and former Barclays Director, other officer and auditor of Barclays shall be indemnified by Barclays against any liability incurred by him/her in the actual or purported exercise of, or in connection with, his/her duties and powers.

Taxation

The following is a summary of the principal tax consequences for holders of Ordinary Shares of Barclays PLC, Preference Shares of the Bank, or ADSs representing such Ordinary Shares or Preference Shares, and who are citizens or residents of the UK or US, or otherwise who are subject to UK tax or US federal income tax on a net income basis in respect of such securities, that own the shares or ADSs as capital assets for tax purposes. It is not, however, a comprehensive analysis of all the potential tax consequences for such holders, and it does not discuss the tax consequences of members of special classes of holders subject to special rules or holders that, directly or indirectly, hold 10% or more of Barclays voting stock. Investors are advised to consult their tax advisers regarding the tax implications of their particular holdings, including the consequences under applicable state and local law, and in particular whether they are eligible for the benefits of the Treaty, as defined below.

A US holder is a beneficial owner of shares or ADSs that is, for US federal income tax purposes, (i) a citizen or resident of the US, (ii) a US domestic corporation, (iii) an estate whose income is subject to US federal income tax regardless of its source, or (iv) a trust if a US court can exercise primary supervision over the trust s administration and one or more US persons are authorised to control all substantial decisions of the trust.

Unless otherwise noted, the statements of tax laws set out below are based on the tax laws of the UK in force as at 27th February 2008 and are subject to any subsequent changes in UK law, in particular any announcements made in the Chancellor s expected UK Budget in March 2008.

This section is also based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions (the Code), and on the Double Taxation Convention between the UK and the US as entered into force in March 2003 (the Treaty), all of which are subject to change, possibly on a retroactive basis.

This section is based in part upon the representations of the ADR Depositary and the assumption that each obligation of the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For purposes of the Treaty, the Estate and Gift Tax Convention between the United Kingdom and the United States, and the Code, the holders of ADRs evidencing ADSs will be treated as owners of the underlying ordinary shares or preference shares, as the case may be. Generally, exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK capital gains tax.

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Taxation of UK holders

Taxation of dividends

In accordance with UK law, Barclays PLC and the Bank pay dividends on ordinary shares and preference shares without any deduction or withholding tax in respect of any taxes imposed by the UK government or any UK taxing authority.

If the shareholder is a UK resident individual liable to income tax only at the basic rate or the lower rate, then there will be no further tax liability in respect of the dividend received. If, however, the individual shareholder is subject to income tax at the higher rate (currently 40%), there will be a further liability to tax. Higher rate taxpayers are taxable on dividend income at a special rate (currently 32.5%) against which can be offset a tax credit of one-ninth of the cash dividend received. Tax credits are not repayable to shareholders with no tax liability.

Taxation of shares under the Dividend Reinvestment Plan

Where a shareholder elects to purchase shares using their cash dividend, the individual will be liable for income tax on dividends reinvested in the Plan on the same basis as if they had received the cash and arranged the investment themselves. They should accordingly include the dividend received in their annual tax return in the normal way. The tax consequences for a UK individual are the same as described in Taxation of dividends above.

Taxation of capital gains

Where shares are disposed of by open market sale, a capital gain may result if the disposal proceeds exceed the sum of the base cost of the shares sold and any other allowable deductions such as share dealing costs, indexation relief (up to 5th April 1998) and taper relief (expected to be withdrawn for disposals after 5th April 2008). To arrive at the total base cost of any Barclays PLC shares held, the amount subscribed for rights taken up in 1985 and 1988 must be added to the cost of all other shares held. For this purpose, current legislation permits the market valuation at 31st March 1982 to be substituted for the original cost of shares purchased before that date.

The calculations required to compute chargeable capital gains, particularly taper and indexation reliefs, may be complex. Capital gains may also arise from the gifting of shares to connected parties such as relatives (although not spouses or civil partners) and family trusts. Shareholders are advised to consult their personal financial adviser if further information regarding a possible tax liability in respect of their holdings of Barclays PLC shares is required.

Stamp duty

Stamp duty or stamp duty reserve tax at the rate of 0.5% is normally payable on the purchase price of shares acquired.

Inheritance tax

An individual may be liable to inheritance tax on the transfer of ordinary shares or preference shares. Where an individual is liable, inheritance tax may be charged on the amount by which the value of his or her estate is reduced as a result of any transfer by way of gift or other gratuitous transaction made by them or treated as made by them.

Taxation of US holders

Taxation of dividends

A US holder is subject to US federal income taxation on the gross amount of any dividend paid by Barclays PLC or the Bank, as applicable, out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). Dividends paid to a non-corporate US holder in taxable years beginning before 1st January 2011 that constitute qualified dividend income will be taxable to the holder at a maximum tax rate of 15%, provided that the holder has a holding period of the shares or ADSs of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or, in the case of preference shares or ADSs relating thereto, if the dividend is attributable to a period or periods aggregating over 366 days, provided that the holder holds the shares or ADSs for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meets certain other holding period requirements. Dividends paid by Barclays or the Bank, as applicable, with respect to the ordinary or preference shares or ADSs will generally be qualified dividend income.

A US holder will not be subject to UK withholding tax. The US holder will include in gross income for US federal income tax purposes the amount of the dividend actually received from Barclays or the Bank. Dividends must be included in income when the US holder, in the case of shares, or the Depositary, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on a US holder s circumstances, be either passive or general income for purposes of computing the foreign tax credit allowable to a US holder.

The amount of the dividend distribution includable in income will be the US Dollar value of the pound Sterling payments made, determined at the spot Pound Sterling/US Dollar rate on the date the dividend distribution is includable in income, regardless of whether the payment is in fact converted into US Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includable in income to the date the payment is converted into US Dollars will be treated as ordinary income or loss and, for foreign tax credit limitation purposes, from sources within the US and will not be eligible for the special tax rate applicable to qualified dividend income.

Distributions in excess of current or accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder s basis in the shares or ADSs and thereafter as capital gain.

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Shareholder information

Taxation of capital gains

Generally, US holders will not be subject to UK tax, but will be subject to US tax on capital gains realised on the sale or other disposition of ordinary shares, preference shares or ADSs. Capital gain of a noncorporate US holder that is recognised in taxable years beginning before 1st January 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period of greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxation of premium on redemption or purchase of shares

No refund of tax will be available under the Treaty in respect of any premium paid on a redemption of preference shares by the Bank or on a purchase by Barclays PLC of its own shares. For US tax purposes, redemption premium generally will be treated as an additional amount realised in the calculation of gain or loss.

Stamp duty

No UK stamp duty is payable on the transfer of an ADS, provided that the separate instrument of transfer is not executed in, and remains at all times outside, the UK.

Estate and gift tax

Under the Estate and Gift Tax Convention between the United Kingdom and the United States, a US holder generally is not subject to UK inheritance tax.

Exchange controls and other limitations affecting security holders

Other than certain economic sanctions which may be in force from time to time, there are currently no UK laws, decrees or regulations which would affect the transfer of capital or remittance of dividends, interest and other payments to holders of Barclays securities who are not residents of the UK. There are also no restrictions under the Articles of Association of either Barclays PLC or the Bank, or (subject to the effect of any such economic sanctions) under current UK laws, which relate only to non-residents of the UK, and which limit the right of such non-residents to hold Barclays securities or, when entitled to vote, to do so.

Documents on display

It is possible to read and copy documents that have been filed by Barclays PLC and Barclays Bank PLC with the US Securities and Exchange Commission at the US Securities and Exchange Commission s office of Investor Education and Assistance located at 100 F Street, NE, Washington DC 20549-0213. Please call the US Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. Filings with the US Securities and Exchange Commission are also available to the public from commercial document retrieval services, and from the website maintained by the US Securities and Exchange Commission at www.sec.gov.

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Shareholder enquiries

Investors who have any questions about their investment in Barclays, or about Barclays in general, may write to the Director, Investor Relations at our head office as follows:

Director, Investor Relations

Barclays PLC 1 Churchill Place London E14 5HP or, in the United States of America,

The Corporate Communications Department

Barclays Bank PLC 200 Park Avenue

New York, NY 10166, USA

Registered and Head office:

1 Churchill Place London E14 5HP

Tel: +44 (0) 20 7116 1000

Registrar:

The Registrar to Barclays PLC Aspect House Spencer Road Lancing West Sussex BN99 6DA

Tel: 0871 384 2055*

Email: questions@share-registers.co.uk

ADR Depositary:

The Bank of New York PO Box 11258 Church Street Station New York NY 10286-1258

Tel: 1-888-BNY-ADRS (toll-free for US domestic callers) or +1 212 815 3700 Email: shareowners@bankofny.com

*Calls to this number are charged at 8p per minute if using a BT landline.

Call charges may vary if using other telephone providers.

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Glossary of terms

Absa definitions

Absa Group Limited refers to the consolidated results of the South African group of which the parent company is listed on the Johannesburg Stock Exchange (JSE Limited) in which Barclays owns a controlling stake.

Absa refers to the results for Absa Group Limited as consolidated into the results of Barclays PLC; translated into Sterling with adjustments for amortisation of intangible assets, certain head office adjustments, transfer pricing and minority interests.

International Retail and Commercial Banking-Absa is the portion of Absa s results that is reported by Barclays within the International Retail and Commercial Banking business.

Absa Capital is the portion of Absa s results that is reported by Barclays within the Barclays Capital business.

Income refers to total income net of insurance claims, unless otherwise specified.

Profit before business disposals represents profit before tax and disposal of subsidiaries, associates and joint ventures.

Cost:income ratio is defined as operating expenses compared to total income net of insurance claims.

Cost:net income ratio is defined as operating expenses compared to total income net of insurance claims less impairment charges.

Compensation:net income ratio is defined as staff compensation based costs compared to total income net of insurance claims less impairment charges.

Return on average economic capital is defined as attributable profit compared to average economic capital.

Average net income generated per member of staff is defined as total operating income compared to the average of staff numbers for the reporting period.

Risk Tendency is a statistical estimate of the average loss for each loan portfolio for a 12-month period, taking into account the size of the portfolio and its risk characteristics under current economic conditions, and is used to track the change in risk as the portfolio of loans changes over time.

Economic profit is defined as profit after tax and minority interests less capital charge (average shareholders equity excluding minority interests multiplied by the Group cost of capital).

Daily Value at Risk (DVaR) is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%.

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50%

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