BARCLAYS PLC
Form 6-K
March 22, 2011
**Table of Contents**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM 6-K

**Report of Foreign Private Issuer**

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

**under the Securities Exchange Act of 1934**

**March 22, 2011**

# Barclays PLC

**(Name of Registrant)**

**1 Churchill Place**

**London E14 5HP**

**England**

**(Address of Principal Executive Offices)**

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

Form 20-F x Form 40-F ¨

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

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

**Table of Contents**

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

The Report comprises the following:

| Exhibit No. | Description |
|---|---|
| 1 | Barclays PLC Notice of Annual General Meeting 2011 |
| 2 | Barclays PLC Ordinary Proxy Form for the Annual General Meeting 2011 |
| 3 | Barclays PLC Consultation Proxy Form for the Annual General Meeting 2011 |
| 4 | Barclays PLC Annual Report 2010 |
| 5 | Barclays PLC Annual Review 2010 |

**Table of Contents**

**SIGNATURES**

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

BARCLAYS PLC
(Registrant)

| | | |
|---|---|---|
| Date: March 22, 2011 | By: | /s/ MARIE SMITH |
| | Name: | Marie Smith |
| | Title: | Assistant Secretary |

Table of Contents



# Barclays PLC Notice of Annual General Meeting

## Message from the Group Chairman

**This year s Annual General Meeting (the AGM ) will be held on Wednesday 27th April 2011 at the Royal Festival Hall, London.**

The Notice of AGM is set out on pages 2 to 12. The biographical details of each of the Directors are included in the Notice of AGM. In light of the new UK Corporate Governance Code provisions, all Directors are standing for re-election at this year s AGM. All Directors have been subject to a genuine, formal, rigorous performance evaluation process, further details of which may be found in my Evaluation Statement in the 2010 Annual Report (which is available at *www.barclays.com/ annualreport10)*. I can confirm that each of the Directors is considered to be fully effective by the Board. They have each demonstrated the commitment and behaviours expected of a Barclays Director in line with our Charter of Expectations for Directors (which is available at *www.barclays.com/corporategovernance)*. The Board also concluded that the non-executive Directors standing for re-election are independent when assessed against the criteria set out in the UK Corporate Governance Code (formerly the UK Combined Code on Corporate Governance).

Two Directors have left Office since the last AGM and, on behalf of the Board, I would like to acknowledge the valuable contributions made by Leigh Clifford and John Varley. Leigh Clifford, who had been on the Board since October 2004, retired as a non-executive Director at the end of September 2010 after six years service to the Company. John Varley retired as Group Chief Executive at the end of December 2010 having dedicated much of his career to Barclays, including 12 years on the Board. John made an extraordinary contribution to Barclays during his long service and the Board is grateful to him for the tremendous progress Barclays made during his tenure as Group Chief Executive. Barclays was extremely fortunate to have had a banker of John s quality at the helm since he took over in 2004 and particularly during the period of the financial crisis, where he provided exceptional leadership. From 1 January 2011 until 30 September 2011, John will be senior advisor on

regulatory matters to Bob Diamond and the Board. The Board and I are very grateful to both Leigh and John for their service to Barclays and we wish them the best in the future. We are pleased to welcome on to the Board as non-executive Directors, Dambisa Moyo and Alison Carnwath, who both joined the Board in 2010.

Our AGM is one of the key ways we communicate with our shareholders. It is an important opportunity for our shareholders to express their views by attending, raising questions and voting and the Board encourages you to use your vote. If you would like to vote on the resolutions in the Notice of AGM, but cannot attend the AGM, please fill in the Proxy Form sent to you with the Notice of AGM and return it to our Registrars in the enclosed pre-paid envelope as soon as possible. Alternatively, you can vote online on our website at *www.barclays.com/investorrelations/vote.* You will need your Voting ID, Task ID and Shareholder or Sharestore Reference Number, which are shown on the Proxy Form enclosed with this Notice of AGM. The Registrar must receive your Proxy Form or online voting instruction by 11.00am on Monday 25th April 2011. CREST members may choose to use the CREST electronic proxy appointment service in accordance with the procedures set out in the notes on the Proxy Form.

We continue to make greater use of our website and email to communicate online with shareholders. We are developing our e-communications strategy further so that Barclays e-view members get regular, up to date information on Barclays performance. In line with this strategy, we will not send paper shareholder documents to you unless you have positively responded to say that you would like to receive them. For more information, please contact The Registrar to Barclays.

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

**Marcus Agius**

Group Chairman, Barclays PLC

10th March 2011

**This document is important and requires your immediate attention**

When considering what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your shares in Barclays PLC please send this Notice of AGM and the accompanying Proxy Form to the person you sold or transferred your shares to, or to the bank, stockbroker or other agent who arranged the sale or transfer for you.

**Table of Contents**



# Notice of AGM

Notice is hereby given that the 2011 Annual General Meeting (the AGM ) of Barclays PLC (the Company ) will be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX on Wednesday 27th April 2011 at 11.00am to transact the following business:

## Resolutions

To consider and, if thought fit, to pass the following resolutions, with those numbered 1 to 19 and 23 to 24 being proposed as ordinary resolutions and resolutions 20 to 22 as special resolutions.

## Report and Accounts

**1. That the Reports of the Directors and Auditors and the audited accounts of the Company for the year ended 31st December 2010, now laid before the meeting, be received.**

The Directors are required by UK companies legislation to present to the AGM the Reports of the Directors and Auditors and the audited accounts of the Company for each financial year (in this case for the year ended 31st December 2010). The Company s Articles of Association permit the Directors to pay interim and final dividends. It is not our practice, therefore, to seek shareholder approval of the final dividend, as to do so would delay its payment to shareholders.

## Remuneration Report

**2. That the Remuneration Report for the year ended 31st December 2010, now laid before the meeting, be approved.**

UK companies legislation requires quoted companies to present to the AGM the Remuneration Report (which appears in full in the 2010 Annual Report and in summary in the 2010 Annual Review).

## Re-election of Directors appointed since the last AGM

**3. That Alison Carnwath be re-elected a Director of the Company**

Alison worked in investment banking and corporate finance for 20 years from 1980 to 2000, before pursuing a portfolio career. During her career, Alison became a director of J. Henry Schroder Wagg & Co, where she worked for 10 years. Alison also held the positions of a senior partner of Phoenix Securities and Managing Director, New York at Donaldson, Lufkin & Jenrette. Alison has wide board level experience and is currently non-executive Chairman of Land Securities Group PLC, Senior Independent Director at Man Group plc, non-executive Director of Paccar Inc, and non-executive Chairman of ISIS EP LLP.

Term of office: Alison Carnwath joined the Board on 1st August 2010.

Independent: Yes

External appointments: Non-executive Director of CforC Ltd. Non-executive Chairman of Land Securities Group PLC since November 2008. Senior Independent Director at Man Group plc. Non-executive Director of Paccar Inc. Non-executive Chairman of ISIS EP LLP.

Committee membership: Member of the Board Audit Committee since October 2010. Member of the Board Remuneration Committee since October 2010.

**4. That Dambisa Moyo be re-elected a Director of the Company**

Dambisa is an international economist who writes on the macroeconomy and global affairs. Dambisa worked for the World Bank from 1993 to 1995. After completing a PhD in Economics, she worked for Goldman Sachs for eight years until November 2008 in the debt capital markets, hedge funds coverage and global macroeconomics teams. Dambisa currently serves as a non-executive Director on the Boards of SABMiller plc and Lundin Petroleum AB (publ).

Term of office: Dambisa Moyo joined the Board on 1st May 2010.

Independent: Yes

External appointments: Non-executive Director of SABMiller plc since 2009. Non-executive Director of Lundin Petroleum AB (publ) since 2009.

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

The Company s Articles of Association and provision B.7.1 of the UK Corporate Governance Code (the Code ) provide that any new Director appointed by the Board during the year may hold Office only until the next AGM, when that Director must stand for election by the shareholders. Alison Carnwath and Dambisa Moyo joined the Board on 1st August 2010 and 1st May 2010 respectively and are accordingly seeking re-election.

**Annual Re-election of Directors**

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

Marcus extensive background in banking began at Lazard where he worked from 1972 to 2006, latterly as Chairman of Lazard in London and Deputy Chairman of Lazard LLC. He is currently Chairman of the British Bankers Association, Senior Independent Director of the British Broadcasting Corporation (BBC) and Chairman of the Trustees of The Royal Botanic Gardens. Marcus is also a Business Ambassador for UK Trade and Investment, a member of the Advisory Council of TheCityUK, and a member of the Takeover Panel. He was formerly Chairman of BAA plc, a position he held from 2002 until 2006.

Term of office: Marcus joined the Board in September 2006 as a non-executive Director and was appointed Chairman on 1st January 2007. Marcus was last re-elected by shareholders at the AGM in 2010.

Independent: On appointment.

External appointments: Chairman of the British Bankers Association since 2010. Senior Independent Director of the BBC since 2006. Member of the Executive Committee of the Institut International D Etudes Bancaires. Business Ambassador for UK Trade and Investment. Member of the Advisory Council of TheCityUK. Member of the Takeover Panel. Chairman of the Trustees of the Royal Botanic Gardens, Kew. Chairman of The Foundation and Friends of the Royal Botanic Gardens, Kew. Chairman of Lazard in London and Deputy Chairman of Lazard LLC until 2006. Chairman of BAA plc until 2006.

# Directors standing for re-election

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

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

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

Term of office: David joined the Board in May 2007. David was last re-elected by shareholders at the AGM in 2010.

Independent: Yes

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

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

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

Sir Richard has experience of both the private and public sector having worked in high-level banking roles and the Civil Service. He was the Executive Chairman of HM Customs and Excise from 2000 to 2003. Formerly he was a member of the Group Executive Committee of Schroders PLC and a non-executive Director of the Securities Institute. He was Chairman of Arriva PLC until August 2010.

Term of office: Sir Richard joined the Board in September 2003. Appointed Senior Independent Director on 1st September 2004 and Deputy Chairman on 16th July 2009. Sir Richard was last re-elected by shareholders at the AGM in 2010.

Independent: Yes

External appointments: Chairman of Arriva PLC until 2010. Trustee of Relate from 2011. Executive Chairman of HM Customs and Excise until 2003. Former Group Executive Committee member of Schroders PLC. Non-executive Director of the Securities Institute until 1995.

Committee membership: Chairman of the Board Remuneration Committee since January 2007 (member since April 2004). Member of the Board Corporate Governance and Nominations Committee since September 2004. Former member of the Board Risk Committee (April 2004 until September 2010), which he chaired between January 2006 and December 2009.

**8. That Fulvio Conti be re-elected a Director of the Company**

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

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

Independent: Yes

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

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

**9. That Robert E Diamond Jr be re-elected a Director of the Company**

Bob became Chief Executive on 1st January 2011. Previously, he was President of Barclays PLC and Chief Executive of Corporate & Investment Banking and Wealth Management, comprising Barclays Capital, Barclays Corporate and Barclays Wealth. Before joining Barclays, Bob was Vice Chairman and Head of Global Fixed Income and Foreign Exchange at CS First Boston, where he was also a member of the Executive Board and Operating Committee. Prior to this, he was Managing Director and Head of Fixed Income Trading at Morgan Stanley International, spending 13 years with the firm. Bob is a non-executive Director of BlackRock, Inc.

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

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

**10. That Simon Fraser be re-elected a Director of the Company**

Simon has extensive experience of the institutional fund management industry, having worked at Fidelity International from 1981 to 2008, latterly as President of the Investment Solutions Group and President of the Retirement Institute. Simon held a number of positions during his career at Fidelity International, including President, European & UK Institutional Business, Global Chief Investment Officer, Chief Investment Officer for Asia Pacific and Chief Investment Officer of the European Investment Group. Simon remains a director of Fidelity European Values PLC and Fidelity Japanese Values PLC. He was appointed as the Chairman of Foreign & Colonial Investment Trust PLC and Chairman of The Merchants Trust in May 2010.

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

Independent: Yes

External appointments: Director of Fidelity European Values PLC since July 2002. Director of Fidelity Japanese Values PLC since May 2000. Chairman of The Merchants Trust PLC since May 2010. Chairman of Foreign & Colonial Investment Trust PLC since May 2010.

**Table of Contents**



# Notice of AGM

continued

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

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

Reuben is currently the Chief Executive Officer of Rockefeller & Co., Inc., a member of the Advisory Board of TASC Inc and of TowerBrook Capital Partners LP and Senior Adviser at the Center for Strategic & International Studies in Washington, D.C.. He previously served in the US government as Under Secretary of State for Economic, Energy and Agricultural Affairs (2007-2009). Prior to joining the Department of State, Reuben was the Chairman of the Commodity Futures Trading Commission. He spent eighteen years at Goldman, Sachs & Co. between 1983-2001 where he was managing partner of Goldman Sachs in Paris and led the firm s European Financial Institutions Group in London.

Term of office: Reuben joined the Board in July 2009. Reuben was last re-elected by shareholders at the AGM in 2010.

Independent: Yes

External appointments: Chief Executive Officer of Rockefeller & Co., Inc. since September 2010. Senior Adviser at the Center for Strategic & International Studies, Washington D.C Member of the Advisory Board of TASC Inc. Member of the Advisory Board of TowerBrook Capital Partners LP. Director of Transatlantic Holdings Inc since May 2010.

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

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

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

Term of office: Sir Andrew joined the Board in September 2004. Sir Andrew was last re-elected by shareholders at the AGM in 2010.

Independent: Yes

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

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

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

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

Term of office: Chris was appointed Group Finance Director and became a member of the Executive Committee in April 2007. Chris was last re-elected by shareholders at the AGM in 2010.

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

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

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

Term of office: Sir Michael joined the Board in January 2008. Sir Michael was last re-elected by shareholders at the AGM in 2010.

Independent: Yes

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

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

**15. That Sir John Sunderland be re-elected a Director of the Company**

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

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

Independent: Yes

External appointments: Chairman of Merlin Entertainments Group since December 2009. Director of the Financial Reporting Council since 2004. Adviser to CVC Capital Partners. Deputy President of the Chartered Management Institute until 2009 (President 2007-2008). Chairman of Cadbury Schweppes PLC until July 2008. Deputy President of the CBI until June 2008 (former member and President). Non-executive Director of the Rank Group PLC until 2006.

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

Section B.7.1 of the Code recommends that all Directors of FTSE 350 companies should be subject to annual election by shareholders. All Directors are standing for re-election in light of this provision and are listed in resolutions 5 to 15 above.

**Table of Contents**



### Reappointment of Auditors

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

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

### Auditors remuneration

**17. That the Directors be authorised to set the remuneration of the auditors.**

The Directors may set the remuneration of the auditors if authorised to do so by the shareholders. This resolution proposes that the Directors be authorised to set the remuneration of the auditors. Details of the remuneration paid to the external auditors for 2010 and details of how the Group monitors the effectiveness and independence of the external auditors may be found in the Annual Report.

### Political Donations

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

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

**(b) incur political expenditure not exceeding £100,000 in total, in each case during the period commencing on the date of this resolution and ending on the date of the Annual General Meeting of the Company to be held in 2012 or on 30th June 2012, whichever is the earlier, provided that the maximum amounts referred to in (a) and (b) may consist of sums in any currency converted into Sterling at such rate as the Board may in its absolute discretion determine. For the purposes of this resolution, the terms political donations , political organisations and political expenditure shall have the meanings given to them in sections 363 to 365 of the Act.**

The Act requires companies to obtain shareholder approval before they can make donations to EU political organisations or incur EU political expenditure. We do not give any money for political purposes in the UK nor do we make any donations to EU political organisations or incur EU political expenditure. However, the definitions of political donations and political expenditure used in the Act are very wide. As a result, they may cover activities that form part of relationships that are an accepted part of engaging with our stakeholders to ensure that issues and concerns affecting our operations are considered and addressed, but which would not be considered as political donations or political expenditure in the layman s sense. The activities referred to above are not designed to support any political party nor to influence public support for any political party. The authority which the Board is requesting is similar to the authority given by shareholders at the AGM in 2010 and is a precautionary measure to ensure that the Group does not inadvertently breach the Act.

### Authority to allot securities

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

**(a) allot shares (as defined in section 540 of the Act) in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,055,286,279, $77,500,000, 40,000,000 and ¥4,000,000,000; and**

**(b) allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £2,030,572,558 (such amount to be reduced by the aggregate nominal amount of ordinary shares allotted or rights to subscribe for or to convert any securities into ordinary shares in the Company granted under paragraph (a) of this resolution 19) in connection with an offer by way of a rights issue:**

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

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

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

**such authorities to apply (unless previously renewed, varied or revoked by the Company in General Meeting) for the period expiring at the end of the AGM of the Company to be held in 2012 or until the close of business on 30th June 2012, whichever is the earlier but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.**

The effect of this resolution is to give the Directors authority to allot, in addition to the £40,000,000 of sterling preference shares, $77,500,000 of dollar preference shares, 40,000,000 of euro preference shares and ¥4,000,000,000 of yen preference shares referred to in paragraph (a) of this resolution (together the Preference Shares ), ordinary shares up to an amount approximately equal to two-thirds of the issued ordinary share capital of the Company as at 4th March 2011 (excluding treasury shares) in certain circumstances. Paragraph (a) of the resolution will give Directors a general authority to allot up to a maximum aggregate nominal amount of £1,015,286,279 of ordinary shares being equivalent to one-third of the Company s issued ordinary share capital as at 4th March 2011, in addition to the Preference Shares. As at 4th March 2011, the Company does not hold any treasury shares. In November 2009, the Association of British Insurers issued updated guidance on the approval of authorities to allot shares, in which it stated that, in addition to requests for authorisation to allot new shares in an amount up to one-third of the existing issued ordinary share capital of a company, it would regard as routine requests to authorise the allotment of a further one-third in connection with a rights issue. In light of this, paragraph (b) of resolution 19 proposes that a further authority be conferred on the Directors to allot shares or rights to subscribe for shares in connection with a rights issue in favour of holders of equity securities (which would include

**Table of Contents**



# Notice of AGM

continued

ordinary shareholders) up to a further one-third of the issued ordinary share capital (such amount to be reduced by the nominal amount of ordinary shares or rights to subscribe for ordinary shares issued under the authority conferred by paragraph (a) of this resolution). This gives Directors authority to allot in total up to the equivalent of two-thirds of the issued ordinary share capital of the Company as at 4th March 2011. The Board seeks annual renewal of this authority in accordance with best practice.

The Board has no current plans to make use of this authority but wishes to ensure that the Company has maximum flexibility in managing the Group s capital resources. This authority would remain in force until the end of the AGM in 2012 or the close of business on 30th June 2012, whichever is the earlier.

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

**20. That, in substitution for all existing powers, and subject to the passing of resolution 19, the Directors be generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority granted by resolution 19 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, in each case free of the restriction in section 561 of the Act, such power to be limited:**

**(a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 19, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):**

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

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

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

**(b) to the allotment of equity securities, pursuant to the authority granted by paragraph (a) of resolution 19 and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the Act (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution) up to a nominal amount of £152,292,941 representing no more than 5% of the issued ordinary share capital as at 4th March 2011; compliance with that limit shall be calculated, in the case of equity securities into, ordinary shares (as defined in section 560 of the Act) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights, such power to apply (unless previously renewed, varied or revoked by the Company in General Meeting) until the end of the Company s next AGM after this resolution is passed (or, if earlier, until the close of business on 30th June 2012) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.**

The effect of this resolution is to renew the authority given to the Directors to allot equity securities (which for these purposes includes the sale of treasury shares) on a non-pre-emptive basis to ordinary shareholders by way of a rights issue, for example, where legal or practical difficulties in jurisdictions outside the UK may prevent the allocation of shares on a pro-rata basis. Additionally, allotments can be made for cash on a non-pre-emptive basis but limited to an amount approximately equal to 5% of the issued ordinary share capital of the Company as at 4th March 2011. This authority would remain in force until the end of the AGM in 2012 or the close of business on 30th June 2012, whichever is the earlier. The Board seeks annual renewal of this authority in accordance with best practice. The Board has no current plans to make use of this authority but wishes to ensure that the Company has maximum flexibility in managing the Group s capital resources. The Company does not intend to issue more than 7.5% of its issued ordinary share capital on a non-pre-emptive basis in any three year period.

### Purchase of own shares

**21. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) on the London Stock Exchange of up to an aggregate of 1,218,343,534 ordinary shares of 25p each in its capital, and may hold such shares as treasury shares, provided that:**

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

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

**(c) unless previously renewed, varied or revoked by the Company in General Meeting, the authority conferred by this resolution shall expire at the end of the AGM of the Company to be held in 2012 or the close of business on 30th June 2012, whichever is the earlier (except in relation to any purchase of shares the contract for which was concluded before such date and which would or might be executed wholly or partly after such date).**

This resolution would enable the Company to purchase up to a maximum of 1,218,343,534 of its ordinary shares. This is less than 10% of the issued share capital as at 4th March 2011. The total number of ordinary shares that may be issued on the exercise of outstanding options as at 4th March 2011 is 99,596,450 which represents approximately 0.8% of the issued share capital at that date. As at 4th March 2011 there are 379,218,809 warrants over ordinary shares outstanding which represents 3.11% of the issued share capital of the Company at that date. If the Company were to purchase shares up to the maximum permitted by this resolution, the proportion of ordinary shares subject to outstanding options would represent approximately 0.9% of the issued share capital as at 4th March 2011 and the proportion of ordinary shares to be issued on exercise of the warrants would represent 3.46%. The Board considers it desirable for the general authority proposed above to be available to provide maximum flexibility in the management of the Group s capital resources. The Board would use such authority only if satisfied at the time that to do so would be in the interests of shareholders and would lead to an increase in the Group s earnings per share. Under the Act, the Company may hold any shares bought back in treasury, which may then either be sold for cash, transferred for the purposes of an employees share scheme (subject, if necessary, to approval by shareholders at a General Meeting) or cancelled. The Company therefore has the choice of either cancelling or holding in treasury any of its shares which it purchases. If the Company buys any of its shares under the authority given by this resolution, the Board will decide at the time of purchase whether to cancel them immediately or to hold them in treasury. In relation to treasury shares, the Board would also have regard to any investor guidelines in relation to the purchase of shares intended to be held in treasury or in relation to their holding or resale which may be in force at the time of any such purchase, holding or resale.

### General Meetings

**22. That the Directors be authorised to call general meetings (other than an AGM) on not less than 14 clear days notice, such authority to expire at the end of the AGM of the Company to be held in 2012 or the close of business on 30th June 2012, whichever is the earlier.**

The Act requires listed companies to call general meetings on at least 21 clear days notice unless shareholders have approved the calling of general meetings at shorter notice. Barclays wishes to retain the option of calling general meetings on 14 clear days notice and the effect of this resolution is to continue to give the Directors the power to call general meetings on a notice period of not less than 14 clear days. However, as Barclays has a global shareholder base, in practice, we would always aim to give a longer notice period to ensure overseas shareholders in particular are able to participate fully. The 14 day notice period would therefore not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. The resolution is valid up to the end of the next AGM or the close of business on 30th June 2012, whichever is the earlier, and it is our intention to renew the authority at each AGM. The Company offers the facility for all shareholders to vote by electronic means. This is accessible to all shareholders and would be available if the Company was to call meetings on 14 clear days notice. The Company also provides the ability to appoint proxies electronically through CREST and shareholders can vote online at www.barclays. com/investorrelations/vote.

## Barclays Long Term Incentive Plan

**23. That the Barclays Long Term Incentive Plan (the LTIP ) the principal terms of which are summarised on pages 8 to 10 to this Notice and the draft rules for which are produced to the meeting and signed by the Chairman for the purposes of identification, be hereby approved and adopted by the Company and the Directors be hereby authorised to do all such acts and things as they consider necessary or expedient for the purposes of implementing and giving effect to the LTIP.**

This resolution proposes the approval of the LTIP. The principal terms of the LTIP are described in Appendix 1 on pages 8 to 10 of this Notice.

A copy of the LTIP rules is available for inspection at the Company s registered office, 1 Churchill Place, London E14 5HP during business hours on any weekday (public holidays excluded) from the date of this Notice until the close of the meeting. The LTIP rules will also be available on the Company s website and available for inspection at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX from 10.30am on Wednesday 27th April 2011 until the end of the meeting.

## Barclays Group Share Value Plan

**24. That the Barclays Group Share Value Plan (the SVP ), the principal terms of which are summarised on pages 11 to 12 to this Notice, be hereby amended in accordance with the copy of the rules of the SVP marked to show the proposed amendments which is produced to the meeting and signed by the Chairman for the purposes of identification and the Directors be and are hereby authorised to do all such acts and things as they consider necessary or expedient for the purposes of implementing and giving effect to the amendments.**

This resolution proposes the approval of amendments to the SVP. The principal terms of the SVP are described in Appendix 2 on pages 11 and 12 of this Notice.

A copy of the SVP rules is available for inspection at the Company s registered office, 1 Churchill Place, London E14 5HP during business hours on any weekday (public holidays excluded) from the date of this Notice until the close of the meeting. The SVP rules will also be available on the Company s website and available for inspection at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX from 10.30am on Wednesday 27th April 2011 until the end of the meeting.

By order of the Board

**Lawrence Dickinson**

Company Secretary

10th March 2011

1 Churchill Place

London E14 5HP

Registered in England, Company No. 48839

**Notes**

a. **Entitlements under CREST**
Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those holders of shares registered in the register of members at 6.00pm on Monday 25th April 2011 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register after 6.00pm on Monday 25th April 2011 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

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

e. **Documents available for inspection**
The following documents, which are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) at the Company s registered office, 1 Churchill Place, London E14 5HP, will also be available for inspection at the Royal Festival Hall from 10.30am on Wednesday 27th April 2011 until the end of the meeting: (i) copies of the executive Directors service contracts; (ii) copies of the non-executive Directors letters of appointment; and (iii) copies of the Barclays Long Term Incentive Plan and Barclays Group Share Value Plan rules proposed for approval by resolutions 23 and 24.

f. **Total shares and voting rights**
As at 4th March 2011 (being the latest practicable date before publication of this document) the Company s issued share capital comprised 12,183,435,348 ordinary shares of 25 pence each. Each ordinary share carries the right to vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 4th March 2011 was 12,183,435,348.

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

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

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

time that it makes it available on the website. Where a members statement of audit concerns is received it will be included in the business of the meeting at which the accounts are laid.

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

**Table of Contents**



# Appendix 1

# Summary of the principal terms of the Barclays Long Term Incentive Plan (the LTIP )

## Summary of the principal terms of the Barclays Long Term Incentive Plan (the LTIP )

The Board is recommending to shareholders a new long term incentive plan for Barclays employees in senior leadership roles including executive Directors of Barclays PLC ( Executive Directors ) to be known as the Barclays Long Term Incentive Plan (the LTIP ).

The LTIP is intended to replace the Barclays PLC Performance Share Plan as the main performance-linked share incentive plan for Executive Directors. Other senior employees of Barclays PLC and its subsidiaries (the Group ) will also be eligible to participate at the discretion of the Board Remuneration Committee (the Committee ). The purpose of the LTIP will be to reward, incentivise and retain the Executive Directors and other employees who are selected to receive awards.

The LTIP is recommended to shareholders for the following reasons:

- to incentivise performance and execution of the Group s strategic goals including, in particular, the return on equity goals;
- to ensure the performance metrics reflect the emerging regulatory environment;
- to help retain talented individuals;
- to create alignment with shareholder interests; and
- to focus on sustained growth for shareholders.

## Summary of the main provisions of the LTIP

The LTIP is not an H.M. Revenue & Customs approved plan. It may be operated in conjunction with an employee benefit trust of which the trustee is an independent professional trustee (the Trustee ).

## Eligibility

The Committee may select any employee of the Group, including any Executive Director, to participate in the LTIP.

## Committee/Trustee consultation

LTIP awards ( Awards ) may be granted either by the Committee (including a duly authorised sub-committee) or by the Trustee, in consultation with the Committee (in each case, the Grantor ). Where Awards are granted by the Trustee, the Trustee will consult with the Committee before making certain decisions in relation to the Awards during the life of those Awards, in particular, decisions relating to the initial value of Awards, timing of vesting, the application of malus and prudent financial control conditions described below and the treatment of Awards held by leavers and on a change of control.

Administration of the LTIP shall be carried out by the Grantor.

**Timing of grants**

Awards may normally only be granted:

- in the six week period following the date that the LTIP is approved by shareholders at the 2011 AGM; or
- in the six week period following the first dealing day immediately after the date of the preliminary announcement of the Company s results for any financial period, or following the removal of any restrictions imposed on the Company or the Trustee which have previously prevented an Award from being granted; or
- in the six week period following any date on which changes to legislation or regulations affecting share plans and / or long term incentive plans are announced or made; or
- at any other time that the Grantor may decide at its discretion, provided that it is not restricted from doing so by law or regulation.

No Awards may be granted after 10 years from the date of the AGM at which the LTIP is approved by shareholders.

**Form of Awards**

Awards may be granted over ordinary shares in Barclays PLC ( Shares ) or over other capital instruments issued by the Group ( Capital Instruments ).

Awards may be in several forms as determined at the date of grant in light of, for example, regulatory, accounting and tax consequences. These may include:

- conditional awards over Shares or Capital Instruments which give a participant a conditional right to acquire Shares or Capital Instruments in the future at no cost;
- provisional allocations of Shares or Capital Instruments which do not give a participant any right to acquire, or any interest in, Shares or Capital Instruments until such time as the Trustee decides;
- the acquisition of Shares or Capital Instruments that are forfeitable if certain conditions are not met;
- options over Shares or Capital Instruments with a nil exercise price;
- market value options over Shares or Capital Instruments; and
- such other form that has substantially the same economic effect as any of the forms of Award referred to above.

Awards are personal to the participant and may not be transferred except on death. Benefits under the LTIP are not pensionable.

**Individual limits**

The Grantor will determine the initial value of an Award granted in any financial year. The maximum value of an Award at the date of grant will be calculated on such basis of market value as the Grantor decides is fair and reasonable and, for Executive Directors, will not normally exceed 500% of base salary. The Grantor has discretion to recommend grants for Executive Directors in excess of this limit in exceptional circumstances such as for the purposes of recruitment or retention.

**Overall limits**

Where Awards are satisfied by Shares, the Shares may be Shares purchased on the stock market, treasury Shares or newly issued Shares. The LTIP contains the following limits on the issue of new Shares:

- the number of unissued Shares that may be issued or placed under award in any 10-year period under the LTIP and any other executive share plan adopted by the Company may not exceed 5 per cent of the Company s issued ordinary share capital from time to time; and

- the number of unissued Shares that may be issued or placed under award in any 10-year period under the LTIP and any other employee share plan adopted by the Company may not exceed 10 per cent of the Company s issued ordinary share capital from time to time.

Shares issued out of treasury will count towards these limits for so long as this is required by institutional shareholder guidelines.

**Vesting of Awards**

Vesting periods are determined at the Grantor s discretion. In normal circumstances, no part of an Award will vest before the third anniversary of grant. Awards will normally vest at the end of the vesting period if and to the extent that any applicable performance conditions have been satisfied, and subject to malus and prudent financial control provisions.

For initial Awards due to be made in 2011 ( 2011 Awards ), it is intended that, subject to malus, prudent financial control provisions and to the satisfaction of performance conditions (and the discretion of the Grantor where applicable):

- 50% of 2011 Awards will vest and be releasable after a three year vesting period; and

- 50% of 2011 Awards will vest, after a three year vesting period, but will be released subject to an additional twelve month holding period (save that participants may first sell sufficient Shares to account for any tax liability or other withholding that may arise at the point of vesting).

## Performance conditions

It is intended that the Committee will recommend any performance conditions that should apply to Awards before each grant and at its discretion.

It is proposed that, for 2011 Awards, performance will be measured against a balanced scorecard of metrics, which will be measured over a three year period commencing at the beginning of the 2011 financial year. The Committee may set a different condition or conditions for subsequent Awards.

The scorecard approach is intended to assess performance in line with the execution of Company strategy and includes a suite of performance metrics under three categories: Finance, Risk and Sustainability. Each category has a relative weighting, and at the end of the vesting period, performance under each category will be separately assessed as set out in the table below. A percentage score will be determined for each category and the sum of these percentages will be applied to the maximum Award for each participant to determine the final vesting amount.

For 2011 Awards it is intended that the balanced scorecard shall be as follows:

| Condition | Percentage of Award subject to condition | Metrics |
|---|---|---|
| Finance | 60% | Primary metric: Return on Risk Weighted Assets ( RoRWA ) Secondary metric: Profit Before Tax ( PBT ) |
| Risk | 30% | Loan Loss Rate |
| Sustainability | 10% | Metrics to be determined by the Committee, including: employee opinion survey; relationship with regulators; and customer satisfaction |

Finance condition

RoRWA has been chosen for the 2011 Awards because it is a primary determinant of Return on Equity and it reflects the level of regulatory capital required to be held by the business. Performance against RoRWA is assessed formulaically against a target range to calculate the percentage of 2011 Awards that can vest. A straight line approach to vesting is proposed as set out below.

| Average annual RoRWA % over the measurement period | Percentage of Award that can vest (Max of 60%) |
|---|---|
| 1% | 23% |
| 1.5% | 60% |

Following the determination of the RoRWA vesting percentage, the Committee may take into account the performance of the secondary metric (PBT) over the measurement period and may (at its discretion) adjust the percentage of Award up or down by up to 5 vesting percentage points (subject to the 60% maximum Award that may vest).

Risk condition

For 2011 Awards, performance against the average annual Loan Loss Rate over the measurement period shall be assessed formulaically against a target range to calculate the percentage of a 2011 Award that can vest of up to 30%. The minimum vesting percentage of 10% is achieved only if the Loan Loss Rate is equal to the threshold level which, for 2011 Awards, is proposed as 95bps. The vesting percentage increases linearly as the Loan Loss Rate reduces. The maximum vesting percentage of 30% is intended to be achieved if the Loan Loss Rate is equal to or below 81bps for 2011 Awards.

Sustainability condition

Performance against the metrics is assessed by the Committee to decide on the percentage of an Award that can vest of between 0% and 10%.

**Amendments to performance conditions**

Any performance conditions once set by the Committee in relation to an Award, may not subsequently be altered unless circumstances occur which cause the Committee to determine that such conditions shall have ceased to be appropriate. In such circumstances the Committee may, in its absolute discretion, alter the performance conditions or replace them with new performance conditions which will, in the reasonable opinion of the Committee, be not materially less difficult to satisfy than the unaltered performance conditions would have been but for the event in question.

**Malus provisions**

The LTIP includes malus provisions in accordance with the FSA s Remuneration Code under which the Grantor may reduce the vesting of Awards (to nil if appropriate). For example, Awards may be reduced where the Committee in its discretion determines that there is evidence of serious employee misconduct or where a business unit has suffered a material failure of risk management.

**Prudent financial control provision**

The LTIP includes a prudent financial control condition under which the Grantor may limit, reduce or add further conditions to the vesting of Awards or suspend Awards if the financial health of the Group has, in the opinion of the Grantor, significantly deteriorated over the vesting period. Unless the Grantor in exceptional circumstances determines otherwise, Awards will ultimately be forfeited if the Grantor does not lift any such suspension within three years from the final release date of an Award or does not, following a suspension, determine to limit, reduce or add further conditions to Awards within three years from the final release date of that Award.

**Benefit of dividends/coupon**

An additional benefit, releasable at the same time as an Award, may be added to an Award at the Grantor s absolute discretion. If the Award is over Shares, any benefit would represent the value of dividends payable on those Shares that actually vest since the date of grant and would be provided typically as Shares or as a cash sum. If the Award is over Capital Instruments, any benefit would represent an amount equivalent to the interest payable on those Capital Instruments that actually vest since the date of grant and would be provided typically as a cash sum or additional Capital Instruments.

**Cessation of employment**

Special provisions apply if a participant s employment ceases before an Award vests.

If a participant dies, the Grantor may allow an Award to vest immediately, to the extent that applicable performance conditions have been met and subject to malus and prudent financial control provisions.

If a participant leaves for any of the following reasons, an Award may vest in line with the normal vesting date(s) of the Award and subject to malus and prudent financial control provisions, unless the Grantor determines that the Award should vest earlier:

- retirement with the agreement of the participant s employer;
- redundancy;
- disability, injury or ill health;
- the company or business for which the participant works being transferred out of the Group; and
- any other leaver reason at the Grantor s absolute discretion.

Awards which vest for eligible leavers shall be pro-rated for time, unless the Grantor decides otherwise at its absolute discretion. If a participant is not an eligible leaver any unvested portions of Awards shall lapse.

**Corporate events**

In the event of a change in control, reconstruction or winding up of the Company, the Grantor has discretion to determine the treatment of unvested Awards including allowing the early release of Awards or deciding that Awards shall continue in the same or a revised form. The LTIP also includes the facility for participants to exchange Awards for awards over Shares in an acquiring company. An internal reorganisation does not count as a change of control for these purposes.

Table of Contents



# Appendix 1

## Summary of the principal terms of the Barclays Long Term Incentive Plan (the LTIP ) continued

### Cash alternative

The Grantor may, at its discretion, decide at the point of vesting (or exercise as the case may be) that an Award should be settled in cash equal to the market value of the Shares or Capital Instruments subject to the Award rather than in the Shares or Capital Instruments themselves.

### Variation of the Company s share capital

On any variation or increase of the Company share capital, or in the event of a demerger, special dividend or other similar event which affects the market price of Shares to a material extent, the Grantor may make such adjustments as it considers appropriate to the number of Shares subject to an Award.

### Amendments to the LTIP

The Committee may amend the LTIP at any time in any respect. The rules of the LTIP relating to eligibility, limits, the basis for determining a participant s entitlement and variations of the Company s share capital may not be amended to the advantage of existing or future participants without the prior approval of the Company s shareholders in a general meeting. However, the Committee may make any amendments necessary to secure or maintain favourable taxation, exchange control or regulatory treatment for the Company, any of its subsidiaries or any participant and make minor amendments to benefit or facilitate the administration of the LTIP without prior shareholder approval.

# Appendix 2

# Summary of the principal terms of the Barclays Group Share Value Plan (the SVP )

### Summary of the principal terms of the Barclays Group Share Value Plan (the SVP )

The Barclays Group Share Value Plan (the SVP ) was adopted on 12 March 2010. SVP is used mainly to award Shares in respect of annual incentives in accordance with the principles of the FSA s Remuneration Code. Awards may also be granted to new joiners to the Group and as part of the remuneration awarded to employees under business unit long term incentive plans operated by the Group.

Approval by shareholders was not sought for SVP when it was adopted on the basis that no new issue or treasury Shares could be used to satisfy SVP awards and Executive Directors could not participate. The Company would now like the flexibility to use new issue and treasury Shares under SVP and is also proposing that Executive Directors will participate in the plan.

In 2011, the Company is adding a schedule to SVP which allows cash-based awards to be granted on similar terms to SVP but with an additional vesting condition linked to the Group Core Tier 1 capital ratio. The schedule enables Barclays to grant awards ( Contingent Capital Awards ) which incentivise executives to maintain the Group Core Tier 1 capital ratio above a pre-determined threshold.

The Board is recommending to shareholders that they approve amendments to SVP to allow new issue and treasury shares to be used under SVP and to allow Executive Directors to participate in SVP.

### Summary of the main provisions of SVP, together with proposed amendments

SVP is not an H.M. Revenue & Customs approved plan. It may operate in conjunction with an employee benefit trust of which the trustee is an independent professional trustee ( Trustee ).

### Eligibility

The Committee may select any employee of the Group to participate in SVP. It is proposed to amend SVP so that Executive Directors may also be selected as participants.

### Committee/Trustee consultation

SVP awards ( Awards ) may be granted either by the Committee (including a duly authorised sub-committee) or by the Trustee, in consultation with the Committee (in each case, the Grantor ). Where Awards are granted by the Trustee, the Trustee will consult with the Committee before making certain decisions in relation to the Awards during the life of those Awards, in particular, decisions relating to the initial value of Awards, timing of vesting, the application of malus and prudent financial control conditions described below and the treatment of Awards held by leavers and on a change of control.

Administration of SVP shall be carried out by the Grantor.

### Timing of grants

Awards may normally only be granted:

- in the six week period following the date that SVP is approved by shareholders at the 2011 AGM; or
- in the six week period following the first dealing day immediately after the date of the preliminary announcement of the Company s results for any financial period, or following the removal of any restrictions imposed on the Company or the Trustee which have previously prevented an Award from being granted; or
- in the six week period following any date on which changes to the legislation or regulations affecting share plans and/or long term incentive plans are announced or made; or
- at any other time that the Grantor may decide at its discretion, provided that it is not restricted from doing so by law or regulation.

No Awards may be granted after 10 years from the date of the AGM at which SVP is approved by shareholders.

**Form of Awards**

Three different types of Award can be granted under SVP:

- Awards over Shares;
- Awards over Capital Instruments; and
- Contingent Capital Awards under the schedule to SVP.

Awards may be in several forms as determined at the date of grant in light of, for example, regulatory, accounting and tax consequences. These may include:

- conditional awards over Shares or Capital Instruments which give a participant a right to acquire Shares or Capital Instruments in the future at no cost;
- provisional allocations of Shares or Capital Instruments which do not give a participant any right to acquire, or any interest in, Shares or Capital Instruments until such time as the Trustee decides;
- the acquisition of Shares or Capital Instruments that are forfeitable if certain conditions are not met;
- options over Shares or Capital Instruments with a nil exercise price;
- market value options over Shares or Capital Instruments; and
- such other form that has substantially the same economic effect as any of the forms of Award referred to above.

Awards are personal to the participant and may not be transferred except on death. Benefits under SVP are not pensionable.

**Individual limits**

The Grantor will determine the initial value of an Award granted in any financial year. The maximum value of Shares and/or Capital Instruments under an Award at the date of grant will be calculated on such basis of market value as the Grantor decides is fair and reasonable. In the event that shareholders approve participation of Executive Directors in SVP, Awards to Executive Directors will be granted in line with the individual limits for Executive Directors annual performance incentives as disclosed in the Directors remuneration report from time to time. For 2011 the individual limit for an Executive Director s annual performance incentive is 250% of base salary.

**Overall limits**

It is proposed to amend SVP to allow Awards to be satisfied by newly issued or treasury Shares and this will be subject to the following limits:

- the number of unissued Shares that may be issued or placed under award in any 10-year period under SVP and any other executive share plan adopted by the Company may not exceed 5 per cent of the Company s issued ordinary share capital from time to time; and

- the number of unissued Shares that may be issued or placed under award in any 10-year period under SVP and any other employee share plan adopted by the Company may not exceed 10 per cent of the Company s issued ordinary share capital from time to time.

Shares issued out of treasury will count towards these limits for so long as this is required by institutional shareholder guidelines.

**Vesting of Awards**

Vesting periods are determined at the Grantor s discretion. In normal circumstances, Awards vest in three equal portions on each of the first, second and third anniversaries of grant, subject to malus and prudent financial control provisions. The Grantor may select a different vesting period for Awards, in particular, in the case of Awards granted to new joiners and as part of the remuneration awarded to employees under business unit long term incentive plans operated by the Group.

**Malus provisions**

SVP includes malus provisions in accordance with the FSA s Remuneration Code under which the Grantor may reduce the vesting of Awards (to nil if appropriate). For example, Awards may be reduced where the Committee in its discretion determines that there is evidence of serious employee misconduct or where a business unit has suffered a material failure of risk management.

**Prudent financial control provision**

SVP includes a prudent financial control condition under which the Grantor may limit, reduce or add further conditions to the vesting of Awards or suspend Awards if the financial health of the Group has, in the opinion of the Grantor, significantly deteriorated over the vesting period. Unless the Grantor in exceptional circumstances determines otherwise, Awards will ultimately be forfeited if the Grantor does not lift any such suspension within three years from the final release date of an Award or does not, following a suspension, determine to limit, reduce or add further conditions to Awards within three years from the final release date of that Award.

# Appendix 2

## Summary of the principal terms of the Barclays Group Share Value Plan (the SVP ) continued

### Benefit of dividends/coupon

An additional benefit, releasable at the same time as an Award, may be added to an Award at the Grantor s absolute discretion. If the Award is over Shares, any benefit would represent the value of dividends payable on those Shares that actually vest since the date of grant and would be provided typically as Shares or as a cash sum. If the Award is over Capital Instruments, any benefit would represent an amount equivalent to the interest payable on those Capital Instruments that actually vest since the date of grant and would be provided typically as a cash sum or additional Capital Instruments.

Detail on the benefit that may apply to a Contingent Capital Award is set out below.

### Cessation of employment

Special provisions apply if a participant s employment ceases before an Award vests.

If a participant dies, the Grantor may allow an Award to vest immediately but subject to malus and prudent financial control provisions.

If a participant leaves for any of the following reasons, an Award may vest in line with the normal vesting date(s) of the Award and subject to malus and prudent financial control provisions, unless the Grantor determines that the Award should vest earlier:

- retirement with the agreement of the participant s employer;
- redundancy;
- disability, injury or ill health;
- the company or business for which he works being transferred out of the Group; and
- his employer terminating his employment other than in circumstances which, in the reasonable opinion of the Committee, amount to gross misconduct or dismissal for cause.

If a participant is not an eligible leaver, any unvested Awards shall lapse unless the Grantor in its absolute discretion determines otherwise.

### Corporate events

In the event of a change in control, reconstruction or winding up of the Company, the Grantor has discretion to determine the treatment of unvested Awards including allowing the early release of Awards or deciding that Awards shall continue in the same or a revised form. SVP also includes the facility for participants to exchange Awards for awards over shares in an acquiring company. An internal reorganisation does not count as a change of control for these purposes.

**Cash alternative**

The Grantor may, at its discretion, decide at the point of vesting (or exercise as the case may be) that an Award should be settled in cash equal to the market value of the Shares or Capital Instruments subject to the Award rather than in the Shares or Capital Instruments themselves.

**Variation of the Company s share capital**

On any variation or increase of the Company share capital the Grantor may make such adjustments as it considers appropriate to the number of Shares or Capital Instruments subject to an Award.

**Amendments to SVP**

The Committee may amend SVP at any time in any respect. The rules of SVP relating to eligibility, limits, the basis for determining a participant s entitlement and variations of the Company share capital may not be amended to the advantage of existing or future participants without the prior approval of the Company s shareholders in a general meeting. However, the Grantor may make any amendments necessary to secure or maintain favourable taxation, exchange control or regulatory treatment for the Company, any of its subsidiaries or any participant and make minor amendments to benefit or facilitate the administration of SVP without prior shareholder approval.

**Contingent Capital Plan schedule to SVP**

In 2011 the Company is adding a schedule to SVP which allows cash-based awards to be granted on similar terms to SVP but with additional vesting conditions as determined by the Committee from time to time. The schedule enables Barclays to grant Contingent Capital Awards which incentivise executives to maintain the Group Core Tier 1 capital ratio above a pre-determined threshold. For 2011 Contingent Capital Awards the threshold is 7%. It is proposed to amend SVP to allow Executive Directors to receive grants of Contingent Capital Awards.

A Contingent Capital Award is distinct from an Award over Capital Instruments granted under the main body of the SVP rules.

**Grant**

Contingent Capital Awards are granted by the Barclays PLC Cash Plans Committee (a sub-committee of the Committee).

**Vesting**

As for SVP, Contingent Capital Awards would normally vest, subject to the Committee discretion, in three equal portions on each of the first, second and third anniversaries of grant subject to malus and prudent financial control conditions.

**Capital Condition**

In addition, the vesting of Contingent Capital Awards would be subject to the condition that the Group Core Tier 1 capital ratio (calculated in accordance with the prevailing regulatory requirements) is equal to (or exceeds) a pre-determined threshold, set at the Committee s discretion at the date of grant. For initial 2011 Awards for all participants (including Executive Directors), it is proposed that the threshold shall be set at 7%.

When a Contingent Capital Award vests an additional discretionary benefit may be awarded equivalent to a coupon. For initial 2011 Awards, it is intended that this shall be set at 7% on an annualised non-compound basis.

If the Group Core Tier 1 capital ratio is below the pre-determined threshold (or would fall below that threshold as a result of the release and payment of any portion of a Contingent Capital Award) then no payment will be made at that time and the Contingent Capital Award will remain unvested. Any coupon equivalent attached to an Award shall lapse at the time of a suspension.

The Committee will review the Group Core Tier 1 capital ratio every six months thereafter using the published figure in the half and full year results of the Group. If the Group Core Tier 1 capital ratio (calculated in accordance with the prevailing regulatory requirements) has recovered above the pre-determined threshold (and would remain at or above that threshold following payment of a Contingent Capital Award) then (at the Committee s discretion) the unvested Contingent Capital Award or portion of the Contingent Capital Award may be released and paid to participants. In these circumstances, the Committee may consider a downward adjustment to any such release to take into account the impact to shareholders of any action taken by the Group to address the shortfall in the Group Core Tier 1 capital ratio. In addition, no coupon equivalent will be awarded in these circumstances.

If the Group Core Tier 1 capital ratio does not rise above the pre-determined threshold by the publication of the annual report following the fifth anniversary of the date on which the Contingent Capital Award was suspended, any suspended Contingent Capital Awards (or portion thereof) shall lapse.

**Table of Contents**



# Questions and Answers

## Voting arrangements

**Who is entitled to vote?**

Shareholders who want to attend, speak and vote at the AGM must be entered on the Company s register of members by no later than 6.00pm on Monday 25th April 2011. This time will still apply for the purpose of determining who is entitled to attend and vote if the AGM is adjourned from the scheduled time by 48 hours or less. If the AGM is adjourned for longer, members who wish to attend and vote must be on the Company s register of members by 6.00pm two days before the time fixed for the adjourned AGM.

**How do I vote?**

There are three ways in which you can vote:

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

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

If you vote by Proxy Form, you should return your form to The Registrar in the enclosed pre-paid envelope so that it is received by no later than 11.00am on Monday 25th April 2011. You will find details below of how to withdraw your proxy if you change your mind. If you vote online, The Registrar must receive your instruction by 11.00am on Monday 25th April 2011.

**What if I plan to attend the AGM and vote in person?**

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

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

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

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

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

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

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

**Can I appoint anyone to be a proxy?**

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

**Can I appoint more than one proxy?**

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

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

Yes. If you change your mind, you can send a written statement to that effect to The Registrar. The statement must arrive with The Registrar by 11.00 am on Monday 25th April 2011, or you should bring it along to the AGM. If you hold your shares in Barclays Sharestore, and you have changed your mind, your new instruction must be received by The Registrar no later than 11.00 am on Monday 25th April 2011. You cannot bring it along to the meeting.

**How will the votes be counted?**

Each of the resolutions set out in the Notice of AGM will be voted upon on a poll. The passing of resolutions 1 to 19 and 23 to 24 are determined by a majority of votes. Resolutions 20 to 22 are being proposed as special resolutions and will therefore require a 75% majority of the votes cast for them to be passed. Our Registrar counts the proxy votes received before the AGM and then counts the votes cast at the AGM. An independent third party, Electoral Reform Services, has been appointed by Barclays to monitor the shareholder voting process.

**When will the results of the voting be declared?**

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

## Corporate shareholders

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

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

Table of Contents



# Questions and Answers

continued

## Questions

**Can I ask a question at the AGM?**

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

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

**Can I ask a question about a customer issue?**

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

**Can I ask a question about my personal shareholding?**

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

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

## Shareholders with special needs

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

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

## General Questions

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

**Table of Contents**



# Additional information for shareholders attending the Annual General Meeting

### Venue

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

Date: Wednesday 27th April 2011

Time: The AGM will start promptly at 11.00 am. You should allow 15 to 20 minutes for security and registration formalities.

### Security

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

### Cloakroom facilities

Cloakroom facilities will be available in the registration area.

### Registration

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

### Persons with special needs

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

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

An audio CD containing extracts from the 2010 Annual Review is available, free of charge, either on request in writing from The Registrar or at the AGM.

### First aid

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

### Refreshments

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

### Travelling to the AGM

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

## AGM schedule

**Wednesday 27th April 2011**

**10.00am**

Registration desks open.

Tea and coffee available in the Exhibition Area.

Q&A registration opens.

**11.00am**

The AGM starts in the Meeting Room.

**1.00pm (approximately)**

Light refreshments available in the Exhibition Area.

The results of the polls are expected to be released to the London Stock

Exchange on Wednesday 27th April 2011.

**Table of Contents**



**Go online**

Further information on our Annual Report

*www.barclays.com/annualreport10*

Printed on Revive Pure White Offset made from 100% FSC certified recycled fibre sourced from de-inked post-consumer waste. The printer and manufacturing mill are both credited with ISO14001 Environmental Management Systems Standard and both are FSC certified

**9911690**

Designed by Further

**Table of Contents**

# Barclays PLC

## Proxy Form for the

## Annual General Meeting

To be held at the

Royal Festival Hall, Southbank Centre,

Belvedere Road, London SE1 8XX

on Wednesday, 27th April 2011 at 11.00am

+ +

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

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

I/We hereby appoint the Chairman of the meeting, or as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting (AGM) of Barclays PLC (the Company) to be held on Wednesday, 27th April 2011 and at any adjournment of that meeting.

**Resolutions**

The full wording of the resolutions and brief biographical details of all Directors standing for re-election at the 2011 AGM are in the Notice of Annual General Meeting which has been sent to you with this form. Please write an **X** in the For, Against or Vote Withheld box for each resolution below. If you do not complete the boxes below, the person you appoint as proxy can decide whether, and how, he or she votes in relation to any matter which is properly put before the meeting.

| | | For | Against | Vote Withheld | | | For | Against | Vote Withheld |
|---|---|---|---|---|---|---|---|---|---|
| 1. | To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2010. | | | | 13. | To re-elect Chris Lucas as a Director of the Company. | | | |

**Important: fold along this line**

| | | For | Against | Vote Withheld | | | For | Against | Vote Withheld |
|---|---|---|---|---|---|---|---|---|---|
| 2. | To approve the Remuneration Report for the year ended 31st December 2010. | | | | 14. | To re-elect Sir Michael Rake as a Director of the Company. | | | |
| 3. | To re-elect Alison Carnwath as a Director of the Company. | | | | 15. | To re-elect Sir John Sunderland as a Director of the Company. | | | |

| | |
|---|---|
| 4. To re-elect Dambisa Moyo as a Director of the Company. | 16. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company. |
| 5. To re-elect Marcus Agius as a Director of the Company. | 17. To authorise the Directors to set the remuneration of the Auditors. |
| 6. To re-elect David Booth as a Director of the Company. | 18. To authorise the Company and its subsidiaries to make political donations and incur political expenditure. |
| 7. To re-elect Sir Richard Broadbent as a Director of the Company. | 19. To authorise the Directors to allot securities. |
| 8. To re-elect Fulvio Conti as a Director of the Company. | 20. To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders or to sell treasury shares. |
| 9. To re-elect Robert E Diamond Jr as a Director of the Company. | 21. To authorise the Company to purchase its own shares. |
| 10. To re-elect Simon Fraser as a Director of the Company. | 22. To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice. |
| 11. To re-elect Reuben Jeffery III as a Director of the Company. | 23. To approve and adopt the rules of the Barclays Group Long Term Incentive Plan (LTIP). |
| 12. To re-elect Sir Andrew Likierman as a Director of the Company. | 24. To approve and adopt the rules of the Barclays Group Share Value Plan (SVP). |

Please indicate with an **X** if this Proxy Form is one of multiple instructions being given. Please refer to note 4 overleaf.

**Signature(s)** **Date**

Please complete and return this Proxy Form in the enclosed pre-paid envelope so that it is received by The Registrar to Barclays no later than 11.00am on Monday, 25th April 2011.

**2674 076 S**

Table of Contents

# Barclays PLC

## Attendance Card

### Information for shareholders attending the 2011 AGM

The AGM will be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX on Wednesday, 27th April 2011 at 11.00am.

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

### How to ask a question

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

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

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

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

## Travelling to the AGM

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

**Why not log on to our new look Barclays e-view and see the benefits?**

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

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

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

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

View dividend information, including electronic tax vouchers;

Change your address and/or bank details online; and

Register your voting instructions for General Meetings.

Table of Contents

# Barclays PLC

## Poll card for the Annual General Meeting

To be held at the

Royal Festival Hall, Southbank Centre,

Belvedere Road, London SE1 8XX

on Wednesday, 27th April 2011 at 11.00am

**This card should only be completed during the meeting**

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

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

**Signature(s)**

**Date**

**Resolutions**

| | | For | Against | Vote Withheld | | | For | Against | Vote Withheld |
|---|---|---|---|---|---|---|---|---|---|
| 1. | To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2010. | | | | 13. | To re-elect Chris Lucas as a Director of the Company. | | | |
| 2. | To approve the Remuneration Report for the year ended 31st December 2010. | | | | 14. | To re-elect Sir Michael Rake as a Director of the Company. | | | |
| 3. | To re-elect Alison Carnwath as a Director of the Company. | | | | 15. | To re-elect Sir John Sunderland as a Director of the Company. | | | |
| 4. | To re-elect Dambisa Moyo as a Director of the Company. | | | | 16. | To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company. | | | |
| 5. | To re-elect Marcus Agius as a Director of the Company. | | | | 17. | To authorise the Directors to set the remuneration of the Auditors. | | | |
| 6. | To re-elect David Booth as a Director of the Company. | | | | 18. | To authorise the Company and its subsidiaries to make political donations and incur political expenditure. | | | |
| 7. | To re-elect Sir Richard Broadbent as a Director of the Company. | | | | 19. | To authorise the Directors to allot securities. | | | |
| 8. | To re-elect Fulvio Conti as a Director of the Company. | | | | 20. | To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders or to sell treasury shares. | | | |
| 9. | To re-elect Robert E Diamond Jr as a Director of the Company. | | | | 21. | To authorise the Company to purchase its own shares. | | | |

| | |
|---|---|
| 10. To re-elect Simon Fraser as a Director of the Company. | 22. To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice. |
| 11. To re-elect Reuben Jeffery III as a Director of the Company. | 23. To approve and adopt the rules of the Barclays Group Long Term Incentive Plan (LTIP). |
| 12. To re-elect Sir Andrew Likierman as a Director of the Company. | 24. To approve and adopt the rules of the Barclays Group Share Value Plan (SVP). |

## Why not log on to our new look Barclays e-view and see the benefits?

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

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

**To join Barclays e-view, please follow these 3 easy steps:**

### Step 1

Go to www.eviewsignup.co.uk

### Step 2

Register for electronic communications by following the instructions on screen.

### Step 3

## Prize draw terms and conditions

**The prize is a cheque for £200**

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

2. There will be five prize draws on Monday, 9th May 2011.

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

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

5. The prize draw is open to our private shareholders who are aged 18 or over, live in the United Kingdom and either join e-view or have already joined e-view prior to 11.00am on Friday, 6th May 2011. Each shareholder will be entered into the prize draw once.

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

7. We will provide the name and county of each winner, and the name of the independent observer, to anyone who sends a stamped address envelope to: The Manager, Shareholder Relations, 1 Churchill Place, London E14 5HP, within 28 days of the date of the draw (Monday, 9th May 2011). The details will also be available on our website.

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

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

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

the prizes within 10 working days of receipt of the address.

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

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

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

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

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

**Table of Contents**

# Barclays PLC

## Explanatory notes

### 1. Voting

If you want to attend and vote at the Barclays AGM, you must be entered on the Company s register of members by no later than 6.00pm on Monday, 25th April 2011. This time will still apply for the purpose of deciding if you are entitled to attend and vote if the meeting is adjourned for less than 48 hours. If the meeting is adjourned for a longer time and you still want to attend and vote, you must be on the Barclays register of members by no later than 6.00pm two days before the time fixed for the adjourned meeting.

### 2. Vote online

You can appoint a proxy to vote your shares online at *www.barclays.com/investorrelations/vote*. To log on you will need your Voting ID, Task ID and Shareholder Reference Number which are printed on the front of this form. Your votes must be registered by no later than 11.00am on Monday, 25th April 2011.

### 3. Proxy

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

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

### 4. Multiple proxies

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

### 5. Revoking your proxy

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

### 6. Authority and timing

To be valid, you must return this Proxy Form, together with a certified copy of the power of attorney or other authority (if any) under which it is executed, to The Registrar to Barclays, Aspect House, Spencer Road, Lancing, West Sussex BN99 6NA, United Kingdom, in the pre-paid envelope provided, so that it is received by no later than 11.00am on Monday, 25th April 2011.

### 7. Joint shareholders

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

### 8. Vote Withheld

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

### 9. Corporate shareholders

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

### 10. Euroclear electronic proxy appointment service (CREST)

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To be valid, the CREST message must be received by the receiving agent (ID RA19) no later than 11.00am on Monday, 25th April 2011. For this purpose the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the receiving agent is able to retrieve the message. After this time, changes of instructions to proxies appointed through CREST should be communicated to the proxy by other means. If you are a CREST personal member or other CREST sponsored member, you should contact your CREST sponsor for help with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual (available via www.euroclear.com/CREST). The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001.

# Shareholder information

## If you need help, contact The Registrar to Barclays

**Telephone**

0871 384 2055* (in the UK)

+44 121 415 7004 (from overseas)

*Calls to this number are charged at 8p per minute if using a BT landline.

Call charges may vary if using other telephone providers.

**Email**
questions@share-registers.co.uk

**Postal address**

The Registrar to Barclays

Aspect House

Spencer Road

Lancing, West Sussex

BN99 6DA

United Kingdom

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

**ISO 14001**

**EMAS Verified Environmental Management. Produced at an EMAS registered mill**

Table of Contents

# Barclays PLC

## Proxy Form for the

## Annual General Meeting

To be held at the

Royal Festival Hall, Southbank Centre,

Belvedere Road, London SE1 8XX

on Wednesday, 27th April 2011 at 11.00am

+ +

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

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

I/We hereby appoint the Chairman of the meeting, or as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting (AGM) of Barclays PLC (the Company) to be held on Wednesday, 27th April 2011 and at any adjournment of that meeting.

**Resolutions**

The full wording of the resolutions and brief biographical details of all Directors standing for re-election at the 2011 AGM are in the Notice of Annual General Meeting which has been sent to you with this form. Please write an **X** in the For, Against or Vote Withheld box for each resolution below. If you do not complete the boxes below, the person you appoint as proxy can decide whether, and how, he or she votes in relation to any matter which is properly put before the meeting.

| | | For | Against | Vote Withheld | | | For | Against | Vote Withheld |
|---|---|---|---|---|---|---|---|---|---|
| 1. | To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2010. | | | | 13. | To re-elect Chris Lucas as a Director of the Company. | | | |
| | **Important: fold along this line** | | | | | | | | |
| 2. | To approve the Remuneration Report for the year ended 31st December 2010. | | | | 14. | To re-elect Sir Michael Rake as a Director of the Company. | | | |
| 3. | To re-elect Alison Carnwath as a Director of the Company. | | | | 15. | To re-elect Sir John Sunderland as a Director of the Company. | | | |
| 4. | | | | | 16. | | | | |

| | | | |
|---|---|---|---|
| | To re-elect Dambisa Moyo as a Director of the Company. | | To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company. |
| 5. | To re-elect Marcus Agius as a Director of the Company. | 17. | To authorise the Directors to set the remuneration of the Auditors. |
| 6. | To re-elect David Booth as a Director of the Company. | 18. | To authorise the Company and its subsidiaries to make political donations and incur political expenditure. |
| 7. | To re-elect Sir Richard Broadbent as a Director of the Company. | 19. | To authorise the Directors to allot securities. |
| 8. | To re-elect Fulvio Conti as a Director of the Company. | 20. | To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders or to sell treasury shares. |
| 9. | To re-elect Robert E Diamond Jr as a Director of the Company. | 21. | To authorise the Company to purchase its own shares. |
| 10. | To re-elect Simon Fraser as a Director of the Company. | 22. | To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice. |
| 11. | To re-elect Reuben Jeffery III as a Director of the Company. | 23. | To approve and adopt the rules of the Barclays Group Long Term Incentive Plan (LTIP). |
| 12. | To re-elect Sir Andrew Likierman as a Director of the Company. | 24. | To approve and adopt the rules of the Barclays Group Share Value Plan (SVP). |

Please indicate with an **X** if this Proxy Form is one of multiple instructions being given. Please refer to note 4 overleaf.

**Signature(s)** **Date**

Please complete and return this Proxy Form in the enclosed pre-paid envelope so that it is received by The Registrar to Barclays no later than 11.00am on Monday, 25th April 2011.

**2674 079 S**

Table of Contents

# Barclays PLC

## Attendance Card

## Information for shareholders attending the 2011 AGM

The AGM will be held at the Royal Festival Hall, Southbank Centre, Belvedere Road, London SE1 8XX on Wednesday, 27th April 2011 at 11.00am.

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

## How to ask a question

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

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

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

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

## Travelling to the AGM

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

## How we want to communicate with you

**Shareholder Reference Number**

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

We now send Barclays e-view members regular, up to date information about their shareholding and Barclays directly to their inbox. Please see overleaf for more information about how to join Barclays e-view.

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

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

## Your options

### 1. Website

If you do not want to receive hard copy documents you do not need to take any further action. We will notify you by letter when the information is available to view on our website.

### 2. Email

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

### 3. Paper

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

Annual Review: This document is about 30 pages long and gives you a clear overview of our company and its financial position.

Full Annual Report: This document is about 350 pages long and gives you very detailed financial and other information. It is aimed at the financial analyst community.

For more details, see overleaf

2674 078 S

Table of Contents

# Barclays PLC

## Poll card for the Annual General Meeting

To be held at the

Royal Festival Hall, Southbank Centre,

Belvedere Road, London SE1 8XX

on Wednesday, 27th April 2011 at 11.00am

**This card should only be completed during the meeting**

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

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

**Signature(s)**

**Date**

**Resolutions**

| | | For | Against | Vote Withheld | | | For | Against | Vote Withheld |
|---|---|---|---|---|---|---|---|---|---|
| 1. | To receive the Reports of the Directors and Auditors and the audited accounts for the year ended 31st December 2010. | | | | 13. | To re-elect Chris Lucas as a Director of the Company. | | | |
| 2. | To approve the Remuneration Report for the year ended 31st December 2010. | | | | 14. | To re-elect Sir Michael Rake as a Director of the Company. | | | |
| 3. | To re-elect Alison Carnwath as a Director of the Company. | | | | 15. | To re-elect Sir John Sunderland as a Director of the Company. | | | |
| 4. | To re-elect Dambisa Moyo as a Director of the Company. | | | | 16. | To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company. | | | |
| 5. | To re-elect Marcus Agius as a Director of the Company. | | | | 17. | To authorise the Directors to set the remuneration of the Auditors. | | | |
| 6. | To re-elect David Booth as a Director of the Company. | | | | 18. | To authorise the Company and its subsidiaries to make political donations and incur political expenditure. | | | |
| 7. | To re-elect Sir Richard Broadbent as a Director of the Company. | | | | 19. | To authorise the Directors to allot securities. | | | |
| 8. | To re-elect Fulvio Conti as a Director of the Company. | | | | 20. | To authorise the Directors to allot equity securities for cash other than on a pro rata basis to shareholders or to sell treasury shares. | | | |
| 9. | To re-elect Robert E Diamond Jr as a Director of the Company. | | | | 21. | To authorise the Company to purchase its own shares. | | | |

10. To re-elect Simon Fraser as a Director of the Company.

11. To re-elect Reuben Jeffery III as a Director of the Company.

12. To re-elect Sir Andrew Likierman as a Director of the Company.

22. To authorise the Directors to call general meetings (other than an AGM) on not less than 14 clear days notice.

23. To approve and adopt the rules of the Barclays Group Long Term Incentive Plan (LTIP).

24. To approve and adopt the rules of the Barclays Group Share Value Plan (SVP).

**Why not log on to our new look Barclays e-view and see the benefits?**

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

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

**To join Barclays e-view, please follow these 3 easy steps:**

## Step 1

Go to www.eviewsignup.co.uk

## Step 2

Register for electronic communications by following the instructions on screen.

## Step 3

**Prize draw terms and conditions**

**The prize is a cheque for £200**

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

2. There will be five prize draws on Monday, 9th May 2011.

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

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

5. The prize draw is open to our private shareholders who are aged 18 or over, live in the United Kingdom and either join e-view or have already joined e-view prior to 11.00am on Friday, 6th May 2011. Each shareholder will be entered into the prize draw once.

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

7. We will provide the name and county of each winner, and the name of the independent observer, to anyone who sends a stamped address envelope to: The Manager, Shareholder Relations, 1 Churchill Place, London E14 5HP, within 28 days of the date of the draw (Monday, 9th May 2011). The details will also be available on our website.

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

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

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

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

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

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

12. Our decision is final and we will not respond to any questions or complaints about it. 13. We are not responsible for any injuries, loss or damage of any kind arising from or in connection with the prize draw unless, by law, we must accept responsibility.

**Table of Contents**

# Barclays PLC

## Explanatory notes

### 1. Voting

If you want to attend and vote at the Barclays AGM, you must be entered on the Company s register of members by no later than 6.00pm on Monday, 25th April 2011. This time will still apply for the purpose of deciding if you are entitled to attend and vote if the meeting is adjourned for less than 48 hours. If the meeting is adjourned for a longer time and you still want to attend and vote, you must be on the Barclays register of members by no later than 6.00pm two days before the time fixed for the adjourned meeting.

### 2. Vote online

You can appoint a proxy to vote your shares online at *www.barclays.com/investorrelations/vote*. To log on you will need your Voting ID, Task ID and Shareholder Reference Number which are printed on the front of this form. Your votes must be registered by no later than 11.00am on Monday, 25th April 2011.

### 3. Proxy

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

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

### 4. Multiple proxies

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

### 5. Revoking your proxy

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

### 6. Authority and timing

To be valid, you must return this Proxy Form, together with a certified copy of the power of attorney or other authority (if any) under which it is executed, to The Registrar to Barclays, Aspect House, Spencer Road, Lancing, West Sussex BN99 6NA, United Kingdom, in the pre-paid envelope provided, so that it is received by no later than 11.00am on Monday, 25th April 2011.

### 7. Joint shareholders

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

### 8. Vote Withheld

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

### 9. Corporate shareholders

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

### 10. Euroclear electronic proxy appointment service (CREST)

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To be valid, the CREST message must be received by the receiving agent (ID RA19) no later than 11.00am on Monday, 25th April 2011. For this purpose the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the receiving agent is able to retrieve the message. After this time, changes of instructions to proxies appointed through CREST should be communicated to the proxy by other means. If you are a CREST personal member or other CREST sponsored member, you should contact your CREST sponsor for help with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual (available via www.euroclear.com/CREST). The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001.

# Shareholder information

## If you need help, contact The Registrar to Barclays

**Telephone**

0871 384 2055* (in the UK)

+44 121 415 7004 (from overseas)

*Calls to this number are charged at 8p per minute if using a BT landline.

Call charges may vary if using other telephone providers.

**Email**
questions@share-registers.co.uk
**Postal address**

The Registrar to Barclays

Aspect House

Spencer Road

Lancing, West Sussex

BN99 6DA

United Kingdom

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

**ISO 14001**

**EMAS Verified Environmental Management. Produced at an EMAS registered mill**

Table of Contents

# Contents

## About Barclays



## Strategy



## Performance



## Risk management and governance



## Financial statements



## Shareholder information



The term Barclays PLC Group or the Group means Barclays PLC together with its subsidiaries and the term Barclays Bank PLC Group means Barclays Bank PLC together with its subsidiaries. Barclays and Group are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term Company , Parent Company or Parent refers to Barclays PLC and the term Bank refers to Barclays Bank PLC. The term Absa Group Limited is used to refer to Absa Group Limited and its subsidiaries and the term Absa is used to refer to the Barclays segment represented by this business as described on page 54. 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.

Unless otherwise stated, the income statement analyses compare the 12 months to 31st December 2010 to the corresponding 12 months of 2009 and balance sheet comparisons, relate to the corresponding position at 31st December 2009. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards (IFRS) are explained in the glossary on pages 278 to 284.

### Forward-looking statements

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

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

### Cover image:

Barclays is the exclusive sponsor of Barclays Cycle Hire which was launched on 30th July 2010 in London. It already sees more than 5,000 cycles available in central London, with nearly 3 million journeys completed. The scheme makes a positive contribution to society in London and partners Barclays with a sustainable and environmentally friendly mode of transport.

Table of Contents

**Table of Contents**



# About Barclays

We are a major global financial services provider engaged in retail banking, credit cards, corporate and investment banking, and wealth management with an extensive international presence.

**Group total income**

£31,440m

**UK Retail Banking** £4,518m total income

UK Retail Banking is a leading UK high street bank providing current account and savings products and Woolwich branded mortgages. UK Retail Banking also provides unsecured loans, protection products and general insurance as well as banking and money transmission services to small and medium enterprises.

**Barclaycard** £4,024m total income

Barclaycard is an international payments business which manages about £200bn in annual payment value and offers a broad range of payment solutions to consumer and business customers in 22 countries throughout the world.

**Western Europe Retail Banking** £1,164m total income

Western Europe Retail Banking provides retail banking and credit card services in Spain, Italy, Portugal and France. The business is building a differentiated proposition providing banking services to retail and mass affluent customers through a variety of distribution channels.

**Barclays Africa** £801m total income

Barclays Africa provides retail, corporate and credit card services across Africa and the Indian Ocean. It provides tailored banking (including mobile banking and Sharia-compliant products) to over 2.7m customers and has a top 3 position in 8 of the 10 countries in which we operate.

**Absa** £2,899m total income

Absa provides a full range of retail banking services and insurance products through a variety of distribution channels. It also offers customised business solutions for commercial and large corporate customers. It is part of one of South Africa s largest financial services organisations.

**Barclays Capital** £13,600m total income

Barclays Capital is the investment banking division of Barclays. It provides large corporate, government and institutional clients with a full spectrum of solutions to meet their strategic advisory, financing and risk management needs. Barclays Capital has a global presence providing advisory services and distribution power to meet the needs of issuers and investors worldwide.

**Barclays Corporate** £2,974m total income

Barclays Corporate provides integrated banking solutions to large corporates, financial institutions and multinationals in the UK & Ireland, Continental Europe and New Markets.

**Barclays Wealth** £1,560m total income

Barclays Wealth is the wealth management division of Barclays. It focuses on private and intermediary clients worldwide, providing international and private banking, investment management, fiduciary services and brokerage. It has offices in Europe, North America, Asia and Africa.

**Investment Management** £78m total income

Investment Management manages the Group s 19.9% economic interest in BlackRock, Inc. and the residual elements relating to Barclays Global Investors, which was sold on 1st December 2009.

**Head Office and Other Operations** £178m total loss

Head Office Functions and Other Operations comprise head office and central support functions, businesses in transition and consolidation adjustments.

Table of Contents



# 2010 performance highlights

**Profit before tax**

£6,065m

Group profit before tax up 32% on 2009, adjusted profit before tax up 11%

**Net income**

22% up

Net income of £25,768m, up 22% on 2009

**Impairment**

30% down

Impairment of £5,672m, down 30%, giving a loan loss rate of 118bps compared to 156bps for 2009

**Return on equity**

7.2%

Improved returns on average shareholders equity of 7.2% (2009: 6.7%)

**Core Tier 1 ratio**

10.8%

Core Tier 1 capital ratio of 10.8% (2009: 10.0%)

**Group liquidity pool**

£154bn

Group liquidity pool improved by 21% from £127bn in 2009

**Net hiring**

2,000

Created 2,000 new jobs, 80% of which were in the UK

**Global tax paid**

£6.1bn

UK tax paid of £2.8bn, including £1.3bn on behalf of employees

**Gross new lending to UK**

£43bn

Gross new lending to UK households and businesses increased to £36bn, plus £7.5bn from the acquisition of Standard Life Bank

# Executing our strategy

## Delivering superior performance through diversification by business, geography and funding sources, and relentless focus on customers and clients

### Strategy and business model

**We continue to believe that our integrated universal banking strategy is the best model to serve our customers and clients as well as optimising risk-adjusted returns for our shareholders.**

**Customer and client focus**

Our customers and clients are at the centre of our strategy and business model. Putting their needs first is essential to developing a long term sustainable business.

**Geographic spread**

We aim to meet the needs of our clients and build a business with diverse revenue sources, business segments, customer and clients and geographic exposure.

**Product breadth**

The most successful banks are those that serve their clients across all their needs though a wide range of distribution channels.

**Risk management**

Effective risk management underpins all the commercial decisions we take. As a global universal bank we are well placed to understand the risks our clients take because of the breadth and depth of the relationships we have with them.

**Financial discipline**

As we look to execute on our strategy and build the business, it is essential to ensure that we retain financial discipline required to deliver returns.

**How we manage our performance**

**Whilst business model and strategy determine the shape and direction of Barclays, performance is managed against a specific set of key performance indicators (KPIs).**

These KPIs are closely aligned to our execution priorities in order to deliver on our goal of generating top quartile shareholder returns over time.

**Our execution priorities are:**

Capital operating within our capital resources
Returns generating returns in excess of our cost of equity
Income growth sustainable growth in selected markets and geographies
Citizenship demonstrating our wider value to society both globally and in every community we serve

**Table of Contents**



# Key performance indicators

**Key performance indicators (KPIs)**

Our Group KPIs provide a framework of key financial, strategic and citizenship measures which we monitor to assess our aggregate performance. These KPIs are updated periodically as our strategy and execution priorities evolve.

| KPIs | Measures | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| **Capital** | Core Tier 1 ratio | 10.8% | 10.0% | 5.6% |
| | Adjusted gross leverage | 20x | 20x | 28x |
| **Returns** | Return on average shareholders equity (RoE) | 7.2% | 6.7% | 14.3% |
| | Return on average tangible shareholders equity (RoTE) | 8.7% | 9.0% | 21.3% |
| | Profit before tax | £6,065m | £4,585m | £5,136m |
| | Cost: income ratio | 64% | 57% | 63% |
| | Loan loss rate | 118bps | 156bps | 95bps |
| | Dividend | 5.5p | 2.5p | 11.5p |
| **Income growth** | Total income | £31,440m | £29,123m | £21,199m |
| | Income by geography: | | | |
| | UK & Ireland | 40% | 45% | 57% |
| | Europe region | 15% | 15% | 19% |
| | Americas | 25% | 22% | 0% |
| | Africa | 15% | 14% | 17% |
| | Asia | 5% | 4% | 7% |
| **Citizenship** | Gross new lending to UK households and businesses | £43bn[a] | £35bn | n/a |
| | Global investment in our communities | £55.3m | £54.9m | £52.2m |

| | | | |
|---|---|---|---|
| Colleagues involved in volunteering, regular giving and fundraising initiatives | 62,000 | 58,000 | 57,000 |
| Group Employee Opinion Survey (EOS) Proud to be Barclays | 83% | 81% | 81% |
| Percentage of senior managers who are female | 24% | 24% | 25% |

A fuller analysis of Group KPIs including definitions and why these KPIs are considered important can be found on pages 28 to 31.

Note

a Gross new UK lending of £43 billion includes £7.5 billion arising from the acquisition of Standard Life Bank.

**Table of Contents**

# Group Chairman s statement

## Marcus Agius

**2010 saw a continuation of the global economic recovery which began in 2009 and while the level of global economic activity remains weak reflected in high unemployment rates the recovery is intact, and the fears of a double-dip recession in developed economies that emerged in the middle of last year have largely abated. Indeed, global GDP growth averaged nearly 5% in 2010, led by the emerging economies although growth in most of the developed world was generally below trend.**

Global growth is expected to slow to around 4.25% in 2011, reflecting less rapid growth in Asia and Latin America, where policy has begun to tighten, partly in response to higher inflation. While growth in most of the larger European countries has held up surprisingly well particularly Germany the outlook for the UK is more sobering: activity declined unexpectedly in Q4, and policy tightening is likely to temper the pace of recovery this year. Downside risks remain: we saw, for example, the re-emergence of sovereign risk concerns in certain European countries in the last quarter of 2010 and at the start of this year and more recently the unrest in a number of Middle Eastern and North African countries affecting the price of oil and confidence generally. We expect these problems to be contained, but while the outlook for markets is sanguine for now, it is vulnerable to any hints that monetary policy support might be withdrawn.

Whilst it is too early to say that the financial crisis is over, I believe it is important to reflect on the progress that has been made over the last few years in improving the resilience of the banking sector. This is because there is, in some quarters, the sense that nothing has changed as a result of the crisis: in fact a huge amount has already been achieved. To begin with, the banking system as a whole is now much better capitalised than before the crisis for example, Barclays Core Tier 1 Capital at the end of 2010 was 10.8%, nearly double the level at the end of 2008. We were particularly pleased that the results of the stress tests run by the Committee of European Banking Supervisors (CEBS) in 2010 showed that Barclays Tier 1 ratio was amongst the highest in the European bank sector after application of the CEBS adverse scenario. Liquidity has also been strengthened significantly Barclays held a Liquidity Pool of over £150bn at the end of 2010, more than three times the level at the end of 2008. Considerable change has also been made in other areas across the sector: leverage is lower; stress testing has been institutionalised; the Financial Stability Board principles on Remuneration have been widely implemented and, finally, good progress is being made in the vital area of recovery and resolution planning. We still await final rules in other important areas however, such as the minimum levels of capital to be held by systemically important financial institutions and, of course, we await the report from the Independent Commission on Banking in the UK which is tasked with examining possible measures to promote stability and competition in UK Banking.

The importance of the regulatory reform agenda cannot be overstated. A great deal has already been achieved and we support strong regulation in order to support strong banks for the benefit of all. Accordingly, we have made a significant contribution to the debate. But the significant volume of work involved in responding to the numerous consultations should not be underestimated and much of it necessarily requires the attention of our most senior people. While we recognise the need for this to happen and welcome the prospect of a better outcome we nevertheless also look forward to the time when the new normal in regulatory terms is finally established so that we can focus on our core business of banking, namely supporting our clients and so assisting the creation of economic growth

and jobs. It is now important that the remaining issues and in particular uncertainty are resolved as quickly as possible to allow the sector to manage and plan its activities in a stable regulatory environment.

I stated in my report last year that the new regulatory architecture should meet three objectives and it is important to reiterate them:

- A safer and more secure financial system;

- A banking industry that is well equipped to support the needs of the global economy; and

The ability of the suppliers of financial capital to earn a positive return on their capital.

The Basel Committee is sensibly phasing in over a period of years the new regulatory requirements in respect of both capital and liquidity. This will help ensure that the banking system can continue to support the needs of the global economy and in particular to finance the recovery in the developed economies. The new architecture will need to be kept under close review, however, to ensure that the three objectives set out above continue to be met. History shows that new regulations invariably lead to unintended consequences, so it will be crucial continuously to monitor their effects to ensure that the desired outcomes are achieved. It will also be vital to ensure that the new rules are applied consistently on a worldwide basis in order to allow international banks such as Barclays to operate on a global level playing field. It would be very dangerous if countries such as the UK continued in a position of regulatory super-equivalence, a position that makes it harder to support private sector led economic growth.

A new regulatory architecture is one aspect of restoring trust in banks but it will not be sufficient by itself. Banks must show by their actions that they understand the public concerns over the mistakes of the past, assist and collaborate in the reform process and recognise their obligation to contribute to economic recovery. A successful banking system brings many benefits to society, including:

**Lending**

The supply of credit is at the heart of economic activity and it is the role of banks in performing this function to facilitate appropriate risk taking in the economy by households and businesses. In Barclays alone, we lend about £500bn to customers and clients worldwide. In 2010, our gross new UK lending totalled £43bn, including £7.5bn arising from the acquisition of Standard Life Bank.

The main UK banks recently made substantial commitments relating to lending to UK businesses, including making available the appropriate capital and resources to support gross new lending of £190bn in 2011, should sufficient demand materialise. In addition, the main UK banks have also agreed to contribute to the creation of an equity fund which the banks expect to grow over the coming years to £1.5bn to support growth in companies with an annual turnover of between £10m-£100m.

**Employment**

Barclays employs nearly 147,500 people of whom 60,000 are in the UK. The banking sector as a whole employs nearly 500,000 people across the UK and the jobs of many more are related to the success of the wider financial services industry.

# Group Chairman s statement

continued

### Payment of Tax

Successful banks pay tax on their profits and in the last normal year before the credit crunch (2006), the total direct and indirect taxation paid by the banking sector in the UK was nearly £40bn. As the sector recovers, it will again become a major contributor to Governments across the world and particularly in the UK.

### Payment of Dividends

Successful banks pay dividends to their owners typically pension funds and mutual funds and dividend payments from UK banks totalled over 20% of total FTSE dividends in 2006. This figure has been significantly reduced because of the crisis and in Barclays we have had to maintain a conservative dividend policy because of regulatory uncertainty. But it is in the interests of our owners and individual pensioners to see a successful banking system again providing a significant source of income to institutional and private savings vehicles. Our dividend policy has been progressive over the past two years and we expect it to remain so.

### Community Support

Investing in the communities in which we operate is something that has always been important to Barclays and our employees around the world.

During difficult economic times, we have even more responsibility to the communities where we live and work. Despite the impact of the crisis, Barclays resolved not to reduce its level of community support and, in 2010, we invested over £55m in carefully targeted programmes around the world.

Our truly global community investment programme now supports projects in 37 countries, reaching more than one and a half million people and providing support to over 8,000 organisations.

To make this happen, over 62,000 colleagues gave their time, energy and expertise to volunteering, fundraising and regular giving initiatives throughout the year a record figure, of which we are justifiably proud. You will see from the Chief Executive s review that Citizenship, and in particular, demonstrating our credentials as a global citizen, is one of our priorities in 2011.

The scale of each of these components of contribution is profoundly affected by the ability of the UK industry to compete with the best international peers. In order to maximise the contribution of UK banks to society, we must be allowed to compete on a level playing field within a secure regulatory framework. We recognise the need to pay responsibly, including much greater levels of deferment, greater use of equity and the ability to claw back payments in specific circumstances. As Chairman, I am acutely aware of the public disquiet over remuneration in the industry. Barclays is committed to acting responsibly in this area. We are fully compliant with all regulatory requirements and our remuneration systems are designed to reward success, not failure. If we are to remain competitive in a global market place, however, it is simply not an option for us unilaterally to reduce compensation levels. We can only contribute to society if we are able to recruit and retain good people. Against the above background, we are very grateful to John Varley in leading the industry discussions with the UK Government which resulted in a collective statement by the principal UK banks on lending, tax, pay and broader contributions to the economy and to society. The statement underlined the banks recognition of their responsibility to support economic recovery and to show responsibility on pay. Accordingly, Barclays 2010 bonus pool was down 7%, despite increased profits and income, in line with our commitment to the UK Government for restraint.

### CEO Succession

A key development during the year was the announcement that Bob Diamond would succeed John Varley as Chief Executive. While I set out in the Corporate Governance Report the background to the decision to appoint Bob and in particular, the process that was followed, I would like to pay tribute here to the exceptional job performed by John during his tenure as CEO. Barclays has been transformed since he became CEO in September 2004, enabling Barclays to take its place in the first rank of global universal banks. There can have been no greater test of leadership than to have been CEO during the financial crisis and John brought the bank through this period with courage and creativity. We are fortunate that he will continue to be available to us as an advisor on regulatory matters until September.

We are also fortunate that we have such a capable and qualified replacement in Bob Diamond. He has a proven track record as a business leader and the Board and I are looking forward to working with him to take Barclays forward in the years ahead as he builds on his many achievements to date.

**Board Changes**

We appointed two new Directors during the year. Dambisa Moyo was appointed in May and her background in financial services and as a global economist will bring valuable insights to the Board. Alison Carnwath was appointed in August. She is Chair of Land Securities and has a long history in financial services as a banker and a director of a number of global financial services businesses. Leigh Clifford retired from the Board on 30 September. He made an extremely valuable contribution to the Board and we benefitted greatly from his experience and his wisdom, particularly during the financial crisis. We wish him well for the future.

In conclusion, I would like on behalf of the Board to thank two particular groups of stakeholders. First, our many shareholders for their support in 2010. We weathered the storm as well as we did because of a combination of public support for which we are sincerely grateful proactive management and the underlying strength of our business. Our resolve now is to build on this strength to sustain the delivery of value for our shareholders into the future. Finally, our thanks go out to all Barclays 147,500 employees who have continued to work very hard and to show dedication to the service of our customers and clients. This lies at the heart of any success we may achieve.

**Marcus Agius**
Group Chairman

10th March 2011

**Table of Contents**



# Leadership and governance

## Board of Directors

| | **Marcus Agius** (64) | **Bob Diamond** (59) | **Sir Richard Broadbent** (57) | **David Booth** (56) |
|---|---|---|---|---|
| | Group Chairman | Chief Executive,<br>Executive Director | Deputy Chairman and<br>Senior Independent Director | Non-executive Director |
| Biography | Marcus extensive background in banking began at Lazard where he worked from 1972 to 2006, latterly as Chairman of Lazard in London and Deputy Chairman of Lazard LLC. He is currently Chairman of the British Bankers Association, Senior Independent Director of the British Broadcasting Corporation (BBC) and Chairman of the Trustees of The Royal Botanic Gardens. Marcus is also a Business Ambassador for UK Trade and Investment, a member of the Advisory Council of TheCityUK, and a member of the Takeover Panel. He was formerly Chairman of BAA plc, a position he held from 2002 until 2006. | Bob became Chief Executive on 1st January 2011. Previously, he was President of Barclays PLC and Chief Executive of Corporate & Investment Banking and Wealth Management, comprising Barclays Capital, Barclays Corporate and Barclays Wealth. Before joining Barclays, Bob was Vice Chairman and Head of Global Fixed Income and Foreign Exchange at CS First Boston, where he was also a member of the Executive Board and Operating Committee. Prior to this, he was Managing Director and Head of Fixed Income Trading at Morgan Stanley International, spending 13 years with the firm. Bob is a non-executive Director of BlackRock, Inc. | Sir Richard has experience of both the private and public sector having worked in high-level banking roles and the Civil Service. He was the Executive Chairman of HM Customs and Excise from 2000 to 2003. Formerly he was a member of the Group Executive Committee of Schroders PLC and a non-executive Director of the Securities Institute. He was Chairman of Arriva PLC until August 2010. | David manages his own venture capital investments, having retired from the Management Committee of Morgan Stanley in 1997. David was employed by Morgan Stanley from 1982 to 1992, and again from 1995 to 1997 where he held various key positions, including Head of Government Bond Trading, Head of Mortgage Trading, Sales and Finance and Head of Global Operations and Technology. |
| Term of office | Marcus joined the Board in September 2006 as a non-executive Director and was appointed Chairman on 1st January 2007. Marcus was last re-elected by shareholders at the AGM in 2010. | Bob was appointed President and became an executive Director in June 2005. He has been a member of the Barclays Executive Committee since September 1997. Bob was last re-elected by shareholders at the AGM in 2009. | Sir Richard joined the Board in September 2003. Appointed Senior Independent Director on 1st September 2004 and Deputy Chairman on 16 July 2009. Sir Richard was last re-elected by shareholders at the AGM in 2010. | David joined the Board in May 2007. David was last re-elected by shareholders at the AGM in 2010. |

| | | | | |
|---|---|---|---|---|
| Independent | On appointment | No | Yes | Yes |
| External appointments | Chairman of the British Bankers Association since 2010. Senior Independent Director of the BBC since 2006. Member of the Executive Committee of the Institut International D Etudes Bancaires. Business Ambassador for UK Trade and Investment. Member of the Advisory Council of TheCityUK. Member of the Takeover Panel. Chairman of the Trustees of the Royal Botanic Gardens, Kew. Chairman of The Foundation and Friends of the Royal Botanic Gardens, Kew. Chairman of Lazard in London and Deputy Chairman of Lazard LLC until 2006. Chairman of BAA plc until 2006. | Non-executive Director of BlackRock, Inc. Chairman, Board of Trustees of Colby College, Waterville, Maine. Chairman, Old Vic Productions,Plc. Trustee, The Mayor s Fund for London. Member of the Advisory Board, Judge Business School at Cambridge University. Board Member, The Diamond Family Foundation. Member of International Advisory Board, British-American Business Council. Life Member of The Council on Foreign Relations. Member of The International Advisory Board, The Atlantic Council. | Chairman of Arriva PLC until 2010. Trustee of Relate since 2011. Executive Chairman of HM Customs and Excise until 2003. Former Group Executive Committee member of Schroders PLC. Non-executive Director of the Securities Institute until 1995. | Director of East Ferry Investors, Inc. Various positions at Morgan Stanley & Co. until 1997. Director of the Discount Corporation of New York until 1993. |
| Committee membership | Chairman of the Board Corporate Governance and Nominations Committee since January 2007. Member of the Board Remuneration Committee since January 2007. | | Chairman of the Board Remuneration Committee since January 2007 (member since April 2004). Member of the Board Corporate Governance and Nominations Committee since September 2004. Former member of the Board Risk Committee (April 2004 until September 2010), which he chaired between January 2006 and December 2009. | Chairman of the Board Risk Committee since January 2010 (member since January 2008). Member of the Board Corporate Governance and Nominations Committee since January 2010. |

# Leadership and governance

## Board of Directors continued

| | **Alison Carnwath** (58) | **Fulvio Conti** (63) | **Simon Fraser** (51) | **Reuben Jeffery III** (57) |
|---|---|---|---|---|
| | Non-executive Director | Non-executive Director | Non-executive Director | Non-executive Director |
| Biography | Alison worked in investment banking and corporate finance for 20 years from 1980 to 2000, before pursuing a portfolio career. During her career, Alison became a director of J. Henry Schroder Wagg & Co, where she worked for 10 years. Alison also held the positions of a senior partner of Phoenix Securities and Managing Director, New York at Donaldson, Lufkin & Jenrette. Alison has wide board level experience and is currently non-executive Chairman of Land Securities Group PLC, Senior Independent Director at Man Group plc, non-executive Director of Paccar Inc, and non-executive Chairman of ISIS EP LLP. | Fulvio is currently Chief Executive Officer and General Manager of Enel SpA, the Italian energy group, where he was previously Chief Financial Officer from 1999-2005. Fulvio has held a number of high-level financial roles, including Chief Financial Officer and General Manager of Telecom Italia and General Manager and Chief Financial Officer of Ferrovie dello Stato. He was also head of the accounting, finance, and control department of Montecatini and was in charge of finance at Montedison-Compart. He has held positions in finance and operations in various affiliates of Mobil Oil Corporation in Italy and Europe. | Simon has extensive experience of the institutional fund management industry, having worked at Fidelity International from 1981 to 2008, latterly as President of the Investment Solutions Group and President of the Retirement Institute. Simon held a number of positions during his career at Fidelity International, including President, European & UK Institutional Business, Global Chief Investment Officer, Chief Investment Officer for Asia Pacific and Chief Investment Officer of the European Investment Group. Simon remains a director of Fidelity European Values PLC and Fidelity Japanese Values PLC. He was appointed as the Chairman of Foreign & Colonial Investment Trust PLC and Chairman of The Merchants Trust in May 2010. | Reuben is currently the Chief Executive Officer of Rockefeller & Co., Inc., a member of the Advisory Board of TASC Inc and of TowerBrook Capital Partners LP and Senior Adviser at the Center for Strategic & International Studies in Washington, D.C.. He previously served in the US government as Under Secretary of State for Economic, Energy and Agricultural Affairs (2007-2009). Prior to joining the Department of State, Reuben was the Chairman of the Commodity Futures Trading Commission. He spent eighteen years at Goldman, Sachs & Co. between 1983-2001 where he was managing partner of Goldman Sachs in Paris and led the firm s European Financial Institutions Group in London. |
| Term of office | Alison joined the Board on 1st August 2010. | Fulvio joined the Board in April 2006. Fulvio was last re-elected by shareholders at the AGM in 2009. | Simon joined the Board in March 2009. Simon was last re-elected by shareholders at the AGM in 2009. | Reuben joined the Board in July 2009. Reuben was last re-elected by shareholders at the AGM in 2010. |

| | | | | |
|---|---|---|---|---|
| Independent | Yes | Yes | Yes | Yes |
| External appointments | Non-executive Director of CforC Ltd. Non-executive Chairman of Land Securities Group PLC since November 2008. Senior Independent Director at Man Group plc. Non-executive Director of Paccar Inc. Non-executive Chairman of ISIS EP LLP. | Chief Executive of Enel SpA since 2005. Director of ENDESA SA since June 2009. Director of AON Corporation since January 2008. Chief Financial Officer and General Manager of Telecom Italia until 1999. General Manager and Chief Financial Officer of Ferrovie dello Stato until 1998. | Director of Fidelity European Values PLC since July 2002. Director of Fidelity Japanese Values PLC since May 2000. Chairman of The Merchants Trust PLC since May 2010. Chairman of Foreign & Colonial Investment Trust PLC since May 2010. | Chief Executive Officer of Rockefeller & Co., Inc. since September 2010. Senior Adviser at the Center for Strategic & International Studies, Washington D.C.. Member of the Advisory Board of TASC Inc. Member of the Advisory Board of TowerBrook Capital Partners LP. Director of Transatlantic Holdings Inc since May 2010. |
| Committee membership | Member of the Board Audit Committee since October 2010. Member of the Board Remuneration Committee since October 2010. | Member of the Board Audit Committee since September 2006. | Member of the Board Audit Committee since May 2009. Member of the Board Remuneration Committee since May 2009. | Member of Board Risk Committee since January 2010. |

**Table of Contents**



| | | | | |
|---|---|---|---|---|
| **Sir Andrew Likierman** (67) | **Chris Lucas** (50) | **Dambisa Moyo** (42) | **Sir Michael Rake** (63) | **Sir John Sunderland** (65) |
| Non-executive Director | Group Finance Director, Executive Director | Non-executive Director | Non-executive Director | Non-executive Director |
| Sir Andrew is the Chairman of the National Audit Office, having held a number of public roles in the financial services sector, including Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury and non-executive Director of the Bank of England. Sir Andrew is also Dean of the London Business School. He has been at the London Business School from 1974-1976, 1979-1993 and since 2004. | Chris has worked across financial services for most of his career, including three years in New York as Head of the US Banking Audit Practice of PricewaterhouseCoopers LLP. Chris joined Barclays from PricewaterhouseCoopers LLP, where he was UK Head of Financial Services and Global Head of Banking and Capital Markets. He was Global Relationship Partner for Barclays for the 1999 2004 financial years and subsequently held similar roles for other global financial services organisations. | Dambisa is an international economist who writes on the macroeconomy and global affairs. Dambisa worked for the World Bank from 1993 to 1995. After completing a PhD in Economics, she worked for Goldman Sachs for eight years until November 2008 in the debt capital markets, hedge funds coverage and global macroeconomics teams. Dambisa currently serves as a non-executive Director on the Boards of SABMiller plc and Lundin Petroleum AB (publ). | Sir Michael is currently Chairman of BT Group PLC and Chairman of easyJet plc. Sir Michael previously worked at KPMG from 1974-2007 where he spent a number of years in Continental Europe and the Middle East. He was Senior Partner of the UK firm from 1998-2000 and Chairman of KPMG International from 2002-2007. | Sir John is Chairman of Merlin Entertainments Group. Until July 2008 he was Chairman of Cadbury Schweppes PLC, having worked at Cadbury s in various roles, including that of Chief Executive and then Chairman, since 1968. He is a Director of the Financial Reporting Council, an Adviser to CVC Capital Partners, an Association Member of BUPA and a Governor of both Reading and Aston University Councils. |
| Sir Andrew joined the Board in September 2004. Sir Andrew was last re-elected by shareholders at the AGM in 2010. | Chris was appointed Group Finance Director and became a member of the Executive Committee in April 2007. Chris was last re-elected by shareholders at the AGM in 2010. | Dambisa joined the Board on 1st May 2010. | Sir Michael joined the Board in January 2008. Sir Michael was last re-elected by shareholders at the AGM in 2010. | Sir John joined the Board in June 2005. Sir John was last re-elected by shareholders at the AGM in 2009. |
| Yes | No | Yes | Yes | Yes |

| | | | | |
|---|---|---|---|---|
| Dean of the London Business School since January 2009. Chairman of the National Audit Office since December 2008. Trustee of the Institute for Government since September 2008. Chairman of Applied Intellectual Capital Inc. until 2008. Non-executive Director of the Bank of England until 2008. Non-executive Director and Vice-Chairman of the Tavistock and Portman NHS Trust until 2008. Non-executive Director and Chairman of the MORI Group until 2005. | UK Head of Financial Services and Global Head of Banking and Capital Markets of PricewaterhouseCoopers LLP until 2006. | Non-executive Director of SABMiller plc since 2009. Non-executive Director of Lundin Petroleum AB (publ) since 2009. | Chairman of BT Group PLC since 2007. Chairman of easyJet Plc since January 2010 (Deputy Chairman June 2009 December 2009). Director of the Financial Reporting Council since 2007. Director of the McGraw-Hill Companies since 2007. Chairman of the UK Commission for Employment and Skills until 2010. Chairman of KPMG International until 2007. Chairman of Business in the Community from 2004 until 2007. | Chairman of Merlin Entertainments Group since December 2009. Director of the Financial Reporting Council since 2004. Adviser to CVC Capital Partners. Deputy President of the Chartered Management Institute until 2009 (President 2007-2008). Chairman of Cadbury Schweppes PLC until July 2008. Deputy President of the CBI until June 2008 (former member and President). Non-executive Director of the Rank Group PLC until 2006. |
| Member of the Board Audit Committee since September 2004. Member of the Board Risk Committee since September 2004. | | Member of the Board Risk Committee since October 2010**.** | Chairman of the Board Audit Committee since March 2009 (member since January 2008). Member of the Board Risk Committee since May 2009. Member of Board Corporate Governance and Nominations Committee since May 2009. | Member of the Board Corporate Governance and Nominations Committee since September 2006. Member of the Board Remuneration Committee since July 2005. |

Table of Contents



# Leadership and governance

## Group Executive Committee

**Bob Diamond** (59)

Chief Executive,

Executive Director

**Robert Le Blanc**

Chief Risk Officer

**Mark Harding**

Group General Counsel

**Antony Jenkins**

Chief Executive of

Global Retail Banking

**Thomas L Kalaris**

Chief Executive of Barclays Wealth

**Chris Lucas** (50)

Group Finance Director,

Executive Director

See pages 9 and 11 for full biographies.

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

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

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

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

**Key responsibilities**

**Jerry del Missier**

**Maria Ramos**

**Rich Ricci**

**Cathy Turner**

Co-Chief Executive of Barclays Capital and Co-Chief Executive of Corporate and Investment Banking

Jerry joined Barclays Capital in June 1997 from Bankers Trust in London where he had been a Senior Managing Director of Derivatives Products, responsible for the European business. Prior to this, he was based in Toronto, Canada, where he was responsible for the Canadian Dollar interest rate derivatives business. Before Bankers Trust, he worked for the Bank of Nova Scotia. Jerry currently serves on the Boards of Room to Read, the Securities Industry and Financial Markets Association (SIFMA), the Global Financial Markets Association (GFMA), the Markets Management Group (MMG) of the International Institute of Finance (IIF), and the Advisory Board of the Queen s University School of Business in Kingston, Ontario.

Group Chief Executive of Absa

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

Co-Chief Executive of Barclays Capital and Co-Chief Executive of Corporate and Investment Banking

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

Barclays Human Resources Director

Cathy was appointed as Group Human Resources Director in April 2005 prior to which she held the position as Investor Relations Director for four years. In July 2008 her remit was extended to include Strategy, Corporate Affairs and Brand and Marketing. Prior to Barclays, Cathy was a Practice Leader at Ernst and Young and has previously held roles at Deloitte, Watson Wyatt, Percom and Volex Plc. Cathy is a Council Member of the Royal College of Art and a Board Member of the IFS School of Finance. Cathy has announced her departure from Barclays and will be leaving on 31st March 2011.

**Board of Directors**

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

**Executive Committee**

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

Further information on the responsibilities of the Board and the Executive Committee can be found in the Corporate Governance Report on pages 149 to 165.

Table of Contents

# Chief Executive s review

## Bob Diamond

### Summary

**Barclays delivered a significant increase in profit before tax in 2010 on both a headline and underlying basis. This was despite continued economic challenges in our principal markets: historically low interest rates; sluggish volumes in many market segments; and considerable regulatory uncertainty. In light of those circumstances, I am proud of what my colleagues have achieved.**

We have much more to do to ensure that we can continue to deliver on our goal to produce top quartile total shareholder returns (TSR) over time. Over 2010, we ranked in the top quartile of our global peer group[a] against which we measure our relative TSR performance with a performance of minus 4% reflecting difficult market conditions for bank stocks globally. I focus the latter half of this review on the commitments against which I believe we must deliver to continue to achieve our TSR goal.

We continue to believe that our integrated model provides superior benefits to our customers, clients and broader stakeholders because of its diversity by business, geography, customer and client type and funding source

### 2010 Performance

In his review a year ago, John Varley reiterated our focus on the three priorities that had guided us through the financial and economic crises to that point: staying close to customers and clients; managing our risks, and maintaining strategic momentum. That is where we focused our energy throughout 2010, so I will use these priorities for my review of the year.

**Staying Close to Customers and Clients**

Many of our customers and clients faced continued challenges throughout 2010. Our responsibility was clear to be there for them, whatever their needs, whenever those needs arose. Our income performance in 2010 provides a good indication of the health of those customer and client relationships, with overall income up 8% to another new record. Our success by business was more mixed than I would like, reflecting either specific market dynamics or purposeful rebalancing on our part. I was particularly pleased with our income performance in UK Retail Banking, Barclays Africa and Absa, the non-US parts of our Barclaycard portfolio, the core UK arm of Barclays Corporate and Barclays Wealth. In Barclays Capital, while the absolute revenues are not yet where we want them, our progress in Equities and Investment Banking was demonstrably better in the latter half of the year and I am pleased by the way we outperformed most of our peers in the final quarter of the year.

Lending is a fundamental part of what we do to support economic growth and our customers and clients. In the UK, there remains significant political and media attention on the banks lending delivery. In 2010, we provided £43bn of gross new lending to UK households and businesses including £7.5bn of UK loans when we acquired Standard Life Bank at the beginning of the year. We are open for business.

Note

a 2010 Peer group: Bank of America, BBVA, BNP Paribas, Credit Suisse, Deutsche Bank, HSBC, JPMorgan, Morgan Stanley, Santander, Société Générale and UniCredit.

**Managing Our Risks**

I believe the outcomes on key risk-related metrics demonstrate clearly our success here over the past year.

We ended 2010 with even stronger positions on capital (10.8% Core Tier 1 ratio) and liquidity (£154bn) than we started the year, whilst maintaining our adjusted gross leverage at 20x;

Balance sheet growth was modest, particularly on a risk-weighted asset basis; and

Impairment was down considerably, and our 2010 loan loss rate of 118bps was materially lower than the 156bps charge in 2009, though still above our long term average of around 90bps over the last two decades.

**Maintaining Strategic Momentum**

We will continue to pursue the same strategic priorities under my leadership in 2011 that we have pursued under John Varley in 2010. We remain focused on ensuring that we capitalise on the value that our universal banking model brings to our customers and clients. A key part of that remains the diversification of our business by geography, business line, client and customer types, and funding sources.

**Compensation**

In making decisions around compensation for 2010, we have sought to balance the responsibility to be sensitive to the external environment with the commercial necessity of ensuring that our decisions allow us to attract and retain the talent we need to deliver for all our stakeholders. This was not an easy task. Our decisions are also fully compliant with the significantly altered regulations that now govern discretionary pay awards, especially the re-written FSA Remuneration Code, and with our commitments made under Project Merlin. As a result, the amount of discretionary compensation awards that are deferred has increased further; the proportion of equity in the deferral structures has increased; and we have developed an innovative structure for a deferred compensation scheme for our most senior employees that links future pay-outs under the scheme to the Group s core capital position at the time. In total, and against a backdrop of a 32% increase in Group profit before tax for 2010, our performance awards (which exclude charges relating to prior year deferrals but include current year awards vesting in future years) were down 7% on 2009.

Our focus is on execution, which means delivering on our commitments in four key areas: maintaining a strong capital base; improving returns; delivering selective income growth; and demonstrating our credentials as a global citizen

Table of Contents



# Chief Executive s review

continued

## 2011 Execution Priorities

At the time my succession was announced, I made it clear that I had no intention of materially altering the strategy that the Group has been pursuing for some time. My attention has been, and will continue to be, focused squarely on increasing the pace and intensity of execution of that strategy. The level of uncertainty in the economic and regulatory environment remains high, but we cannot allow that to distract us. We must make clear commitments to the market, and then deliver against them, in four areas.

### 1. Capital

We must remove the uncertainty associated with the impact of the implementation of new Basel rules on our capital ratios. The combination of where we finished 2010 and the continued demonstration of our ability to generate substantial equity organically should go some way towards this. While there are significant regulatory questions to be resolved in 2011 especially the outcome of the Financial Stability Board s deliberations on so-called G-SIFIs (i.e. systemically important financial institutions at a global level, one of which we expect to be Barclays) and, in the UK, the recommendations of the Independent Commission on Banking we believe that we will be able to manage those impacts. But we recognise that we must maintain a strict and pro-active focus on our capital levels, leverage, balance sheet growth and utilisation and the disposal of legacy assets.

### 2. Returns

The new environment will necessitate lower returns than the period just preceding the recent crisis but I believe the difference in performance between winners and losers by this vital measure will be stark. Our priority is to ensure we are a winner. The returns we are currently generating will not be acceptable to our shareholders over the medium term.

We must be in a position to deliver at least a 13% return on equity and a 15% return on tangible equity by the end of our planning cycle. We also expect our cost of equity to decline towards 10% relative to a 12.5% cost in 2010 and the 11.5% cost we have set for 2011 over this period as the worst impacts of the credit crisis abate and the major economies in which we operate return to growth.

We have instigated a disciplined, rigorous and continuous review of our portfolio to ensure that we can achieve those levels of return. We have already undertaken a strategic review of our operating model that should take out considerable running costs over the medium-term, and you should expect us to continue to act to adjust our business and asset portfolio mix as required to achieve our return goals.

### 3. Top-line growth

While we are focused on improving returns, we cannot take our eye off the top-line, so we will selectively invest for growth in business areas where the return justifies it. There are clear examples across the Group, including: Barclays Wealth (where our strategic investment programme, known as our Gamma plan, is now one year into delivery); Barclaycard s Global Business Solutions activities which provides commercial payment services; monetising the build-out of Equities and Investment Banking in Barclays Capital; and capitalising on opportunities in Asia and Africa. We expect that this continued investment in growth will be largely organic, as was our development over the past decade of Barclays Capital and Barclays Global Investors.

### 4. Citizenship

In general we as banks need to do more to help foster economic growth and job creation as well as helping the public understand better the significant role we already play in this regard. I take pride in the culture at Barclays, where many of my colleagues work selflessly to help those in need in their local communities and we apply our expertise to real world issues. We must do a better job of helping those outside the organisation see the scale of what we do and the impact it has as we seek to intensify our efforts here. You can expect to hear much more from us in this space later this year.

Job creation, stimulating economic growth and investing in communities in which we work are at the core of our citizenship agenda

## Conclusion

I have 147,500 colleagues around the world who are focused on bringing the best of Barclays to everything that they do, everyday. They have delivered unfailingly over the past three years. We have many more challenges ahead, but I know I have their support in tackling them. It is my honour to lead them, and this great institution, as we look to deliver against the expectations of all of our stakeholders, most importantly our customers and clients, over the coming months and years.

**Bob Diamond**
Chief Executive

# Financial strength

**Barclays overall financial strength remains of central importance to the Group. Following the financial crisis we took an early decision to get ahead of regulatory change and manage our business to higher standards than those required by current regulation. We did this because we recognised the importance of providing stability at a time of extreme uncertainty.**

## Capital Management

At 31st December 2010, on a Basel II basis, the Group s Core Tier 1 ratio was 10.8% (2009: 10.0%) and the Tier 1 ratio was 13.5% (2009: 13.0%), representing a strengthening of our capital ratios ahead of the effects of expected regulatory capital changes. Retained profit contributed approximately 70bps to the increase in the Core Tier 1 ratio. Other movements in Core Tier 1 included the exercise of warrants in February and October 2010, which generated shareholders equity of £1.5bn, contributing approximately 40bps to the Core Tier 1 ratio. The movement in the fair value of the Group s holding in BlackRock, Inc. resulted in an adverse impact of approximately 20bps on the Core Tier 1 ratio over the year.

## Adjusted Gross Leverage

Barclays continues to operate within limits and targets for balance sheet usage as part of its balance sheet management activities. The adjusted gross leverage was 20x as at 31st December 2010 (2009: 20x) principally as a result of a £3.9bn increase in Tier 1 Capital to £53.5bn offset by the impact of a £84.6bn increase in adjusted total tangible assets. At month ends during 2010 the ratio moved within a range from 20x to 24x, with fluctuations arising as a result of normal trading activities, primarily due to increases in reverse repurchase trading and changes in holdings of trading portfolio assets.

The Basel Committee of Banking Supervisors (BCBS) issued final guidelines for Basel III: a global regulatory framework for more resilient banks and banking systems in December 2010. The guidelines include a proposed leverage metric, to be implemented by national supervisors in parallel run from 1st January 2013 (migrating to a Pillar 1 measure by 2018). Based on our interpretation of the current BCBS proposals the Group s Basel III leverage ratio as at 31st December 2010 would be within the proposed limit of 33x.

## Liquidity and Funding

The Group liquidity pool as at 31st December 2010 was £154bn gross (2009: £127bn) and comprised the following cash and unencumbered assets (of which £140bn are FSA eligible). The Group maintains additional liquid assets to support ongoing business requirements such as payment services. The cost of the Group liquidity pool for 2010 is approximately £900m, an increase on the previous year. This cost has been allocated on the basis of the projected stress outflows arising in each relevant business.

| | Cash and deposits with central banks £bn | Government guaranteed bonds £bn | Governments and supranational bonds £bn | Other available liquidity £bn | Total £bn |
|---|---|---|---|---|---|
| **As at 31.12.10** | **96** | **1** | **46** | **11** | **154** |
| As at 31.12.09 | 81 | 3 | 31 | 12 | 127 |

Since June 2010, the Group has reported its liquidity position against backstop Individual Liquidity Guidance (ILG) provided by the FSA. Calibration of the Group s Liquidity Framework anticipated final FSA rules and is therefore broadly consistent with current FSA standards.

The Basel Committee of Banking Supervisors (BCBS) issued its final guidelines for liquidity risk management, standards and monitoring in December 2010. These guidelines include a short term liquidity stress metric (the Liquidity Coverage Ratio (LCR)) and a longer term liquidity metric (the Net Stable Funding Ratio (NSFR)). The BCBS guidelines have yet to be implemented into European and UK law and therefore remain subject to refinement and change.

However, the Group monitors compliance against these BCBS metrics and the FSA is expected to bring its ILG metrics into line with the Basel LCR over time. Applying the expected BCBS guidelines to the Group s liquidity position as at 31st December 2010, the relevant ratios were estimated at 80% of the LCR requirement and 94% of the NSFR requirement.

## Credit Ratings

In addition to monitoring and managing key metrics related to the financial strength of Barclays, we also subscribe to independent credit rating agency reviews by Standard & Poor s, Moody s Fitch and DBRS. These ratings assess the credit worthiness of Barclays and are based on reviews of a broad range of business and financial attributes including; risk management processes and procedures; capital strength, earnings, funding, liquidity, accounting, and governance.

| **As at 31.12.10** | Barclays PLC | Barclays Bank PLC |
|---|---|---|
| Standard & Poor s | | |
| Long Term | A+ | AA- |
| Short Term | A- 1 | A- 1+ |
| Moody s | | |
| Long Term | A1 | Aa3 |
| Short Term | P-1 | P-1 |
| BFSR | n/a | C(Stable) |
| Fitch | | |
| Long Term | AA- | AA- |
| Short Term | F1+ | F1+ |
| DBRS | | |
| Long Term | | AA (High) |
| Short Term | | R-1 (High) |

# Business review

## Global Retail Banking

In 2010 we delivered a good financial performance with increasing momentum through the year and made strong progress against our strategic and financial goals

## Our promises

| Global Retail Banking | 2013 Targets |
|---|---|
| **Income and profit growth** | Strong compound annual profit growth |
| | Income growth in excess of cost growth |
| **Stable funding ratio** | Deposits and secured funding to keep pace with asset growth |
| **Depth, not breadth** | Existing markets focus and continued product diversification |
| **Strong returns and** | c 2% RoRWA |
| **net equity generation** | 13-15% RoE |
| | c 20% RoTE |

**At the Global Retail Banking investor day in June 2010, we said our strategic goals were Happy customers, strong profit growth, good returns . We are making significant progress against these goals.**

We are focused on improving the service we provide to our customers and have seen positive results from this. For example, we ve reduced the time it takes to issue a replacement debit card in the UK from five to two days.

Our use of innovation is also transforming the customer experience. Our pioneering contactless payment strategy in the UK has resulted in a much easier experience for our customers. Ninety percent of the contactless cards issued in the UK are now issued by Barclays, which puts us in a leading position. In Kenya and Botswana, registration for our mobile banking service increased almost four-fold over the year. In Western Europe, we continued to expand our network, increasing the number of distribution points by over a hundred, making it easier for customers to access our banking services. These are just some examples of what we have done to improve the customer experience. Further progress needs to be made and this is a key priority for us.

This focus on our customers will generate sustainable value for our shareholders. We made a strong start in 2010. GRB improved its loan to deposit ratio by 4 percentage points to 140%. Return on equity increased from 10% to 11% reflecting strong profit growth in UKRB, Barclaycard and Barclays Africa. We are facing challenging economic conditions in Western Europe but remain committed to a presence in the region and to converting the investment we have made into sustainable profit. We ve achieved greater depth through the integration of Standard Life Bank in the UK and Citigroup s card business in Italy.

I am confident that we are on the right track to meet our objectives and deliver significant value to all our stakeholders.

**Antony Jenkins**

Chief Executive, Global Retail Banking

# Reinforcing our leading position

## in technology and innovation

At Barclays, we continue to lead the technological revolution that is sweeping across the banking world. We have pioneered contactless payments in the UK and we will be offering contactless mobile phone payment solution for customers in the summer of 2011. In addition, customers can also use their GPS facility on their mobiles to find the nearest Barclays branch and cash machines.

Recognising that mobile access is fast becoming the new frontier in the banking space, and building upon our achievements with Barclays.mobi in the UK, we recently went live in France and in Portugal, giving customers access to banking at a place and time that suits them. In Kenya and Botswana, registration for our mobile banking service this year increased almost four-fold.

from a Barclays-issued card, and transaction volumes more than doubling in the last year.

Our innovative edge will allow us to move one step further in 2011. In the UK, in association with Orange (or Everything Everywhere as they are now known), Barclaycard customers, from the summer of 2011, will be able to use their mobiles for contactless payments of up to £15 for goods and services at retailers by simply waving their handset against a contactless reader.

This is the beginning of a revolution in how we pay for things on the high street. It s a cultural shift that is as important as the launch of the personal credit card or ATMs. (Gerry McQuade, Chief Development Officer at Everything Everywhere)

# Supporting

## financial literacy

Helping people manage their money is at the core of our business, and is an important part of Barclays citizenship strategy. In 2010 we delivered more than 8,500 financial literacy workshops around the world, and through a combination of face-to-face seminars and online content, reached more than half a million people, helping them build the skills and confidence to manage their money effectively, achieve financial independence and build a secure future.

In the UK, Barclays Money Skills is working with key partners to develop a range of projects and tools to help vulnerable young people. For example, we re working in partnership with Action for Children to benefit more than 2,500 of the hardest to reach young people. A case in point is Sean. Sean is 16 years old and lives in Glasgow. He is currently in the process of moving from a care home into supported living accommodation, where he will gradually be assuming responsibility for paying bills, furnishing his flat and providing meals for himself. Sean said: because of what I ve learnt on the Barclays Money Skills course, I ve made a spending plan, so I know what cash I have for food, travel, bills and my social life .

GRB is also delivering financial literacy programmes in a number of other countries including Ghana, Mauritius, Zambia and Egypt. In Botswana, Barclays launched a financial literacy campaign in 2010 with the Baylor s Teen Club. The Club is an organisation that provides life skills training and counselling to HIV positive adolescents. With Barclays support, the Teen Club is now working in six villages across the country and has partnered with Barclays colleagues to deliver training to 280 HIV positive teens.

At the same time, we continue to be leaders in bringing contactless technology to the UK, with approximately 90% of contactless transactions

**Go online**

For more information go to

*www.barclays.com/annualreport10*

**Go online**

For more information go to

*www.barclays.com/annualreport10*

# Business review

## Corporate and Investment Banking

Our integrated universal banking model allows us to meet the needs of our clients by connecting capabilities from across the Barclays Group

## Our promises

| Barclays Capital | 2013 Targets |
|---|---|
| **Strong returns** | c 15% RoE on Basel III basis |
| **Income growth** | Additional £2bn in Equities and Investment Banking revenues |
| **Cost management** | 60-65% cost: net income ratio |
| **Barclays Corporate** | **2012 Target** |
| **Profitability** | Return to aggregate profitability |

**Our Corporate and Investment Banking business provides clients with the lending, finance, risk management, advice, and transactional payments support that they need to succeed, whatever the economic environment. The strength of our model ensures that we are able to focus on their needs when they need us most.**

Barclays Capital is a premier global investment bank operating at the very top of the investment banking industry. In a challenging year, the business increased profit before tax by 2%, and generated a 17% increase in total income by remaining close to its clients.

Barclays Corporate is strengthening its relationship-led core UK business, where significantly reduced impairment and a focus on clients drove a 16% increase in profit before tax. Overall though, Barclays Corporate recorded a loss and we have taken decisive action in Russia and Spain to either exit or refocus operations that are not generating the returns we expect.

Corporate and Investment Banking plays a crucial role in supporting corporate clients to achieve growth and job creation in the real economy; governments to deliver their stability and growth plans; and institutional clients to meet the long-term investment needs of their customers.

The strategic build in key growth areas at Barclays Capital is delivering tangible benefits to clients around the world, alongside the focused execution of robust plans for the future right across the business. Barclays Corporate continues to invest in the people, products and infrastructure to support clients in its core UK market, and strengthen its offering for multi-nationals and large companies in overseas markets.

Our integrated universal banking model allows us to meet the needs of our clients by connecting capabilities from across the Barclays Group, and our focus on bringing clients the best solution continues to underpin our commitment to their success.

**Jerry del Missier**
Co-Chief Executive,
Corporate and
Investment Banking

**Rich Ricci**
Co-Chief Executive,
Corporate and
Investment Banking

# What is corporate and investment banking?

Corporate and Investment Banking is about helping corporate, government and institutional clients to finance and grow their operations, manage their risks and invest their capital.

Capital raising and financing We lend money, and enable companies, banks, cities and countries to raise equity capital and issue debt in the capital markets; to provide cash flow and enable investment in the future. The right type of lending is different for every client: from overdraft facilities and asset-based finance, to rights issues and syndicated loans.

Providing opportunities to generate returns We support clients, like pension managers and investment funds, in making decisions on where to make their investments and in executing those investments. With our support, they can achieve the returns they need to meet their obligations and satisfy their customers.

Risk management We can help clients manage many of the risks they face, from foreign exchange and interest rate risk, to the varying price of commodities. This reduces uncertainty and allows clients to focus on their core operations.

Strategic and financial advice We advise clients on how to manage and expand their businesses. That might be through a merger or an acquisition, or it might be through the best way to manage their balance sheet, capital or cash flow.

**Go online**
For more information go to
*www.barclays.com/annualreport10*

# Resolution acquires AXA s UK Life business

Barclays Capital played multiple roles across all aspects of Resolution s £2.75bn acquisition of the AXA UK Life Business last June. The success of the deal, and strength of relationships, led to the firm being appointed Joint Corporate Broker to Resolution in November the third FTSE client and seventh overall Corporate Broking win last year. In order to fund the cash component of the acquisition, Resolution announced a fully underwritten rights issue of approximately £2bn, and agreed a fully underwritten bridge facility of £400m.

Financing and executing the deal saw Barclays Capital hold multiple roles, including Joint Underwriter, Joint Bookrunner and Joint Corporate Broker on the rights issue, Joint Lead Arranger on the bridge facility and Joint Financial Adviser to Resolution on both the rights issue and the acquisition. The bridge facility was also jointly underwritten by Barclays Capital.

In the firm s first lead role in a significant equity capital raising in Europe, and its first advisory role for Resolution, Barclays Capital demonstrated the strength of teamwork across the firm in delivering seamless capital markets, acquisition financing and advisory capabilities.

# Mayfly Containers expands into overseas markets

Established in 1983 Mayfly is a family-run business based in Derbyshire which manufactures containers used for the

In 2009, Mayfly identified an opportunity to expand into overseas markets, focusing primarily on China and Brazil. Barclays Corporate was able to assist the company with their expansion strategy by providing foreign exchange expertise, information on deep-sea off-shore oil and gas industries. Barclays Corporate has banked the business since 1985.

rates, and risk management solutions to help protect the business from currency fluctuations.

David Rudge, Finance Director, said: When we took the decision to expand into overseas markets, Barclays Corporate was able to assist us with our foreign exchange requirements. Our joint venture established in Brazil is proving successful and we continue to expand our operations in the export markets.

**Table of Contents**



# Business review

## Barclays Wealth

### We are transforming Barclays Wealth into a premier global wealth manager

**In 2010, we launched a five-year strategy to transform Barclays Wealth and, in our first year, financial results were strong, with total income up by 18% to £1.56bn and profit before tax up by 14% to £163m. Adding back investment expenditure of £112m, we achieved a 92% increase in underlying profitability.**

The early stages of 2010 marked a pivotal point for the wealth management industry. After the disruptive events of the financial crisis, we entered a more benign environment, with global wealth assets returning to pre-crisis levels. At Barclays Wealth, conditions were particularly favourable thanks to the strength of our balance sheet and brand and the successful consolidation of our Americas business which made us a truly global player for the first time.

In this context we launched the Gamma programme in March. Gamma is a five-year project to invest £350m in our people, platforms and processes in order to achieve a step change in client experience and a significant improvement to our productive efficiency. We believe we can set a standard for the industry.

At the end of 2010 we are on or ahead of all our target metrics. Client assets grew by 8% over the year to £164bn, and we showed a net increase in banker headcount. We have seen an 18% improvement in the productivity of our relationship managers and 30% in our core High Net Worth business.

2011 will be a challenging year as we take on the next set of Gamma targets. These include material upgrades to our core platforms, an accelerated on-boarding process for clients and a refresh of our banker training and marketing tools. I remain confident that we can meet all of our commitments to our clients, thereby beginning to redefine the landscape of the wealth management industry.

**Thomas Kalaris**

Chief Executive, Barclays Wealth

# Barclays Wealth enters Japan

In July 2010, Barclays Wealth launched a unique joint venture in Japan with two highly qualified partners. SMBC Barclays Wealth Division brings together the local knowledge and heritage of the Japanese bank Sumitomo Mitsui Banking Corporation (SMBC), with the expert wealth management capabilities of Barclays Wealth, and the platform expertise of Nikko Cordial Securities, a wholly-owned subsidiary of SMBC. In its first six months, SMBC Barclays Wealth Division is running successfully and has received a very promising response from the market.

The need to demonstrate established trust and reputation in Japan has historically been a barrier for foreign firms wanting to enter the market. The success of the Barclays Wealth joint venture is testament to the determination of all three partners in building the right proposition for our Japanese clients.

# Business review

## Absa

## Aligning Absa more closely with Barclays Africa gives us better opportunities to serve clients across the continent

**As expected, 2010 was another challenging year given a slow, uneven economic recovery both globally and in South Africa. In particular, retail and corporate credit demand and transaction volumes remained muted.**

Nonetheless, Absa managed to report 17% higher profit before tax, while continuing to invest significantly in our strategic growth initiatives. Lower interest rates and our enhanced collections capability improved our retail impairments materially. Moreover, our margin hedging strategy protected net interest income as rates fell to 36-year lows.

Our One Absa strategy is on track. It is enhancing business as usual, improving sustainable growth in target areas and strengthening the core fundamentals underlying our operations. While we believe that our operating environment will remain challenging, we also believe that we have the right strategy to grow the business and generate the returns that will keep us competitive.

As you know, Africa presents a significant opportunity for Barclays and the decision to align Absa more closely with Barclays Africa by executing One Bank in Africa strategy gives us better opportunities to serve clients across the continent, thereby enhancing our joint competitive advantage.

**Maria Ramos**

Group Chief Executive, Absa Group Limited

## Citizenship Financial Inclusion

A key component of our strategy is to find innovative and cost effective ways to serve Absa s existing mass segment customers. As such in 2010 we launched a number of innovative offerings:

a refocused branch approach called Absa 1234 offering transactional, loan, savings and insurance products;

a branchless banking approach which includes in-store banking (deposits, withdrawals, balance inquiry, air time purchases) with the merchant providing these services using a point of sale terminal with our In-Store Banking application;

a remote account opening service for savings and transmission accounts using mobile phone technology; and

a tap-and-go card product for low value payments.

# Citizenship

Our role is to help improve the lives of our customers. We must provide mortgages, allow businesses to invest and create jobs, protect savings, pay tax, be a good neighbour in the community while also generating positive economic returns for our investors

Bob Diamond, Chief Executive

**Our key areas of focus are contributing to growth and supporting our communities. Underpinning these is a foundation of sound business principles and practice that ensures integrity in the way we do business.**

Our Group Executive Committee is responsible for our overall citizenship strategy, and supports the Chief Executive in its implementation. This Committee, along with the Board, uses a robust reporting framework to review progress.

### Contributing to growth

We employ nearly 150,000 people around the world. In 2010, 2,000 new jobs were created and 1,200 graduates were hired in the UK, bringing the total employed in the UK to 65,000. Our global tax contributions amounted to £6.1bn, including £2.8bn paid on behalf of our employees. In addition, we paid more than £8.7bn to suppliers in 37 countries.

In 2010, Barclays provided £43bn of gross new lending in the UK including £7.5bn from the acquisition of Standard Life Bank and assisted more than 106,000 business start-ups, an increase of 12% over 2009. In South Africa, Absa s Enterprise Development Centres helped almost 5,000 new businesses to start up in 2010.

In the last five years, Barclays employees have volunteered over one million hours in their local communities and raised more than £75m through our matched fundraising scheme

Barclays Climate Action Programme 2011-2015 is our direct response to issues concerning the environment and climate change. We are focusing on the areas where we have the greatest potential to make a difference, including:

Managing our carbon footprint including a commitment to reduce absolute carbon emissions by 4% by 2013 and creating an African Carbon Fund to supply seed capital to carbon mitigation projects in Africa

Developing products and services to help enable the transition to a low-carbon economy including financing and risk-management solutions to enable capital to flow to lower carbon opportunities

Managing climate change risks including collaborating with other stakeholders to manage the risks of climate change to our operations, our clients and to society at large.

In 2010, four out of five Barclays UK business lending application were approved

We re helping our customers, clients and other stakeholders invest in ways that contribute to growth tomorrow. We are providing financing solutions to private and public sector clients, facilitating investment in infrastructure, development and the low carbon economy.

**Supporting our communities**

In 2010, we committed over £55m to community programmes across 37 countries. Our programmes are driven by the passion and energy of 62,118 colleagues around the world, who volunteered their time or took part in fundraising and regular giving. These efforts benefitted 1.5 million people and supported more than 8,000 organisations.

**Citizenship**

**Contributing to growth**

Direct contribution, employment and economic value added

Supporting growth today: customers and clients

Investing in tomorrow

**Supporting our communities**

Supporting social infrastructure

Increasing access to financial services

Investing in the community

Building a diverse workforce

Managing our environmental

footprint

**The way we do business**

Table of Contents



Go online

Further information on citizenship can be found online at *www.barclays.com/citizenship*

£43bn gross new lending to UK households and businesses
106,000 business start-ups supported in the UK

# Supporting UK SMEs

Barclays Business Support Team identifies and works with customers who are experiencing financial difficulty.

In 2010, 80% of the small and medium sized business customers with whom we agreed turnaround strategies were successfully restored to financial health.

The Business Support Team engages with a number of businesses at the earliest signs of difficulty, facilitating financial and operational advice and creating lending arrangements more suited to the long term needs of the business involved. The credit team undertakes proactive identification of financially stressed customers, with reactive engagement carried out by the Business Support Team working alongside the customer s relationship manager. This maintains close links and consistency throughout the relationship.

£55.3m invested in our communities in 2010
62,000 colleagues engaged in our community programme

# Investing in our communities

Barclays Spaces for Sports is a global programme that recognises the power of sport to deliver social change.

Since 2004, Barclays has committed £37m towards bringing sustainable sports sites and projects to disadvantaged communities. After launching 200 community sports sites in the UK, the programme was extended globally in 2008.

In 2010, we offered young people excluded from mainstream education across England the chance to join FairPlay, a rugby-based education programme in partnership with the children s charity Wooden Spoon, the Rugby Football Union and the Education Enterprise Trust. The initiative provides training schemes for more than 2,400 young people in pupil referral units. The scheme also includes classroom sessions where young people are taught how to manage their finances through the Barclays Money Skills programme.

Involved in £7bn worth of total transactions in the clean energy and cleantech sector in 2010
5.37bn tonnes of carbon traded to date, with a notional value of £72bn

# Financing a low carbon economy

Barclays assists renewable energy firms to access finance from the capital markets and offers advisory services across the sector.

The transition to a low carbon economy requires a range of solutions, including new clean forms of generating energy, clean technologies and infrastructure improvements. Barclays published the Carbon Capital report to provide analysis of this opportunity over the next ten years.

In Ireland, Barclays has supported the expansion of the onshore wind sector and played a strategic financing role in vital energy infrastructure projects. An example of this is our central role in financing EirGrid s East West Interconnector project. This will allow Ireland to integrate more closely with Western European energy markets and release pressure on the domestic grid while still growing its low carbon generation base.

# Citizenship

continued

## Our People

**Global minimum standards**

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

**Performance management and compensation**

The performance and development process provides employees with the opportunity to have regular discussions with their line managers about their performance and to receive coaching for their personal development. This is typically assessed twice a year and a performance rating agreed. We believe in pay for performance based on the performance of individuals and their businesses.

**Diversity and inclusion**

Barclays operates across the globe and engages with employees across a wealth of diverse and rich cultures. Our mission is to create a truly inclusive environment through ensuring that we treat people fairly and value diversity.

**Health and safety**

Our commitment is to ensure the health, safety and welfare of our employees and to provide and maintain safe working conditions. Good working climates will help our employees to better serve our customers and create value for all our stakeholders.

**Training**

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

# Total tax contribution

Barclays role as a corporate citizen remained a key priority in 2010 and an important aspect of this was the tax contribution made to governments in the countries in which we operate.

In 2010 we made global tax payments of £6,149m, made up of £3,138m of taxes borne by Barclays and £3,011m of taxes collected from others on behalf of governments, principally being employee income taxes which arise through Barclays economic activity. Barclays paid corporate income tax of £1,458m in 2010.

The total tax paid to the UK Exchequer in 2010 was £2,827m, made up of £1,381m of taxes borne by Barclays and £1,446m of taxes collected on behalf of governments which includes £1,347m of tax payments made on behalf of staff.

Note

a Taxes collected on behalf of governments, including income tax and social security payments for employees (of which £1,347m relates to UK employees).

Table of Contents

Table of Contents



# Key performance indicators

## Capital KPIs

| Definition | Why it s important to the business and management | |
|---|---|---|
| **Core Tier 1 ratio** | | |
| Capital requirements are part of the regulatory framework governing how banks and depository institutions are managed. Capital ratios express a bank s capital as a percentage of its risk weighted assets. Both Core Tier 1 and Tier 1 capital resources are defined by the UK FSA. Core Tier 1 is broadly tangible shareholders funds less certain capital deductions from Tier 1. | The Group s capital management activities seek to maximise shareholders value by prudently optimising the level and mix of its capital resources. The Group s capital management objectives are to maintain sufficient capital resources to: ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set by the UK FSA and US Federal Reserve; ensure locally regulated subsidiaries can meet their minimum regulatory capital requirements; support the Group s risk appetite and economic capital requirements; and support the Group s credit rating. | 10 10.8%<br>09 10.0%<br>08 5.6% |
| | During 2010, the Group s Core Tier 1 ratio improved 0.8% to 10.8%, largely through £3.6bn of attributable profits, demonstrating the Group s ability to generate capital organically. | |
| **Adjusted gross leverage** | | |
| Adjusted gross leverage is defined as the multiple of adjusted total tangible assets over total qualifying Tier 1 capital. Adjusted total tangible assets are total assets less derivative counterparty netting, assets under management on the balance sheet, settlement balances, goodwill and intangible assets. Tier 1 capital is defined by the UK FSA. | Barclays believes that there will be more capital and less leverage in the banking system and that lower levels of leverage are regarded as a key measure of stability going forward. This is consistent with the views of our regulators and investors. | 10 20x<br>09 20x<br>08 28x |
| | In 2010, adjusted gross leverage remained stable at 20 times principally as a result of a £3.9 billion increase in Tier 1 Capital to £53.5 billion offset by the impact of a £84.6 billion increase in adjusted total tangible assets. | |

## Returns KPIs

| Definition | Why it s important to the business and management | |
|---|---|---|
| **Return on average shareholders equity (RoE)** is calculated as profit after tax attributable to equity holders of the parent divided by the average shareholders equity for the year. Shareholders equity is made up of share capital, retained earnings and other | These measures indicate the returns generated by the management of business based on the allocation of shareholders equity to each component business. Achieving target returns demonstrates the organisation s ability to execute | RoE<br>10 7.2% |

| | | |
|---|---|---|
| reserves. | its strategy and align interests of management and shareholders. We allocate capital to business units based on an assumed Core Tier 1 ratio of 9% and we retain excess capital at Group Centre as a buffer. | 09 6.7%<br>08 14.3% |
| Return on average tangible equity (RoTE) is calculated as profit after tax attributable to equity holders of the parent divided by average shareholders equity for the year, excluding non-controlling interests, goodwill and intangible assets. | Returns lie at the heart of our capital allocation. All of our businesses except Western Europe Retail Banking and Barclays Corporate had returns on tangible equity in excess of the 2010 cost of equity of 12.5%. By 2013 the Group has committed to a return on equity of 13% and a return on tangible equity of 15%. | RoTE<br>10 8.7%<br>09 9.0%<br>08 21.3% |

**Returns KPIs** continued

| Definition | Why it s important to the business and management | |
|---|---|---|
| Profit before tax | | |
| Profit before tax and adjusted profit before tax are the two primary profitability measures used to assess performance. Profit before tax represents total income less impairment charges and operating expenses. Adjusted profit before tax represents profit before tax adjusted for movements on own credit, gains on acquisitions and disposals, and gains on debt buy-backs, for comparative purposes. | Profit before tax is a key indicator of financial performance to many of our stakeholders.<br><br>Adjusted profit before tax increased 11% to £5,464m from £4,942m. | Profit before tax<br>10 £6,065m<br>09 £4,585m<br>08 £5,136m<br><br>Adjusted profit before tax<br>10 £5,464m<br>09 £4,942m<br>08 £716m |
| Cost: income ratio | | |
| Group cost: income ratio is defined as operating expenses compared to total income net of insurance claims. | This is a measure management uses to assess the productivity of the business operations. Restructuring the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income. We have set a target is to take £1bn off our run-rate cost base on a full year basis by 2013. | 10 64%<br>09 57%<br>08 63% |
| Loan loss rate | | |
| The loan loss rate represents the impairment charge on loans and advances as a proportion of the period end balances. | The granting of credit is one of Barclays major sources of income and its most significant risk. The loan loss rate is an | 10 118 bps |

indicator of the cost of granting credit.

| | |
|---|---|
| 09 | 156 bps |
| 08 | 95 bps |

During 2010 impairment continued to improve across all our businesses with one exception, the corporate portfolio in Spain, resulting in a loan loss rate of 118bps compared to 156bps reported in 2009.

### Dividend

It is the Group s policy to declare and pay dividends on a quarterly basis. In a normal year there will be three equal payments in June, September and December and a final variable payment in March.

The ability to pay dividends demonstrates the financial strength of the Group. Whilst recoginising the market s desire for us to maintain strong capital ratios, in light of the regulatory and economic uncertainty, we have taken a prudent approach of prioritising capital retention and significantly reducing the distribution through dividends from historical levels of 50% whilst seeking to ensure that pay-outs also increase progressively from their low point in 2009.

| | |
|---|---|
| 10 | 5.5p |
| 09 | 2.5p |
| 08 | 11.5p |

Table of Contents



# Key performance indicators

continued

Income growth KPIs

| Definition | Why it s important to the business and management | | |
|---|---|---|---|
| **Total income** | | | |
| Defined as total income net of insurance claims. | Total income is a key indicator of financial performance to many of our stakeholders and income growth a key execution priority for Barclays management. Group total income increased 8% to £31.4 billion. | 10 | £31,440m |
| | | 09 | £29,123m |
| | | 08 | £21,199m |
| **Income by geography** | | | |
| Defined as total income net of insurance claims generated in distinct geographic segments. Geographic segmental analysis is based on customer location and the definition of the countries within each region are provided in the glossary. | The goal of increasing the international diversification of our income helps to reduce risk by providing exposure to different economic cycles and is demonstrated by our ratio of non-UK to UK business income. | | |

**Geographic split of income**

| | 2010 % | 2009 % | 2008 % |
|---|---|---|---|
| UK & Ireland | **40** | 45 | 57 |
| European Region | **15** | 15 | 19 |
| Americas | **25** | 22 | 0 |
| Africa | **15** | 14 | 17 |
| Asia | **5** | 4 | 7 |

Citizenship KPIs

| Definition | Why it s important to the business and management | |
|---|---|---|
| **Gross new lending to UK households and businesses** Defined as lending to UK households and those businesses with UK-based activities. | We have remained open for business during the economic downturn, and are focused on lending responsibly to our customers and clients around the world. In 2009, we committed to make an additional £11 billion of credit available to the UK economy, and by the end of 2009, we had lent an additional £35 billion to UK households and businesses. Supporting customers in difficulty has never been more critical, but providing access to credit must be based on the ability to repay. We increased our lending across the UK to £43 billion in 2010, including £7.5 billion arising from the acquisition of Standard Life Bank. We see this as an important performance metric and have formally measured UK gross lending since 2009. | 10 £43bn<br>09 £35bn<br>08 n/a |
| **Global investment in our communities** Defined as Barclays total contribution to supporting the communities where we operate. | The success and competitiveness of a business and the extent to which it contributes to and is integrated in the communities in which it operates are closely related. We are committed to maintaining investment in our communities for the long-term both in good times and in bad. This performance metric demonstrates the consistency of our commitment over time. | 10 £55.3m<br>09 £54.9m<br>08 £52.2m |
| **Colleagues involved in volunteering, regular giving and fundraising initiatives** Defined as the total number of Barclays employees taking part in volunteering, giving or fundraising activities. | Barclays community investment programme aims to engage and support colleagues around the world to get involved with our main partnerships, as well as the local causes they care about. Harnessing their energy, time and skills delivers real benefit to local communities, to their own personal development and to their engagement with Barclays. | 10 62,000<br>09 58,000<br>08 57,000 |

Table of Contents



**Citizenship KPIs** continued

| Definition | Why it s important to the business and management | | |
|---|---|---|---|
| Group Employee Opinion Survey (EOS) Proud to be Barclays | | | |
| Employee opinions surveys are used across the organisation to understand our employees views and prioritise management actions in order to meet employee needs. This KPI is a calibration of different survey scores across Barclays for a question measuring sense of pride in being associated with or working for Barclays. The average scores for each year are given. | Understanding levels of employee engagement and sense of commitment to Barclays is important as there is a strong correlation between these factors and our employees commitment to serving the needs of our customers and clients. | 10 | 83% |
| | | 09 | 81% |
| | | 08 | 81% |
| Percentage of senior managers who are female | | | |
| The number of female colleagues who are working across all Barclays businesses at the senior management level as a percentage of the total senior manager population. | Diversity is important to Barclays as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve our customers and clients. | 10 | 24% |
| | | 09 | 24% |
| | | 08 | 25% |
| | The number of females at the senior management level has remained flat demonstrating that there is still work to be done to increase the number of women reaching and retaining roles at this level of management. | | |

## Previously reported KPIs:

KPIs are updated periodically as our strategy and execution priorities evolve. Measures no longer identified as KPIs that were reported in the prior year are as follows:

| Measures | 2010 | 2009 | 2008 |
|---|---|---|---|
| Total shareholder return[a] | 1st quartile | 1st quartile | 2nd quartile |
| Economic (loss)/profit | (£2,488m) | (£1,890m) | £1,173m |
| Tier 1 ratio | 13.5% | 13.0% | 8.6% |
| Loan funding ratio | 77% | 81% | 93% |
| Average term of unsecured liabilities | 30 months | 26 months | 14 months |
| UK Retail Banking customer satisfaction | 64.0% | 62.5% | n/a |
| Barclaycard International number of customers | 10.5m | 10.8m | 11.8m |
| Number of distribution outlets outside the UK | 2,906 | 3,603 | 3,158 |
| Proportion of Global Retail and Commercial Banking international income | Replaced by income by geography following Group reorganisation | | |
| Net lending in Barclays Commercial Bank | Replaced by Gross new lending to UK households and businesses | | |

Note

a 2010 peer group comprises: Bank of America, BBVA, BNP Paribas, Credit Suisse, Deutsche Bank, HSBC, JP Morgan, Morgan Stanley, Santander, Société Générale and UniCredit. 2009 and 2008 peer group includes Citigroup, Lloyds Banking Group, Royal Bank of Scotland and UBS, but excludes Bank of America, Credit Suisse, Morgan Stanley and Société Générale.

Table of Contents



# Financial review

## Consolidated summary income statement

| For the year ended 31st December | 2010 £m | 2009 £m | 2008 £m | 2007 £m | 2006 £m |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Net interest income | **12,523** | 11,918 | 11,469 | 9,598 | 9,133 |
| Non-interest income | **19,681** | 18,036 | 9,967 | 11,938 | 11,372 |
| Net claims and benefits incurred on insurance contracts | **(764)** | (831) | (237) | (492) | (575) |
| Total income net of insurance claims | **31,440** | 29,123 | 21,199 | 21,044 | 19,930 |
| Impairment charges and other credit provisions | **(5,672)** | (8,071) | (5,419) | (2,795) | (2,154) |
| Operating expenses | **(19,971)** | (16,715) | (13,391) | (12,096) | (11,723) |
| Share of post-tax results of associates and joint ventures | **58** | 34 | 14 | 42 | 46 |
| Profit on disposals and gain on acquisitions | **210** | 214 | 2,733 | 28 | 323 |
| **Profit before tax** | **6,065** | 4,585 | 5,136 | 6,223 | 6,422 |
| Tax | **(1,516)** | (1,074) | (453) | (1,699) | (1,611) |
| **Profit after tax from continuing operations** | **4,549** | 3,511 | 4,683 | 4,524 | 4,811 |
| Profit for the year from discontinued operations, including gain on disposal | | 6,777 | 604 | 571 | 384 |
| Net profit for the year | **4,549** | 10,288 | 5,287 | 5,095 | 5,195 |
| **Profit attributable to equity holders of the Parent** | **3,564** | 9,393 | 4,382 | 4,417 | 4,571 |
| Profit attributable to non-controlling interests | **985** | 895 | 905 | 678 | 624 |
| | **4,549** | 10,288 | 5,287 | 5,095 | 5,195 |
| **Selected financial statistics** | | | | | |
| Basic earnings per share | **30.4p** | 86.2p | 59.3p | 68.9p | 71.9p |
| Basic earnings per share from continuing operations | **30.4p** | 24.1p | 51.4p | 60.6p | 66.6p |
| Diluted earnings per share | **28.5p** | 81.6p | 57.5p | 66.9p | 69.8p |
| Dividends per ordinary share | **5.5p** | 2.5p | 11.5p | 34.0p | 31.0p |
| Dividend payout ratio | **18.1%** | 2.9% | 19.4% | 49.3% | 43.1% |
| Profit attributable to the equity holders of the Parent as a percentage of: | | | | | |
| average shareholders equity | **7.2%** | 23.8% | 16.5% | 20.3% | 24.7% |
| average total assets | **0.2%** | 0.5% | 0.2% | 0.3% | 0.4% |
| Average United States Dollar exchange rate[a] | **1.55** | 1.57 | 1.86 | 2.00 | 1.84 |
| Average Euro exchange rate[a] | **1.17** | 1.12 | 1.26 | 1.46 | 1.47 |
| Average Rand exchange rate[a] | **11.31** | 13.14 | 15.17 | 14.11 | 12.47 |

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

Note

a The average rates are derived from daily spot rates during the year used to convert foreign currency transactions into Sterling for accounting purposes.

# Financial review

## Income statement commentary

**2010**

Barclays delivered profit before tax of £6,065m in 2010, an increase of 32% (2009: £4,585m). Excluding movements on own credit, gains on debt buy-backs and gains on acquisitions and disposals, Group profit before tax increased 11% to £5,464m (2009: £4,942m).

Income increased 8% to £31,440m (2009: £29,123m). Barclays Capital reported a 17% increase in total income to £13,600m (2009: £11,625m). This reflected a substantial reduction in losses taken through income relating to credit market exposures which fell to £124m (2009: £4,417m) and a gain relating to own credit of £391m (2009: loss of £1,820m). Top-line income at Barclays Capital, which excludes these items, declined 25% to £13,333m relative to the exceptionally strong levels seen in 2009. Overall activity levels improved towards the end of the year, with top-line income in the fourth quarter of 2010 increasing 20% on the third quarter to £3,380m. Global Retail Banking income increased 1% to £10,507m, with good growth in UK Retail Banking and Barclays Africa, with income flat in Barclaycard, and a decline in Western Europe Retail Banking. Income was up 14% in Absa. Barclays Corporate reported a decrease in income of 7% and income was up 18% in Barclays Wealth.

Impairment charges and other credit provisions improved 30% to £5,672m (2009: £8,071m). This was after an increase of £630m in impairment on the Spanish loan book in Barclays Corporate Continental Europe and impairment of £532m relating to the Protium loan in Barclays Capital. All businesses other than Barclays Corporate reported improvements in impairment charges. Overall impairment charges as a proportion of Group loans and advances as at 31st December 2010 was 118bps, compared to 156bps for 2009.

As a result, net income for the Group after impairment charges increased 22% to £25,768m (2009: £21,052m).

Operating expenses increased £3,256m to £19,971m, a 19% rise compared to the 22% growth in net income. Costs at Barclays Capital increased £1,703m, largely reflecting investment in the business across sales, origination, trading and research functions, investment in technology and infrastructure and increased charges relating to prior year deferrals. Across the Group, restructuring charges totalled £330m (2009: £87m) particularly in Barclays Corporate (£119m) and Barclays Capital (£90m) focusing on delivering future cost and business efficiencies. Goodwill of £243m was written off in Barclays Corporate New Markets to reflect impairment to the carrying value of Barclays Bank Russia business as our activities there are refocused. As a result, the Group s cost: income ratio increased to 64% (2009: 57%). The cost: net income ratio improved from 79% to 78%, reflecting the reduced impairment charges compared with 2009.

Staff costs increased 20% to £11.9bn (2009: £9.9bn), of which performance costs amounted to £3.5bn (2009: £2.8bn). Within this total, 2010 charges relating to prior year deferrals increased by £0.7bn relative to 2009. The Group 2010 performance awards (which exclude charges relating to prior year deferrals but include current year awards vesting in future years) were down 7% on 2009 at £3.4bn. Within this, the Barclays Capital 2010 performance awards were down 12% at £2.6bn, compared to an increase in headcount of 7%.

**2009**

Barclays delivered profit before tax of £4,585m in 2009 (2008: £5,136m), a decrease of 11% on 2008, after absorbing £6,086m in write downs on credit market exposures (including impairment of £1,669m), other Group impairment of £6,402m and a charge of £1,820m relating to the tightening of own credit spreads. Profit also included £1,249m of gains on debt buy-backs and extinguishment.

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

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

Total operating expenses increased 25% to £16,715m, but by 12% less than the rate of increase in Group total income. Expenses in GRB were well controlled, with the cost:income ratio improving from 54% to 53%. Operating expenses in Barclays Capital increased by £2,818m to £6,592m reflecting the inclusion of the acquired Lehman Brothers North American business. The Group total cost:income ratio improved from 63% to 57%. At Barclays Capital the compensation:income ratio improved from 44% to 38%.

Table of Contents



# Financial review

## Income statement commentary continued

### Net interest income

**2010**

Group net interest income increased £605m to £12,523m (2009: £11,918m) and includes the impact of the acquisitions of Standard Life Bank and the Portuguese and Italian credit card businesses of Citigroup in Western Europe Retail Banking, and currency translation gains in Absa. These impacts have been partly off-set by the continued effects of liability margin compression being felt across the Group.

Group net interest income includes the impact of economic equity structural hedges used to manage the volatility in earnings on the Group s equity. The impact is allocated to the businesses as part of the share of the interest income benefit on Group equity through net interest income. Equity structural hedges generated a gain of £1,788m in 2010 (2009: gain £1,162m) including net gains on disposal of gilts of approximately £500m.

**2009**

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

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

Further discussion of margins is included in the analysis of results by business.

| Net interest income | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| Cash and balances with central banks | **271** | 131 | 174 |
| Available for sale investments | **1,483** | 1,937 | 2,355 |
| Loans and advances to banks | **440** | 513 | 1,267 |
| Loans and advances to customers | **17,677** | 18,456 | 23,754 |
| Other interest income | **164** | 199 | 460 |
| **Interest income** | **20,035** | 21,236 | 28,010 |
| Deposits from banks | **(370)** | (634) | (2,189) |
| Customer accounts | **(1,410)** | (2,716) | (6,697) |
| Debt securities in issue | **(3,632)** | (3,889) | (5,910) |
| Subordinated liabilities | **(1,778)** | (1,718) | (1,349) |
| Other interest expense | **(322)** | (361) | (396) |
| **Interest expense** | **(7,512)** | (9,318) | (16,541) |
| **Net interest income** | **12,523** | 11,918 | 11,469 |

### Non-interest income

**2010**

Net fee and commission income increased £453m to £8,871m (2009: £8,418m). Banking and credit related fees and commissions increased £485m to £10,063m (2009: £9,578m), primarily due to Barclays Capital performance across Investment Banking and Equities.

Net trading income increased £1,077m to £8,078m (2009: £7,001m). The majority of the Group s trading income arises in Barclays Capital. Trading income decreased 14% to £7,017m (2009: £8,139m) reflecting a more challenging market environment compared with the very strong prior year performance. The impact from difficult trading conditions was more than offset by a £4,293m reduction in credit market fair value losses to £124m (2009: £4,417m) and a gain on own credit of £391m (2009: £1,820m loss).

Net investment income increased £1,421m to £1,477m (2009: £56m) driven by the disposal of Gilts held as part of the economic structural hedge portfolio together with realised gains on principal investments, the disposal of available for sale assets and a reduction in fair value losses held at fair value within Barclays Capital.

Net premiums from insurance contracts remained stable at £1,137m (2009: £1,172m).

Gains on debt buy-backs and extinguishments were £nil (2009: £1,249m).

| Non-interest income | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| Net fee and commission income | **8,871** | 8,418 | 6,491 |
| Net trading income | **8,078** | 7,001 | 1,339 |
| Net investment income | **1,477** | 56 | 680 |
| Net premiums from insurance contracts | **1,137** | 1,172 | 1,090 |
| Gains on debt buy-backs and extinguishments | | 1,249 | 24 |
| Other income | **118** | 140 | 343 |
| **Non-interest income** | **19,681** | 18,036 | 9,967 |

| Net fee and commission income | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| Banking and credit related fees and commissions | **10,063** | 9,578 | 7,208 |
| Brokerage fees | **77** | 88 | 56 |
| Investment management fees | **79** | 133 | 120 |
| Foreign exchange commission | **149** | 147 | 189 |
| **Fee and commission income** | **10,368** | 9,946 | 7,573 |
| **Fee and commission expense** | **(1,497)** | (1,528) | (1,082) |
| **Net fee and commission income** | **8,871** | 8,418 | 6,491 |

**2009**

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

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

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

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

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

| Net Trading Income | 2010<br>£m | 2009<br>£m | 2008<br>£m |
|---|---|---|---|
| Trading income/(loss) | **7,017** | 8,139 | (1,596) |
| Gain on foreign exchange dealings | **670** | 682 | 1,272 |
| Own Credit gain/(charge) | **391** | (1,820) | 1,663 |
| **Net trading income** | **8,078** | 7,001 | 1,339 |

| Net investment income | 2010<br>£m | 2009<br>£m | 2008<br>£m |
|---|---|---|---|
| Net gain from disposal of available for sale assets | **1,027** | 349 | 212 |
| Dividend income | **116** | 6 | 196 |
| Net gain/(loss) from financial instruments designated at fair value | **274** | (208) | 33 |
| Other net investment income/ (losses) | **60** | (91) | 239 |
| **Net investment income** | **1,477** | 56 | 680 |

## Impairment charges and other credit provisions

**2010**

Impairment charges on loans and advances fell 24% to £5,625m (2009: £7,358m), reflecting improving credit conditions in the main sectors and geographies in which Barclays lends, which led to lower charges across the majority of businesses. The largest reduction was in the wholesale portfolios, due to lower charges against credit market exposures and fewer large single name charges. This reduction was partially offset by the impact of deteriorating credit conditions in the Spanish property and construction sectors which resulted in an increase of £630m in impairment against the Barclays Corporate loan book in Spain, and £532m impairment relating to the Protium loan in Barclays Capital. In the retail portfolios, impairment performance improved as delinquency rates fell across Barclays businesses, most notably the UK, US, Spanish, Indian and African portfolios.

As a result of this fall in impairment and the 1% rise in loans and advances, the loan loss rate decreased to 118bps (2009: 156bps).

The impairment charges against available for sale assets and reverse repurchase agreements fell by 93% to £47m (2009: £713m), principally driven by lower impairment against credit market exposures.

**2009**

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

| Impairment charges and other credit provisions | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| **Impairment charges on loans and advances** | | | |
| New and increased impairment allowances | **6,939** | 8,111 | 5,116 |
| Releases | **(1,189)** | (631) | (358) |
| Recoveries | **(201)** | (150) | (174) |
| Impairment charges on loans and advances | **5,549** | 7,330 | 4,584 |
| Charge in respect of provision for undrawn contractually committed facilities and guarantees provided | **76** | 28 | 329 |
| **Impairment charges on loans and advances and other credit provisions** | **5,625** | 7,358 | 4,913 |
| Impairment charges/(writebacks) on reverse repurchase agreements | **(4)** | 43 | 124 |
| Impairment charges on available for sale assets | **51** | 670 | 382 |
| **Impairment charges and other credit provisions** | **5,672** | 8,071 | 5,419 |

Table of Contents



# Financial review

## Income statement commentary continued

As a result of this increase in impairment and the fall in loans and advances, the impairment charges as a percentage of period end Group total loans and advances increased to 156bps (2008: 95bps).

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

### Operating expenses

**2010**

Operating expenses increased 19% to £19,971m (2009: £16,715m) driven by increases in staff costs, administration and general expenses and impairment of goodwill.

The impairment of goodwill reflects the write off of the goodwill relating to Barclays Bank Russia of £243m as our activities there are refocused.

**2009**

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

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

| Operating expenses | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| Staff costs | **11,916** | 9,948 | 7,204 |
| Administration and general expenses | **6,585** | 5,560 | 5,193 |
| Depreciation | **790** | 759 | 606 |
| Amortisation of intangible assets | **437** | 447 | 276 |
| Impairment of goodwill | **243** | 1 | 112 |
| **Operating expenses** | **19,971** | 16,715 | 13,391 |

### Staff costs

**2010**

Staff costs increased 20% to £11,916m (2009: £9,948m). This was driven by a 13% increase in salaries and accrued performance costs and a £574m increase in share based payments. These increases are primarily due to increased charges relating to prior year awards, the continued build-out in Equities and Investment Banking at Barclays Capital and strategic growth initiatives at Barclays Wealth.

The UK Government applied a bank payroll tax of 50% to all discretionary bonuses over £25,000 awarded to UK bank employees between 9th December 2009 and 5th April 2010. The total bank payroll tax paid was £437m, of which £225m was recognised in 2009 in respect of 2009 cash awards and certain prior year deferrals distributed during the taxable period. For 2010 a charge of £96m has been recognised in relation to prior year deferrals, with the remaining £116m recognised over the period 2011 to 2013.

The defined benefit post retirement charge increased by £246m reflecting the non-recurrence of the benefit of the £371m one-off credit arising on closure of the final salary scheme in 2009 offset by the credit of £250m resulting from amendments to the treatment of minimum defined benefits and £54m relating to the Group s recognition of a surplus in Absa, as well as favourable investment returns over the period.

| Staff costs | 2010<br>£m | 2009<br>£m | 2008<br>£m |
|---|---|---|---|
| Salaries and accrued performance costs | **8,809** | 7,795 | 5,562 |
| Share based payments | **860** | 286 | 225 |
| Social security costs | **719** | 606 | 444 |
| Bank payroll tax | **96** | 225 | |
| Post-retirement benefits | | | |
| defined contribution plans | **297** | 224 | 221 |
| defined benefit plans | **213** | (33) | 89 |
| other post-retirement benefits | **18** | 16 | 1 |
| Other | **904** | 829 | 662 |
| **Staff costs** | **11,916** | 9,948 | 7,204 |

**2009**

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

For 2009, £190m of bank payroll tax costs were included within Other Staff Costs in respect of 2009 cash awards. A further provision of £35m was also included in Other Staff Costs in respect of certain prior year awards being distributed during the tax window.

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

## Staff numbers

**2010**

Total Group permanent and fixed term contract staff comprised 58,100 (2009: 55,700) in the UK and 89,400 (2009: 88,500) internationally.

Staff numbers have increased by 1,900 to 67,900 (2009: 66,000) for Global Retail Banking largely due to the acquisition of Standard Life Bank, the build-out of Barclays Shared Services in India, the insourcing of operations and the further international development of technology infrastructure.

| **Staff numbers (full time equivalent) As at 31st December** | **2010** | **2009** | **2008** |
|---|---|---|---|
| UK Retail Banking | **34,700** | 31,900 | 33,800 |
| Barclaycard | **9,900** | 10,100 | 10,300 |
| Western Europe Retail Banking | **9,400** | 9,600 | 9,300 |
| Barclays Africa | **13,900** | 14,400 | 16,500 |
| Barclays Capital | **24,800** | 23,200 | 23,100 |
| Barclays Corporate | **11,900** | 12,900 | 14,800 |
| Wealth | **7,700** | 7,400 | 7,900 |
| Absa | **33,700** | 33,200 | 35,700 |
| Head Office Functions and Other Operations | **1,500** | 1,500 | 1,400 |
| **Total Group permanent and fixed-term contract staff worldwide**[a] | **147,500** | 144,200 | 152,800 |

Note

a Excludes 2,400 employees (2009: 2,500; 2008: Nil) of consolidated entities engaged in activities that are not closely related to our principal businesses. Barclays Capital staff numbers increased 1,600 to 24,800 (2009: 23,200) as a result of investment in sales, origination, trading and research activities. Barclays Corporate staff numbers decreased 1,000 to 11,900 (2009: 12,900) primarily reflecting restructuring in New Markets.

**2009**

Total Group permanent and fixed-term contract staff comprised 55,700 (2008: 59,600) in the UK and 88,500 (2008: 93,200) internationally.

Global Retail Banking number of employees decreased by 3,900 to 66,000 (2008: 69,900), reflecting active cost management and restructuring in Spain and Africa, partially offset by increases in Portugal and Italy to support the expansion of the network in these countries. Absa number of employees decreased 2,500 to 33,200 (2008: 35,700), reflecting restructuring and a freeze on recruitment.

Barclays Capital number of employees increased 100 to 23,200 (2008: 23,100) as a net reduction in the first half of the year was offset by strategic growth in the business and the annual graduate intake. Barclays Corporate number of employees decreased 1,900 to 12,900 (2008: 14,800) reflecting tightly managed costs, partly offset by the expansion of risk and offshore support operations. Barclays Wealth number of employees decreased 500 to 7,400 (2008: 7,900) reflecting active cost management, including efficiency savings in non-client facing areas.

Table of Contents



# Financial review

## Income statement commentary continued

### Administration and general expenses

**2010**

Administration and general expenses increased £1,025m to £6,585m (2009: £5,560m). The increase is principally due to greater regulatory-related costs across the Group (including a settlement in resolution of the investigation into Barclays compliance with US economic sanctions), investment in technology and infrastructure, the acquisitions of Standard Life Bank within UK Retail Banking and the Portuguese and Italian credit card businesses of Citigroup within Western Europe Retail Banking and adverse impacts of foreign currency movements. Impairment charges on property, equipment and intangible assets of £125m (2009: £61m) were principally driven by restructuring in Barclays Corporate New Markets and Barclays Capital.

In June 2010, the UK Government announced its intention to introduce a bank levy, which will apply to elements of the Group s consolidated liabilities and equity held as at 31st December 2011. The draft legislation is expected to be enacted by the UK Parliament later this year. Based on the 31st December 2010 balance sheet position and the draft requirements, we estimate that the bank levy would result in an annual charge to the income statement of approximately £400m from 2011 onwards.

**2009**

Administration and general expenses grew £367m to £5,560m (2008: £5,193m) reflecting the impact of acquisitions made during 2008, the costs of servicing an expanded distribution network across Global Retail Banking, and expenses relating to the Financial Services Compensation Scheme. There were also decreases of £119m in gains from sale of property (included in other administration and general expenses) as the Group wound down its sale and leaseback programme.

| Administration and general expenses | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| Property and equipment | **1,813** | 1,641 | 1,356 |
| Outsourcing and professional services | **1,705** | 1,496 | 1,472 |
| Operating lease rentals | **637** | 639 | 520 |
| Marketing, advertising and sponsorship | **631** | 492 | 591 |
| Subscriptions, publications and stationery | **584** | 519 | 458 |
| Travel and accommodation | **358** | 273 | 275 |
| Other administration and general expenses | **732** | 439 | 491 |
| Impairment of property, equipment and intangible assets | **125** | 61 | 30 |
| **Administration and general expenses** | **6,585** | 5,560 | 5,193 |

### Share of post-tax results of associates and joint ventures

**2010**

The share of post-tax results of associates and joint ventures increased £24m to £58m (2009: £34m), reflecting a £24m increase in results from joint ventures largely from Barclaycard and Absa. Results from associates remained constant at £19m (2009: £19m) since the prior year.

**2009**

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

## Profit on disposals and gain on acquisitions

**2010**

The profit on disposal of £81m (2009: £188m) is largely attributable to the £77m profit arising from sale of Barclays Africa custody business to Standard Chartered Bank.

On 1st January 2010, the Group acquired 100% ownership of Standard Life Bank PLC realising a gain on acquisition of £100m. On 31st March 2010, the Group acquired 100% of the Italian credit card business of Citibank International PLC realising a gain on acquisition of £29m. On 26th July 2010 the Group acquired 86% of Tricorona recognising goodwill of £13m.

**2009**

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

| Share of post-tax results of associates and joint ventures | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| Profit from associates | **19** | 19 | 22 |
| Profit/(loss) from joint ventures | **39** | 15 | (8) |
| **Share of post-tax results of associates and joint ventures** | **58** | 34 | 14 |

| Profit on disposals and gain on acquisitions | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| **Profit on disposal of subsidiaries, associates and joint ventures** | **81** | 188 | 327 |
| **Gain on acquisitions** | **129** | 26 | 2,406 |

Table of Contents



Gains of £26m for the year relate to the acquisition of the Portuguese credit card business of Citibank International PLC in December 2009. A gain on acquisition of the North American businesses of Lehman Brothers of £2,262m was recorded in 2008. Details of current litigation relating to the acquisition are disclosed on page 227.

## Tax

### 2010

The tax charge for continuing operations for 2010 was £1,516m (2009: £1,074m) representing an effective tax rate of 25% (2009: 23.4%). The effective tax rate differs from the UK tax rate of 28% (2009: 28%) because of non-taxable gains and income, different tax rates that are applied to the profits and losses outside of the UK, and deferred tax assets previously not recognised.

### 2009

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

## Profit for the year from discontinued operations

### 2010

There were no discontinued operations in 2010.

### 2009

The profit after tax from discontinued operations increased £6,173m to £6,777m, reflecting the gain on sale of Barclays Global Investors (BGI) of £6,331m (2008: £nil) and other profit before tax from BGI of £726m (2008: £941m). The results for 2009 included 11 months of operations compared to 12 months for 2008.

# Financial review

## Consolidated summary balance sheet

| As at 31st December | 2010 £m | 2009 £m | 2008 £m | 2007 £m | 2006 £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash, balances at central banks and items in the course of collection | **99,014** | 83,076 | 31,714 | 7,637 | 9,753 |
| Trading portfolio assets | **168,867** | 151,344 | 185,637 | 193,691 | 177,867 |
| Financial assets designated at fair value | **41,485** | 42,568 | 121,199 | 147,480 | 114,597 |
| Derivative financial instruments | **420,319** | 416,815 | 984,802 | 248,088 | 138,353 |
| Loans and advances to banks | **37,799** | 41,135 | 47,707 | 40,120 | 30,926 |
| Loans and advances to customers | **427,942** | 420,224 | 461,815 | 345,398 | 282,300 |
| Reverse repurchase agreements and other similar secured lending | **205,772** | 143,431 | 130,354 | 183,075 | 174,090 |
| Available for sale financial investments | **65,110** | 56,483 | 64,976 | 43,072 | 51,703 |
| Other assets | **23,337** | 23,853 | 24,776 | 18,800 | 17,198 |
| **Total assets** | **1,489,645** | 1,378,929 | 2,052,980 | 1,227,361 | 996,787 |
| **Liabilities** | | | | | |
| Deposits and items in the course of collection due to banks | **79,296** | 77,912 | 116,545 | 92,338 | 81,783 |
| Customer accounts | **345,788** | 322,429 | 335,505 | 294,987 | 256,754 |
| Repurchase agreements and other similar secured borrowing | **225,534** | 198,781 | 182,285 | 169,429 | 136,956 |
| Trading portfolio liabilities | **72,693** | 51,252 | 59,474 | 65,402 | 71,874 |
| Financial liabilities designated at fair value | **97,729** | 87,881 | 146,075 | 167,128 | 138,624 |
| Derivative financial instruments | **405,516** | 403,416 | 968,072 | 248,288 | 140,697 |
| Debt securities in issue | **156,623** | 135,902 | 149,567 | 120,228 | 111,137 |
| Subordinated liabilities | **28,499** | 25,816 | 29,842 | 18,150 | 13,786 |
| Other liabilities | **15,705** | 17,062 | 18,204 | 18,935 | 17,786 |
| **Total liabilities** | **1,427,383** | 1,320,451 | 2,005,569 | 1,194,885 | 969,397 |
| **Shareholders equity** | | | | | |
| Shareholders equity excluding non-controlling interests | **50,858** | 47,277 | 36,618 | 23,291 | 19,799 |
| Non-controlling interests | **11,404** | 11,201 | 10,793 | 9,185 | 7,591 |
| **Total shareholders equity** | **62,262** | 58,478 | 47,411 | 32,476 | 27,390 |
| **Total liabilities and shareholders equity** | **1,489,645** | 1,378,929 | 2,052,980 | 1,227,361 | 996,787 |
| **Risk weighted assets and capital ratios[a]** | | | | | |
| Risk weighted assets | **398,031** | 382,653 | 433,302 | 353,878 | 297,833 |
| Core Tier 1 ratio | **10.8%** | 10.0% | 5.6% | 4.7% | n/a |
| Tier 1 ratio | **13.5%** | 13.0% | 8.6% | 7.6% | 7.7% |
| Risk asset ratio | **16.9%** | 16.6% | 13.6% | 11.2% | 11.7% |
| **Selected financial statistics** | | | | | |
| Net asset value per ordinary share | **417p** | 414p | 437p | 353p | 303p |
| Number of ordinary shares of Barclays PLC (in millions) | **12,182** | 11,412 | 8,372 | 6,601 | 6,535 |
| Year-end United States Dollar exchange rate | **1.55** | 1.62 | 1.46 | 2.00 | 1.96 |
| Year-end Euro exchange rate | **1.16** | 1.12 | 1.04 | 1.36 | 1.49 |
| Year-end Rand exchange rate | **10.26** | 11.97 | 13.74 | 13.64 | 13.71 |

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

Note

a Risk weighted assets and capital ratios for 2006 are calculated on a Basel I basis.
Risk weighted assets and capital ratios for 2010, 2009, 2008 and 2007 are calculated on a Basel II basis.

# Financial review

## Balance sheet commentary

### Total assets

Total assets increased £111bn to £1,490bn.

Cash, balances at central banks and items in the course of collection have increased £15.9bn contributing to the increase in the Group liquidity pool. Trading portfolio assets increased £17.5bn and reverse repurchase and other similar secured lending increased £62.3bn reflecting business growth while maintaining adjusted gross leverage at 20x. Financial assets designated at fair value have decreased by £1.1bn primarily due to a decrease in debt securities.

Derivative financial assets increased £3.5bn reflecting increases in the mark to market positions in interest rate and foreign exchange derivatives due to movements in forward interest rate curves and volatility in the foreign exchange market. This was partially offset by decreases in credit, equity and commodities derivatives due to reduced volatility.

Loans and advances to banks and customers increased £4.4bn due to an increase in lending to retail customers, including the effect of the acquisition of Standard Life Bank, offset by a reduction in borrowings by wholesale customers and banks.

Available for sale financial investments increased £8.6bn primarily driven by purchase of government bonds increasing the Group s liquid assets and the transfer from loans and advances to available for sale assets of the receivables arising as part of the acquisition of the North American business of Lehman Brothers. This was partially offset by a £0.8bn reduction in the fair value of the Group s investment in BlackRock, Inc.

### Total liabilities

Total liabilities increased £107bn to £1,427bn.

Deposits and items in the course of collection from banks and customer accounts increased £24.7bn reflecting the acquisition of Standard Life Bank and customer deposit growth across the Group. Financial liabilities designated at fair value increased £9.8bn primarily due to increased debt securities and debt issuances strengthening the Group s liquidity position. Debt securities in issue increased £20.7bn primarily due to increases in bonds, medium term notes, certificates of deposit and commercial paper. This growth was primarily to fund the increased liquidity pool and business growth.

Trading portfolio liabilities increased £21.4bn and repurchase agreements and other similar secured borrowing increased £26.8bn reflecting business growth. Derivative financial liabilities increased £2.1bn broadly in line with the increase in gross derivative assets.

Subordinated liabilities increased £2.7bn primarily reflecting issuances and acquisitions partially offset by redemptions. Other liabilities decreased £1.4bn reflecting reduced retirement benefit liabilities, current tax liabilities and other creditors.

**Table of Contents**



# Financial review

## Balance sheet commentary continued

### Shareholders equity

Total shareholders equity increased £3.8bn to £62.3bn (2009: £58.5bn), with share capital and share premium increasing £1.5bn to £12.3bn as a result of the issue of new ordinary shares. Retained earnings increased £2.9bn to £36.8bn (2009: £33.8bn). Profit attributable to the equity holders of the Parent of £3.6bn were partially offset by dividends paid to shareholders of £0.5bn.

Significant movements in other reserves comprise: available for sale reserve movement of £1.2bn, primarily due to the decrease in the fair value of the Group s investment in BlackRock Inc. of £0.8bn and a decrease of £0.3bn of hedged foreign exchange movements related to this investment that have been transferred to the income statement. Currency translation reserve movement of £0.7bn is largely due to the appreciation in the Rand and US Dollar, offset by the depreciation in the Euro.

Non-controlling interests increased £0.2bn to £11.4bn (2009: £11.2bn). The increase primarily reflects profit for the year attributable to non-controlling interests of £1.0bn and currency translation differences of £0.4bn, offset by distributions of £0.8bn and the redemption of £0.5bn reserve capital instruments.

### Adjusted gross leverage

Barclays continues to operate within limits and targets for balance sheet usage as part of its balance sheet management activities.

The adjusted gross leverage was 20x as at 31st December 2010 (2009: 20x) principally as a result of a £3.9bn increase in Tier 1 Capital to £53.5bn offset by the impact of a £84.6bn increase in adjusted total tangible assets. At month ends during 2010 the ratio moved in a range from 20x to 24x, with fluctuations arising as a result of normal trading activities, primarily due to increases in reverse repurchase trading and changes in holdings of trading portfolio assets.

The ratio of total assets to total shareholders equity was 24x as at 31st December 2010 (2009: 24x). The ratio moved within a month end range of 24x to 29x, driven by trading activity fluctuations noted above, as well as changes in gross interest rate derivatives and settlement balances.

The Basel Committee of Banking Supervisors (BCBS) issued final guidelines for Basel III: a global regulatory framework for more resilient banks and banking systems in December 2010. The guidelines include a proposed leverage metric, to be implemented by national supervisors in parallel run from 1st January 2013 (migrating to a Pillar 1 measure by 2018). Based on our interpretation of the current BCBS proposals the Group s Basel III leverage ratio as at 31st December 2010 would be within the proposed limit of 33x.

Further details on leverage are provided on page 128.

### Capital management

At 31st December 2010, on a Basel II basis, the Group s Core Tier 1 ratio was 10.8% (2009: 10.0%) and the Tier 1 ratio was 13.5% (2009: 13.0%), representing a strengthening of our capital ratios ahead of the effects of expected regulatory capital changes.

Risk weighted assets increased 4% from £383bn to £398bn in 2010. Year on year there was a £22bn reduction in underlying risk weighted assets (predominantly in Barclays Capital) as a result of capital management efficiencies and reduced levels of risk and inventory. This was offset by both methodology and model changes, which increased risk weighted assets by approximately £28bn. Foreign exchange and other movements accounted for a further increase of £9bn.

Retained profit contributed approximately 70bps increase to Core Tier 1 ratio from 10.0% to 10.8%. Other movements in Core Tier 1 included the exercise of warrants in February and October 2010, which generated shareholders equity of £1.5bn, contributing approximately 40bps to the Core Tier 1 ratio. The movement in the fair value of the Group s holding in BlackRock, Inc. resulted in an adverse impact of approximately 20bps on the Core Tier 1 ratio over the year.

The Basel Committee of Banking Supervisors issued final Basel III guidelines in December 2010 and January 2011. The new standards include changes to risk weights applied to our assets and to the definition of capital resources and are applicable from 1st January 2013 with some transitional rules to 2018. The Basel III guidelines have yet to be implemented into European and UK law and therefore remain subject to refinement and change. Recognising the new rules are not complete, based on our current assessment of the guidelines, we expect that we will continue to have a strong capital position post implementation.

### Liquidity and Funding

The liquidity pool held by the Group increased £27bn to £154bn at 31st December 2010 (2009: £127bn), of which £140bn was in FSA-eligible pool assets.

The Basel III guidelines propose two new liquidity metrics: the Liquidity Coverage Ratio, which measures short-term liquidity stress and is broadly consistent with the FSA framework, and the Net Stable Funding Ratio, which measures the stability of long-term structural funding. Applying the metrics to the Group balance sheet as at 31st December 2010, the Liquidity Coverage Ratio was estimated at 80% and the Net Stable Funding Ratio was estimated at 94%.

The Group continues to attract deposits in unsecured money markets and to raise additional secured and unsecured term funding in a variety of markets. As at 31st December 2009, the Group had £15bn of publicly issued term debt maturing during 2010. The corresponding figure for 2011 is £25bn. During 2010 the Group issued approximately £35bn of term funding, which refinanced the 2010 requirement, comprising both maturities and early repayments, as well as pre-financed some of the 2011 and 2012 maturities. Additional term funding raised in 2011 will support balance sheet growth, further extension of liability maturities and strengthening of our liquidity position.

Table of Contents



# Financial review

## Analysis of results by business

### Business performance

#### Global Retail Banking

Global Retail Banking (GRB) performance exhibited encouraging signs of growing momentum against a challenging backdrop. Overall profit before tax was £1,829m (2009: £1,821m) with strong profit growth in UK Retail Banking and Barclays Africa, good growth in Barclaycard and a loss in Western Europe Retail Banking. Total GRB income increased 1% to £10,507m (2009: £10,374m) reflecting business growth, increased net interest margins in Barclaycard and Barclays Africa, a stable margin in UK Retail Banking and a lower margin in Western Europe Retail Banking. Risk appetite remained consistent with improved collections and better economic conditions leading to lower impairment which drove an improved risk adjusted net interest margin. Operating expenses increased 10% to £6,020m (2009: £5,490m) primarily due to higher pension costs, the impact of acquisitions and higher regulatory-related costs. Overall GRB

return on average risk weighted assets improved to 1.7% (2009: 1.5%) and GRB s loan to deposit ratio improved to 140% (2009: 144%). The performance of the businesses within GRB is summarised below:

#### UK Retail Banking

UK Retail Banking (UKRB) profit before tax increased 39% to £989m (2009: £710m), including a £100m gain on the acquisition of Standard Life Bank, with good income growth and lower impairment charges more than offsetting an increase in operating expenses. Income increased 6% to £4,518m (2009: £4,276m). Impairment charges decreased 21% to £819m (2009: £1,031m), reflecting good risk management and improving economic conditions. As a result, net income grew 14% to £3,699m (2009: £3,245m). Operating expenses increased 11% to £2,809m (2009: £2,538m), reflecting higher pension costs, the impact of the acquisition of Standard Life Bank and increased regulatory-related costs. Excluding these items, operating expenses were in line with prior year.

| Analysis of results by business | UK Retail Banking £m | Barclaycard £m | Western Europe Retail Banking £m | Barclays Africa £m | Absa £m | Barclays Capital £m | Barclays Corporate £m | Barclays Wealth £m | Investment Manage-ment £m | Head Office Functions and Other Operations £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | | | | |
| Total income net of insurance claims | 4,518 | 4,024 | 1,164 | 801 | 2,899 | 13,600 | 2,974 | 1,560 | 78 | (178) |
| Impairment charges and other credit provisions | (819) | (1,688) | (314) | (82) | (480) | (543) | (1,696) | (48) | | (2) |
| **Net income** | 3,699 | 2,336 | 850 | 719 | 2,419 | 13,057 | 1,278 | 1,512 | 78 | (180) |
| **Operating expenses** | (2,809) | (1,570) | (1,033) | (608) | (1,810) | (8,295) | (1,907) | (1,349) | (11) | (579) |
| Share of post tax results of associates and joint ventures | (1) | 25 | 15 | | 3 | 18 | (2) | | | |
| Profit on disposal of subsidiaries, associates and joint ventures | | | | 77 | 4 | | | | | |
| Gain on acquisitions | 100 | | 29 | | | | | | | |
| **Profit /(loss) before tax from continuing operations** | 989 | 791 | (139) | 188 | 616 | 4,780 | (631) | 163 | 67 | (759) |
| Total assets (£bn) | 121.6 | 30.3 | 53.6 | 7.9 | 52.4 | 1,094.8 | 85.7 | 17.8 | 4.6 | 20.9 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Risk Weighted Assets (£bn) | **35.3** | **31.9** | **17.3** | **8.0** | **30.4** | **191.3** | **70.8** | **12.4** | **0.1** | **0.6** |
| **As at 31st December 2009** | | | | | | | | | | |
| Total income net of insurance claims | 4,276 | 4,041 | 1,318 | 739 | 2,553 | 11,625 | 3,181 | 1,322 | 40 | 28 |
| Impairment charges and other credit provisions | (1,031) | (1,798) | (338) | (121) | (567) | (2,591) | (1,558) | (51) | | (16) |
| **Net income** | 3,245 | 2,243 | 980 | 618 | 1,986 | 9,034 | 1,623 | 1,271 | 40 | 12 |
| **Operating expenses** | (2,538) | (1,527) | (887) | (538) | (1,451) | (6,592) | (1,466) | (1,129) | (17) | (570) |
| Share of post tax results of associates and joint ventures | 3 | 8 | 4 | | (4) | 22 | | | | 1 |
| Profit/(loss) on disposal of subsidiaries, associates and joint ventures | | 3 | 157 | 24 | (3) | | | 1 | (1) | 7 |
| Gain on acquisitions | | | 26 | | | | | | | |
| **Profit/(loss) before tax from continuing operations** | 710 | 727 | 280 | 104 | 528 | 2,464 | 157 | 143 | 22 | (550) |
| Total assets (£bn) | 109.3 | 30.3 | 51.0 | 7.9 | 45.8 | 1,019.1 | 88.8 | 14.9 | 5.4 | 6.4 |
| Risk Weighted Assets (£bn) | 35.9 | 30.6 | 16.8 | 7.6 | 21.4 | 181.1 | 76.9 | 11.4 | 0.1 | 0.9 |

### Barclaycard

Barclaycard profit before tax increased 9% to £791m (2009: £727m) largely as a result of lower impairment charges. Income was £4,024m (2009: £4,041 m) with the impact of regulation offset by business growth. Impairment charges reduced 6% to £1,688m (2009: £1,798m) as a result of focused risk management and improving economic conditions. Delinquency trends were lower in all major areas of the Barclaycard business. Operating expenses increased 3% to £1,570m (2009: £1,527m).

### Western Europe Retail Banking

Western Europe Retail Banking incurred a loss before tax of £139m (2009: profit of £280m). The deterioration was driven by the challenging economic environment, continued investment in the franchise and £157m of profit on disposal recognised in 2009. Income fell 12% to £1,164m (2009: £1,318m) principally due to margin compression and the decline in the average value of the Euro against Sterling, partially offset by higher fees and commissions and the growth in credit cards. Impairment charges improved by 7% to £314m (2009: £338m). Operating expenses increased 16% to £1,033m (2009: £887m) mainly due to continued investment in developing the franchise in Portugal and Italy, notably the expansion of the credit card businesses in these countries.

### Barclays Africa

Barclays Africa profit before tax increased 81% to £188m (2009: £104m). 2010 included a one-off gain of £77m from the sale of the custody business to Standard Chartered Bank which was partially offset by £40m of restructuring costs. 2009 included a one-off gain of £24m from the sale of shares in Barclays Bank of Botswana Limited. Income grew 8% to £801m (2009: £739m) as a result of improved net interest margins and income from treasury management. Impairment charges decreased 32% to £82m (2009: £121m) as a result of a better economic environment and improved collections. Operating expenses increased 13% to £608m (2009: £538m) reflecting £40m of restructuring costs, investment in infrastructure and an increase in staff-related costs.

### Absa

Absa Group Limited reported profit before tax of R11,851m (2009: R9,842m), an increase of 20%. In Barclays segmental reporting, the results of the Absa credit card business are included in Barclaycard, the investment banking operations in Barclays Capital and wealth operations in Barclays Wealth. The other operations of Absa Group Limited are reported in the Absa segment. Absa profit before tax increased 17% to £616m (2009: £528m), driven by the appreciation in the average value of the Rand against Sterling. The impact of exchange rate movements also impacted income, which increased 14%, operating expenses, which increased 25%, and impairment charges, which decreased 15%. Impairment charges in Rand terms improved 26% reflecting an improvement in economic conditions.

### Barclays Capital

Barclays Capital profit before tax increased to £4,780m (2009: £2,464m). Excluding own credit, profit before tax grew 2% to £4,389m (2009: £4,284m). Total income increased 17% to £13,600m (2009: £11,625m). This reflected a significant reduction in losses taken through income relating to credit market exposures which fell to £124m (2009: £4,417m) and a gain relating to own credit of £391m (2009: loss of £1,820m). Top-line income, which excludes these items, was £13,333m, down 25% on the very strong prior year performance. Fixed Income, Currency and Commodities (FICC) top-line income of £8,811m declined 35%, reflecting lower contributions from Rates and Commodities. Equities and Prime Services top-line income of £2,040m declined 6%, as growth in cash equities and equity financing was more than offset by subdued market activity in European equity derivatives. Investment Banking top-line income of £2,243m increased 3%.

Top-line income in the fourth quarter of 2010 was £3,380m, up 20% on the third quarter of 2010 reflecting higher activity levels and contributions from Equities and Prime Services up 74% and Investment Banking up 45%. FICC top-line income was broadly in line with the prior quarter.

Impairment charges, including impairment of £532m relating to the Protium loan which follows a reassessment of the expected realisation period, improved significantly to £543m (2009: £2,591m), resulting in a 45% increase in net income to £13,057m. Operating expenses increased 26% which largely reflected the continuing investment in our sales, origination, trading and research activities, increased charges relating to prior year deferrals and restructuring costs. Excluding the impact of own credit, the cost: net income ratio was 65% (2009: 61%) and compensation costs represented 43% of income (2009: 33%).

### Barclays Corporate

Barclays Corporate recorded a loss before tax of £631m (2009: profit of £157m). An improvement in the results of the profitable UK & Ireland business was more than offset by increased losses in New Markets and Continental Europe, notably Spain. Total income decreased 7% to £2,974m (2009: £3,181), reflecting lower treasury management income and reduced risk appetite outside the UK. Impairment charges increased £138m to £1,696m, with significant improvements in UK & Ireland and New Markets more than offset by an increase of £630m in Spain to £898m due to depressed market conditions in the property and construction sector. Operating expenses increased to £1,907m, principally reflecting the write down of the £243m of goodwill relating to Barclays Bank Russia and associated restructuring costs of £25m, as well as previously announced restructuring costs of £94m in other geographies within New Markets (predominantly relating to Indonesia).

### Barclays Wealth

Barclays Wealth profit before tax increased 14% to £163m (2009: £143m) as very strong growth in income was partially offset by costs of the strategic investment in growing the business. Income increased 18% to £1,560m principally from strong growth in the High Net Worth businesses and higher attributable net interest income from the revised internal funds pricing mechanism. Impairment charges reduced slightly to £48m (2009: £51m). Operating expenses increased 19% to £1,349m (2009: £1,129m), principally due to the start of Barclays Wealth s strategic investment programme which accounted for £112m of additional costs, as well as the impact of growth in High Net Worth business revenues on staff and infrastructure costs.

### Investment Management

Investment Management profit before tax of £67m (2009: £22m) principally reflected dividend income from the 19.9% holding in BlackRock, Inc. Total assets decreased to £4.6bn (2009: £5.4bn) reflecting the fair value of the 37.567m shares held in BlackRock, Inc.

### Head Office Functions and Other Operations

Head Office Functions and Other Operations loss before tax increased by £209m to £759m (2009: loss of £550m). The results for 2009 reflected a net gain on debt buy-backs of £1,164m, while 2010 benefited from a significant decrease in the costs of the central funding activity as money market dislocations eased and a reclassification of profit from the currency translation reserve to the income statement.

In the following results by business pages, return measures for 2008 data have not been calculated under the current business segments due to the recalibration of our execution priorities in 2010.

# Financial review

## Analysis of results by business continued

**Global Retail Banking**

### UK Retail Banking

UK Retail Banking is a leading UK high street bank providing current account and savings products and Woolwich branded mortgages. UK Retail Banking also provides unsecured loans, protection products and general insurance as well as banking and money transmission services to small and medium enterprises.

**Performance**

**2010**

UK Retail Banking profit before tax increased 39% to £989m (2009: £710m), driven by good income growth and lower impairment charges, more than offsetting an increase in operating expenses. The 2010 results also reflected a gain of £100m on the acquisition of Standard Life Bank.

Income increased 6% to £4,518m (2009: £4,276m) reflecting strong balance sheet growth.

Net interest income increased 11% to £3,165m (2009: £2,842m) reflecting business growth. The net interest margin for UK Retail Banking remained stable at 145bps (2009: 145bps) with the risk adjusted net interest margin increasing to 108bps (2009: 93bps). Total average customer deposit balances increased 12% to £104.5bn (2009: £93.6bn), reflecting good growth in personal customer balances and the impact of Standard Life Bank. The liability margin increased to 157bps (2009: 138bps) reflecting the impact of the revised internal funds pricing mechanism. Total customer account balances increased to £108.4bn (2009: £96.8bn).

Total average customer asset balances increased 11% to £113.7bn (2009: £102.0bn), reflecting good growth in Home Finance mortgage balances and the acquisition of Standard Life Bank. The average asset margin decreased to 121bps (2009: 139bps) reflecting the impact of the revised internal funds pricing mechanism. Total loans and advances to customers increased to £115.6bn (2009: £103.0bn).

Average mortgage balances grew 16%, reflecting strongly positive net lending and the acquisition of Standard Life Bank. As at 31st December 2010 mortgage balances were £101.2bn (2009: £87.9bn), a share by value of 8% (2009: 7%). Gross new mortgage lending increased to £16.9bn (2009: £14.2bn), a share by value of 13% (2009: 10%). Mortgage redemptions increased to £11.0bn (2009: £8.5bn), resulting in net new mortgage lending of £5.9bn (2009: £5.7bn). The average loan to value ratio of the mortgage portfolio (including buy-to-let) on a current valuation basis was 43% (2009: 43%). The average loan to value ratio of new mortgage lending was 52% (2009: 48%).

Barclays Business had good income growth driven by an increase in net interest income with customer numbers increasing to 760,000 (2009: 742,000).

Net fee and commission income decreased 3% to £1,255m (2009: £1,299m) reflecting reduced income from Current Accounts and Barclays Financial Planning.

Total impairment charges represented 70bps (2009: 98bps) of total gross loans and advances to customers and banks. This translates to a reduction in impairment charges of 21% to £819m (2009: £1,031m), reflecting focused risk management and improved economic conditions. Impairment charges within Consumer Lending and Current Accounts decreased 29% to £418m (2009: £592m), and 27% to £134m (2009: £183m) respectively. Home Finance impairment charges remained low at £29m (2009: £26m). As a percentage of the portfolio, three-month arrears rates for the UK loans improved to 2.6% (2009: 3.8%).

Operating expenses increased 11% to £2,809m (2009: £2,538m), reflecting higher pension costs, increased regulatory-related costs and the impact of the acquisition of Standard Life Bank. Excluding these items operating expenses were in line with prior year.

Total assets increased 11% to £121.6bn (2009: £109.3bn) driven by growth in Home Finance. Risk weighted assets remained broadly flat at £35.3bn (2009: £35.9bn) with growth in Home Finance offset by a decline in Consumer Lending balances and improvements in operational risk weighted assets.

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Income statement information** | | | |
| Net interest income | **3,165** | 2,842 | 3,245 |
| Net fee and commission income | **1,255** | 1,299 | 1,384 |
| Net trading (loss) | **(2)** | | |
| Net premiums from insurance contracts | **130** | 198 | 205 |
| Other income | **1** | 5 | 21 |
| **Total income** | **4,549** | 4,344 | 4,855 |
| Net claims and benefits incurred under insurance contracts | **(31)** | (68) | (35) |
| Total income net of insurance claims | **4,518** | 4,276 | 4,820 |
| Impairment charges and other credit provisions | **(819)** | (1,031) | (642) |
| **Net income** | **3,699** | 3,245 | 4,178 |
| Operating expenses excluding amortisation of intangible assets | **(2,779)** | (2,496) | (2,606) |
| Amortisation of intangible assets | **(30)** | (42) | (22) |
| **Operating expenses** | **(2,809)** | (2,538) | (2,628) |
| Share of post-tax results of associates and joint ventures | **(1)** | 3 | 8 |
| Gains on acquisition | **100** | | |
| **Profit before tax** | **989** | 710 | 1,558 |
| **Balance sheet information** | | | |
| Loans and advances to customers at amortised cost [a] | **£115.6bn** | £103.0bn | £98.8bn |
| Customer accounts [a] | **£108.4bn** | £96.8bn | £93.8bn |
| Total assets | **£121.6bn** | £109.3bn | £105.9bn |
| Risk weighted assets | **£35.3bn** | £35.9bn | £34.3bn |

Note

a In 2010 the acquisition of Standard Life Bank contributed £5.9bn loans and advances and £5.2bn customer accounts.

£4,518m

total income net of insurance claims

£989m

profit before tax

Improvements in the return on average equity to 12% (2009: 8%), return on average tangible equity to 24% (2009: 17%) and return on average risk weighted assets to 2.2% (2009: 1.5%) reflected the increase in profit after tax which more than offset the growth in average risk weighted assets.

**2009**

In the challenging economic environment of 2009, UK Retail Banking profit before tax decreased 54% to £710m (2008: £1,558m), impacted by low interest rates resulting in margin compression on the deposit book and increased impairment charges which together more than offset well-controlled costs and an improved assets margin.

Income decreased 11% to £4,276m (2008: £4,820m) reflecting the impact of margin compression, which more than offset good income growth in Home Finance.

Net interest income decreased 12% to £2,842m (2008: £3,245m) driven by margin compression on liabilities, partially offset by increases in asset driven net interest income. Total average customer deposit balances increased 3% to £93.6bn (2008: £90.5bn), reflecting good growth in Personal Customer Current Account balances. The average liabilities margin declined to 1.38% (2008: 2.03%) reflecting reductions in UK base rates.

Average mortgage balances grew 10%, reflecting strongly positive net lending. Mortgage balances were £87.9bn at the end of the period (31st December 2008: £82.3bn), a share by value of 7% (2008: 7%). Gross advances reduced to £14.2bn (2008: £22.9bn) reflecting a continued conservative approach to lending, with redemptions of £8.5bn (2008: £10.4bn). Net new mortgage lending was £5.7bn (2008: £12.5bn). The average loan to value ratio of the mortgage book (including buy-to-let) on a current valuation basis was 43% (2008: 40%). The average loan to value ratio of new mortgage lending was 48% (2008: 47%) and the assets margin increased to 1.39% (2008: 1.33%) reflecting increased returns from mortgages and consumer loans.

Net fee and commission income decreased 6% to £1,299m (2008: £1,384m) reflecting changing customer usage together with lower mortgage application and redemption fees. Overall sales productivity resulted in fee income growth in investments.

Total impairment charges represented 0.98% of total gross loans and advances to customers and banks. Impairment charges increased 61% to £1,031m (2008: £642m), reflecting lower expectations for recoveries in line with the economic environment in 2009. Impairment charges within Consumer Lending increased 56% to £592m (2008: £380m) with impairment charges increasing 75% to £183m (2008: £105m) in retail current accounts. Home finance impairment charges remained low at £26m (2008: £24m).

Operating expenses remained well-controlled and decreased 3% to £2,538m (2008: £2,628m). This reflected the receipt of a one-off credit of £189m resulting from the closure of the UK final salary pension scheme to existing members, offset by a year on year increase in pension costs of £105m and the non-recurrence of gains of £75m from the sale of property.

Total assets increased 3% to £109.3bn (31st December 2008: £105.9bn) driven by growth in mortgage balances. Risk weighted assets increased 5% to £35.9bn (31st December 2008: £34.3bn), a significant contributor being the growth in the mortgage book.

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Performance Measures** | | | |
| Return on average equity | **12%** | 8% | n/a |
| Return on average tangible equity | **24%** | 17% | n/a |
| Return on average risk weighted assets | **2.2%** | 1.5% | n/a |
| Loan loss rate (bps) | **70** | 98 | n/a |
| 3 month arrears rates UK loans | **2.6%** | 3.8% | n/a |
| Cost: income ratio | **62%** | 59% | 55% |
| Cost: net income ratio | **76%** | 78% | 63% |
| **Key Facts** | | | |
| Number of UK current accounts | **11.6m** | 11.2m | 11.7m |
| Number of UK savings accounts [a] | **14.4m** | 13.2m | 12.0m |
| Number of UK mortgage accounts [a] | **916,000** | 834,000 | 816,000 |
| Number of Barclays Business customers | **760,000** | 742,000 | 715,000 |
| LTV of mortgage portfolio [a] | **43%** | 43% | 40% |
| LTV of new mortgage lending [a] | **52%** | 48% | 47% |
| Number of branches | **1,658** | 1,698 | 1,724 |
| Number of ATMs | **3,345** | 3,394 | 3,455 |

Note

a Data for year ended 31st December 2010 includes the impact of Standard Life Bank.

# Financial review

## Analysis of results by business continued

### Global Retail Banking

### Barclaycard

Barclaycard is an international payments business which manages about £200bn in annual payment value and offers a broad range of payment solutions to consumer and business customers in 22 countries throughout the world.

#### Performance

**2010**

Barclaycard profit before tax increased 9% to £791m (2009: £727m).

Barclaycard s international businesses reported strong growth in profit before tax, particularly in Absa Card and the US. Absa Card increased 85% to £176m (2009: £95m) primarily through lower underlying impairment. The US business was profitable following adoption of the requirements of the Credit Card Accountability, Responsibility and Disclosure Act in the US (US Credit Card Act).

Income was £4,024m (2009: £4,041m) with the impact of the US Credit Card Act broadly offset by balanced growth across the business. Over 20% of income was generated from products other than consumer credit cards. Barclaycard s UK businesses reported income at £2,453m (2009: £2,493m) reflecting the continued run-off of the FirstPlus secured lending portfolio and lower insurance-related income. International income increased 1% to £1,571m (2009: £1,548m) despite the impact of the US Credit Card Act.

Net interest income increased 3% to £2,814m (2009: £2,723m) reflecting growth in UK consumer card extended credit balances, up 4% to £8.8bn (2009: £8.5bn), and the appreciation of the average value of the Rand against Sterling, partially offset by lower net interest income due to the impact of the US Credit Card Act and the continued run-off of the FirstPlus

portfolio. The asset margin improved to 906bps (2009: 897bps), with the net interest margin at 977bps (2009: 969bps).

Net fee and commission income decreased 11% to £1,136m (2009: £1,271m) primarily due to the impact of the US Credit Card Act.

Investment income of £39m included a gain of £38m from the sale of Visa shares and MasterCard shares (2009: £20m).

Impairment charges reduced 6% to £1,688m (2009: £1,798m) reflecting focused risk management and improving economic conditions. As a result, loan loss rates improved to 570bps (2009: 604bps). In addition, the 30-day delinquency rates for consumer card portfolios in the UK of 3.4% (2009: 4.2%), in the US of 4.6% (2009: 6.1%) and in Absa of 4.9% (2009: 6.7%) all reduced compared to 2009.

Operating expenses increased 3% to £1,570m (2009: £1,527m). Excluding increased pension costs and the appreciation of the average value of the Rand against Sterling, operating expenses decreased compared to the prior year.

Total assets were flat at £30.3bn (2009: £30.3bn) reflecting the appreciation of the US Dollar and the Rand against Sterling offset by the continued run-off of the First Plus portfolio.

Risk weighted assets increased 4% to £31.9bn (2009: £30.6bn), reflecting securitisation redemptions and the appreciation of the US Dollar and the Rand against Sterling.

Return on average equity of 13% (2009: 14%) and return on average tangible equity of 19% (2009: 21%) decreased due to the requirement to hold an increased amount of regulatory capital. Return on average risk weighted assets increased to 1.9% (2009: 1.8%) reflecting increased profit after tax, offset by increased average risk weighted assets.

| | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| **Income statement information** | | | |
| Net interest income | **2,814** | 2,723 | 1,786 |
| Net fee and commission income | **1,136** | 1,271 | 1,299 |
| Net trading (loss)/income | **(8)** | (1) | 2 |
| Net investment income | **39** | 23 | 80 |
| Net premiums from insurance contracts | **50** | 44 | 44 |
| Other income | **1** | 1 | 21 |
| **Total income** | **4,032** | 4,061 | 3,232 |
| Net claims and benefits incurred under insurance contracts | **(8)** | (20) | (11) |
| Total income net of insurance claims | **4,024** | 4,041 | 3,221 |
| Impairment charges and other credit provisions | **(1,688)** | (1,798) | (1,097) |
| **Net income** | **2,336** | 2,243 | 2,124 |
| Operating expenses excluding amortisation of intangible assets | **(1,481)** | (1,445) | (1,386) |
| Amortisation of intangible assets | **(89)** | (82) | (61) |
| **Operating expenses** | **(1,570)** | (1,527) | (1,447) |
| Share of post-tax results of associates and joint ventures | **25** | 8 | (3) |
| Profit on disposal of subsidiaries, associates and joint ventures | | 3 | |
| Gain on acquisition | | | 92 |
| **Profit before tax** | **791** | 727 | 766 |
| | | | |
| **Balance sheet information** | | | |
| Loans and advances to customers at amortised cost | **£ 26.6bn** | £ 26.5bn | £ 27.4bn |
| Total assets | **£ 30.3bn** | £ 30.3bn | £ 31.0bn |
| Risk weighted assets | **£ 31.9bn** | £ 30.6bn | £ 27.3bn |

£4,024m

total income net of insurance claims

£791m

profit before tax

**2009**

Barclaycard profit before tax decreased 5% to £727m (2008: £766m). Strong income growth across the portfolio driven by increased lending, improved margins and foreign exchange gains, was offset by higher impairment charges, driven by the deterioration in the global economy in 2009.

International businesses profit before tax decreased 59% to £107m (2008: £261m) driven by the US business. Strong income growth driven by higher average extended credit balances was more than offset by impairment growth, especially in the US and South African businesses, and increased operating expenses. In the UK our businesses benefited from an improvement in margins and growth in average extended balances leading to income increasing 18% to £2,493m (2008: £2,114m). Income growth was partially offset by the growth in impairment as worsening economic conditions impacted delinquencies.

Income increased 25% to £4,041m (2008: £3,221m) reflecting strong growth across the portfolio, especially in the international businesses through higher extended credit balances, lower funding rates and the appreciation of the average values of the US Dollar and the Euro against Sterling.

Net interest income increased 52% to £2,723m (2008: £1,786m) driven by strong growth in international average extended credit card balances, up 52% to £7.9bn (2008: £5.2bn), and lower funding rates as margins improved to 8.97% (2008: 6.92%).

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

Investment income of £23m (2008: £80m) included a £20m gain from the sale of MasterCard shares (2008: £16m). Investment income in 2008 included a £64m gain from the Visa IPO.

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

Impairment charges increased 64% to £1,798m (2008: £1,097m). The rate of growth in the second half of 2009 was lower than that in the first half. Impairment charges in the international businesses increased £444m, driven by higher delinquencies due to deteriorating economic conditions growth in average receivables and the appreciation of the average values of the US Dollar and the Euro against Sterling. UK portfolio charges were higher as a result of rising delinquencies due to the economic deterioration, especially in the loan portfolios, and the inclusion of Goldfish in UK Cards.

Operating expenses increased 6% to £1,527m (2008: £1,447m), due to the appreciation in the average value of the US Dollar and the Euro against Sterling and growth in the portfolios including the acquisitions made in the UK, US and South Africa in 2008.

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

Total assets decreased 2% to £30.3bn (31st December 2008: £31.0bn) reflecting the depreciation in the US Dollar and Euro against Sterling, the decision to stop writing new business in FirstPlus and tighter lending criteria. Risk weighted assets increased 12% to £30.6bn (31st December 2008: £27.3bn) due to higher volumes and the impact of moving toward an advanced risk measurement methodology offset by favourable foreign exchange and lower secured lending balances in FirstPlus.

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| **Performance Measures** | | | |
| Return on average equity | **13%** | 14% | n/a |
| Return on average tangible equity | **19%** | 21% | n/a |
| Return on average risk weighted assets | **1.9%** | 1.8% | n/a |
| Loan loss rate (bps) | **570** | 604 | n/a |
| 1 month arrears rates UK cards | **3.4%** | 4.2% | n/a |
| 1 month arrears rates US cards | **4.6%** | 6.1% | n/a |
| 1 month arrears rates Absa cards | **4.9%** | 6.7% | n/a |
| Cost: income ratio | **39%** | 38% | 45% |
| Cost: net income ratio | **67%** | 68% | 68% |
| **Key Facts** | | | |
| Number of Barclaycard UK customers | **11.2m** | 10.4m | 11.7m |
| Number of Barclaycard International customers | **10.5m** | 10.8m | 11.8m |
| Total number of Barclaycard customers | **21.7m** | 21.2m | 23.5m |
| UK credit cards average outstanding balances | **£11.2bn** | £10.8bn | £10.2bn |
| International average outstanding balances | **£9.7bn** | £9.7bn | £6.5bn |
| Total average outstanding balances | **£20.9bn** | £20.5bn | £16.7bn |
| UK credit cards average extended credit balances | **£8.8bn** | £8.5bn | £8.0.bn |
| International average extended credit balances | **£8.2bn** | £7.9bn | £5.2bn |
| Total average extended credit balances | **£17.0bn** | £16.4bn | £13.2bn |
| Loans average outstanding balances | **£5.5bn** | £6.0bn | £5.9bn |
| Number of retailer relationships | **87,000** | 87,000 | 89,000 |

# Financial review

## Analysis of results by business continued

### Global Retail Banking

### Western Europe Retail Banking

Western Europe Retail Banking provides retail banking and credit card services in Spain, Italy, Portugal and France. The business is building a differentiated proposition providing banking services to retail and mass affluent customers through a variety of distribution channels.

#### Performance

**2010**

Western Europe Retail Banking incurred a loss before tax of £139m (2009: profit of £280m). The deterioration in performance was largely driven by the challenging economic environment and continued investment in the franchise. In addition, the 2009 result benefited notably from a £157m gain on the sale of 50% of Barclays Iberian life insurance and pensions business.

Income fell 12% to £1,164m (2009: £1,318m), due to lower net interest income and the 3% decline in the average value of the Euro against Sterling, partially offset by higher net fee and commission income.

Net interest income fell 22% to £679m (2009: £868m), mainly reflecting a decline in treasury interest income and continued underlying liability margin compression due to the highly competitive market, partially offset by the benefit from growth in credit cards. As a result, the net interest margin reduced to 116bps (2009: 166bps). The risk adjusted net interest margin fell to 62bps (2009: 102bps).

Net fee and commission income increased 20% to £421m (2009: £352m). The growth reflects the investment in the network in previous years and the growth in the credit card business.

Net premiums from insurance contracts decreased 12% to £479m (2009: £544m) and net claims and benefits fell correspondingly 11% to £511m (2009: £572m).

Despite the challenging economic conditions, impairment charges improved 7% to £314m (2009: £338m) reflecting focused credit risk management. Delinquency trends improved with the overall 30-day delinquency rate falling to 1.8% (2009: 2.1%).

Operating expenses increased 16% to £1,033m (2009: £887m) due to investment in developing the franchise, in Portugal and Italy in particular, with a net increase of 101 distribution points in 2010, and costs associated with the expansion of the credit card businesses in these countries.

The £29m gain on acquisition was generated on the purchase of Citigroup s Italian card business in March 2010. This resulted in the addition of approximately 200,000 customers and loans and advances to customers of £0.2bn. The £26m gain in 2009 arose on the acquisition of Citigroup s Portuguese card business.

Loans and advances to customers increased 6% to £43.4bn (2009: £41.1bn) and customer accounts increased 7% to £18.9bn (2009: £17.6bn) due to continued growth in the businesses more than offsetting the negative impact of the value of the Euro against Sterling. Risk weighted assets increased 3% to £17.3bn (2009: £16.8bn) in line with the growth in loans and advances to customers.

Negative returns on average equity, average tangible equity and average risk weighted assets in 2010 were the result of the deterioration in profitability.

Customer numbers increased 13% to 2.7 million (2009: 2.4 million) reflecting the growth in the underlying business and the benefit of the purchase of Citigroup s Italian cards business.

| | **2010** **£m** | 2009 £m | 2008 £m |
|---|---|---|---|
| **Income statement information** | | | |
| Net interest income | **679** | 868 | 642 |
| Net fee and commission income | **421** | 352 | 327 |
| Net trading income | **20** | 14 | 4 |
| Net investment income | **67** | 118 | 161 |
| Net premiums from insurance contracts | **479** | 544 | 352 |
| Other income/(loss) | **9** | (6) | 38 |
| **Total income** | **1,675** | 1,890 | 1,524 |
| Net claims and benefits incurred under insurance contracts | **(511)** | (572) | (365) |
| Total income net of insurance claims | **1,164** | 1,318 | 1,159 |
| Impairment charges and other credit provisions | **(314)** | (338) | (172) |
| **Net income** | **850** | 980 | 987 |
| Operating expenses excluding amortisation of intangible assets | **(1,001)** | (865) | (794) |
| Amortisation of intangible assets | **(32)** | (22) | (13) |
| **Operating expenses** | **(1,033)** | (887) | (807) |
| Share of post-tax results of associates and joint ventures | **15** | 4 | |
| Profit on disposal of subsidiaries, associates and joint ventures | | 157 | |
| Gains on acquisition | **29** | 26 | 52 |
| **(Loss)/profit before tax** | **(139)** | 280 | 232 |
| **Balance sheet information** | | | |
| Loans and advances to customers at amortised cost | **£ 43.4bn** | £ 41.1bn | £ 42.1bn |
| Customer accounts | **£ 18.9bn** | £ 17.6bn | £ 13.2bn |
| Total assets | **£ 53.6bn** | £ 51.0bn | £ 52.0bn |
| Risk weighted assets | **£ 17.3bn** | £ 16.8bn | £ 19.3bn |

**Table of Contents**



£1,164m

total income net of insurance claims

£139m

loss before tax

**2009**

Western Europe Retail Banking profit before tax increased 21% to £280m (2008: £232m) despite a very challenging macroeconomic environment across all geographies, particularly Spain. The results included a gain of £157m on the sale of 50% of Barclays Vida y Pensiones Compañía de Seguros, Barclays Iberian life insurance and pensions business and a restructuring charge of £24m largely concentrated in Spain. All businesses traded profitably. Profit before tax was favourably impacted by the 13% appreciation in the average value of the Euro against Sterling.

Income increased across all countries, improving 14% to £1,318m (2008: £1,159m) driven by the appreciation of the Euro and the significant expansion in the distribution network in 2007 and 2008. The number of distribution points increased to 1,262 (31st December 2008: 1,140) reflecting further selected organic growth and development of the franchise.

Net interest income increased 35% to £868m (2008: £642m). The increase was principally driven by strong growth in customer deposits of 33% to £17.6bn (2008: £13.2bn), an improvement in the customer assets margin to 1.31% (2008: 1.21%) and an increase in treasury interest income. This was partially offset by competitive pressures on liability margin compression.

Net fee and commission income increased 8% to £352m (2008: £327m), generated from asset management and insurance product lines.

Net Investment income fell 27% to £118m (2008: £161m), mainly due to the non-recurrence of the gains from both the Visa IPO (2008: £65m) and the sale of shares in MasterCard (2008: £17m), partially offset by profit on the sale of Government backed bonds.

Net premiums from insurance contracts increased to £544m (2008: £352m) reflecting growth in the life assurance business. Net claims and benefits incurred increased correspondingly to £572m (2008: £365m).

Impairment charges increased to £338m (2008: £172m), principally due to higher impairment in Spain.

Operating expenses increased 10% to £887m (2008: £807m) due to the continued expansion of the Italian and Portuguese networks and restructuring charges of £24m. Underlying costs were tightly controlled.

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

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

Total assets remained stable at £51.0bn (2008: £52.0bn), as underlying asset growth was offset by depreciation in the period end value of the Euro against Sterling. Risk weighted assets decreased 13% to £16.8bn (2008: £19.3bn) driven by active management and the migration of certain retail portfolios onto the advanced credit risk approach.

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Performance Measures** | | | |
| Return on average equity [a] | **(0.2%)** | 10% | n/a |
| Return on average tangible equity [a] | **(0.3%)** | 13% | n/a |
| Return on average risk weighted assets [a] | **0.0%** | 1.2% | n/a |
| Loan loss rate (bps) | **71** | 80 | n/a |
| Cost: income ratio | **89%** | 67% | 70% |
| Cost: net income ratio | **122%** | 91% | 82% |
| **Key Facts** | | | |
| Number of customers | **2.7m** | 2.4m | 2.1m |
| Number of branches | **1,120** | 1,094 | 961 |
| Number of sales centres | **243** | 168 | 179 |
| Number of distribution points | **1,363** | 1,262 | 1,140 |

Note

a 2010 return on average equity, return on average tangible equity and return on average risk weighted assets reflect a deferred tax benefit of £205m.

# Financial review

## Analysis of results by business continued

### Global Retail Banking

### Barclays Africa

Barclays Africa provides retail, corporate and credit card services across Africa and the Indian Ocean. It provides tailored banking (including mobile banking and Sharia- compliant products) to over 2.7m customers and has a top 3 position in 8 of the 10 countries in which we operate.

#### Performance

**2010**

Barclays Africa profit before tax increased 81% to £188m (2009: £104m). 2010 included a one-off gain of £77m from the sale of the custody business to Standard Chartered Bank which was partially offset by £40m of restructuring costs. Prior year results included a one-off gain of £24m from the sale of shares in Barclays Bank of Botswana Limited. Excluding these one-off items, profit before tax increased 89% to £151m (2009: £80m).

Income increased 8% to £801m (2009: £739m) as a result of improvement across major income categories.

Net interest income increased 7% to £533m (2009: £498m) and the net interest margin increased to 507bps (2009: 460bps). The asset margin improved to 697bps (2009: 575bps) primarily driven by a reduction in

funding costs and changes in business mix. The liability margin decreased to 263bps (2009: 270bps) due to margin compression.

Net fee and commission income increased 10% to £195m (2009: £178m) primarily driven by growth in retail fee income.

Net trading income increased 24% to £67m (2009: £54m) driven by treasury securities sales in Ghana, Kenya and Zambia.

Impairment charges decreased 32% to £82m (2009: £121m) with impairment charges on the retail portfolio decreasing 39% to £54m (2009: £88m) as a result of a better economic environment and improved collections. The retail portfolio 30-day delinquency rate decreased to 2.2% (2009: 2.7%).

Operating expenses increased 13% to £608m (2009: £538m) reflecting £40m of restructuring costs to facilitate the consolidation of operations and infrastructure, and an increase in staff-related costs.

Customer deposits increased 9% to £7.0bn (2009: £6.4bn). Total assets remained flat at £7.9bn (2009: £7.9bn) and risk weighted assets increased 5% to £8.0bn (2009: £7.6bn) reflecting changes in the business mix.

Significant improvements in return on average equity to 20% (2009: 8%), return on average tangible equity 22% (2009: 9%) and return on average risk weighted assets to 2.2% (2009: 1.0%) were due to improved franchise profitability achieved with moderate growth in risk weighted assets.

| | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| **Income statement information** | | | |
| Net interest income | **533** | 498 | 405 |
| Net fee and commission income | **195** | 178 | 162 |
| Net trading income | **67** | 54 | 70 |
| Net investment (loss)/income | **(1)** | 7 | 87 |
| Other income | **7** | 2 | 2 |
| **Total income** | **801** | 739 | 726 |
| Impairment charges and other credit provisions | **(82)** | (121) | (71) |
| **Net income** | **719** | 618 | 655 |
| Operating expenses excluding amortisation of intangible assets | **(600)** | (533) | (472) |
| Amortisation of intangible assets | **(8)** | (5) | (3) |
| **Operating expenses** | **(608)** | (538) | (475) |
| Profit on disposal of subsidiaries, associates and joint ventures | **77** | 24 | |
| **Profit before tax** | **188** | 104 | 180 |
| **Balance sheet information** | | | |
| Loans and advances to customers at amortised cost | **£ 3.6bn** | £ 3.9bn | £ 5.0bn |
| Customer accounts | **£ 7.0bn** | £ 6.4bn | £ 7.3bn |
| Total assets | **£ 7.9bn** | £ 7.9bn | £ 8.5bn |
| Risk weighted assets | **£ 8.0bn** | £ 7.6bn | £ 8.7bn |

**Table of Contents**



£801m

total income

£188m

profit before tax

**2009**

Profit before tax for Barclays Africa decreased 42% to £104m (2008: £180m) primarily due to the allocation of gains from the Visa IPO and sale of shares in MasterCard during 2008.

Income increased 2% to £739m (2008: £726m). After adjusting for one-off gain of £65m from the Visa IPO and sale of shares in MasterCard during 2008, underlying income increased 12% due to strong business growth in Egypt, Botswana and Zambia.

Net interest income increased 23% to £498m (2008: £405m) driven by the increase in interest margins. The assets margin increased to 575bps (2008: 464bps) mainly due to lower funding costs. The liabilities margin increased to 270bps (2008: 233bps) mainly driven by customer pricing.

Net fee and commission income increased 10% to £178m (2008: £162m) primarily driven by growth in retail fee income.

Net Investment income decreased £80m to £7m (2008: £87m). 2008 included a gain of £65m from the sale of shares in MasterCard and Visa.

Impairment charges increased to £121m (2008: £71m) reflecting the impact of the economic recession across the business with continued pressure on default rates.

Operating expenses increased 13% to £538m (2008: £475m) reflecting continued investment in infrastructure across markets.

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

Total assets decreased 7% to £7.9bn (2008: £8.5bn), and risk weighted assets decreased 13% to £7.6bn (2008: £8.7bn) due to the business pro-actively managing down portfolio exposures driven by a realignment of lending strategy in light of the economic downturn and the impact of exchange rate movements.

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Performance Measures** | | | |
| Return on average equity | **20%** | 8% | n/a |
| Return on average tangible equity | **22%** | 9% | n/a |
| Return on average risk weighted assets | **2.2%** | 1.0% | n/a |
| Loan loss rate (bps) | **186** | 252 | n/a |
| Cost: income ratio | **76%** | 73% | 65% |
| Cost: net income ratio | **85%** | 87% | 73% |
| **Key Facts** | | | |
| Number of customers | **2.7m** | 2.8m | 2.6m |
| Number of branches | **481** | 490 | 484 |
| Number of sales centres | **55** | 83 | 169 |
| Number of distribution points | **536** | 573 | 653 |

Table of Contents



# Financial review

## Analysis of results by business continued

### Absa

Absa provides a full range of retail banking services and insurance products through a variety of distribution channels. It also offers customised business solutions for commercial and large corporate customers. It is part of one of South Africa s largest financial services organisations.

**2010**

#### Impact of Absa Group Limited on Barclays results

Absa Group Limited profit before tax of R11,851m (2009: R9,842m), an increase of 20%, is translated in Barclays results at an average exchange rate of R11.31/£ (2009: R13.14/£), a 16% appreciation in the average value of the Rand against Sterling. Consolidation adjustments reflected the amortisation of intangible assets of £69m (2009: £61m) and internal funding and other adjustments of £52m (2009: £83m). The resulting profit before tax of £927m (2009: £605m) is included within the following Barclays business segments: Absa £616m (2009: £528m), Barclays Capital £136m (2009: £16m loss), Barclaycard £176m (2009: £95m) and Barclays Wealth £1m loss (2009: £2m loss).

Absa Group Limited s total assets were R716.5bn (2009: R710.8bn), an increase of 1%. This is translated into Barclays results at a year-end exchange rate of R10.26/£ (2009: R11.97/£).

#### Performance

Absa profit before tax increased 17% to £616m (2009: £528m) mainly as a result of the 16% appreciation in the average value of the Rand against Sterling. In Rand terms, income declined 1% with 10% cost growth, offset by 26% lower impairments.

Income increased 14% to £2,899m (2009: £2,553m) primarily reflecting the impact of exchange rate movements.

Net interest income improved 15% to £1,500m (2009: £1,300m) reflecting the appreciation in the average value of the Rand against Sterling. Average customer assets increased 15% to £37.4bn (2009: £32.5bn) driven by the

appreciation of the Rand. In Rand terms, retail loans and commercial mortgages remained stable as personal loans increased while cheque, instalment finance and commercial property finance balances showed a decline as a result of a slower take up of new loans by customers. The asset margin increased to 272bps (2009: 268bps) as a result of the pricing of new loans and a change in the product mix as higher margin products grew faster than low margin products. Average customer liabilities increased 21% to £21.1bn (2009: £17.4bn), primarily driven by the appreciation of the Rand. In Rand terms, retail and commercial deposits increased by 4.1% and 7.4% respectively. The liability margin decreased to 240bps (2009: 243bps) as a result of significant competition for deposits. Absa s hedging programme partly offset the impact of lower interest rates.

Net fee and commission income increased 19% to £1,123m (2009: £943m), mainly reflecting the impact of exchange rate movements and volume growth.

Net investment income decreased to £59m (2009: £128m) reflecting prior year gains of £17m from the sale of shares in MasterCard and an adverse impact of the mark to market adjustment on Visa of £12m (2009: gain of £19m). Net premiums from insurance contracts increased 36% to £399m (2009: £294m) reflecting good growth in new business in life and short-term insurance in addition to the impact of exchange rate movements. Other income decreased to £47m (2009: £64m) reflecting lower profits on the sale of repossessed properties and lower mark to market adjustments on investment property portfolios.

Impairment charges decreased by 15% to £480m (2009: £567m) mainly as a result of the 26% lower impairments in Rand terms, particularly in retail, due to an improving economy.

Operating expenses increased 25% to £1,810m (2009: £1,451m) due to exchange rate movements and continued investment in growth initiatives, partially offset by a one-off credit of £54m relating to the Group s recognition of a pension fund surplus. The cost: income ratio deteriorated to 62% from 57%.

Total assets increased 14% to £52.4bn (2009: £45.8bn) mostly due to the impact of exchange rate movements. Risk weighted assets increased 42%

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Income statement information** | | | |
| Net interest income | **1,500** | 1,300 | 1,104 |
| Net fee and commission income | **1,123** | 943 | 762 |
| Net trading (loss)/income | **(14)** | (5) | 6 |
| Net investment income | **59** | 128 | 105 |
| Net premiums from insurance contracts | **399** | 294 | 234 |
| Other income | **47** | 64 | 102 |
| **Total income** | **3,114** | 2,724 | 2,313 |
| Net claims and benefits incurred under insurance contracts | **(215)** | (171) | (126) |
| Total income net of insurance claims | **2,899** | 2,553 | 2,187 |
| Impairment charges and other credit provisions | **(480)** | (567) | (347) |
| **Net income** | **2,419** | 1,986 | 1,840 |
| Operating expenses excluding amortisation of intangible assets | **(1,753)** | (1,400) | (1,233) |
| Amortisation of intangible assets | **(57)** | (51) | (50) |
| **Operating expenses** | **(1,810)** | (1,451) | (1,283) |
| Share of post-tax results of associates and joint ventures | **3** | (4) | 5 |
| Profit/(loss) on disposal of subsidiaries, associates and joint ventures | **4** | (3) | 1 |
| **Profit before tax** | **616** | 528 | 563 |
| **Balance Sheet Information** | | | |
| Loans and advances to customers at amortised cost | **£41.8bn** | £36.4bn | £32.7bn |
| Customer accounts | **£24.3bn** | £19.7bn | £17.0bn |
| Total assets | **£52.4bn** | £45.8bn | £40.3bn |
| Risk weighted assets | **£30.4bn** | £21.4bn | £18.8bn |

£2,899m

total income net of insurance claims

£616m

profit before tax

to £30.4bn (2009: £21.4bn), due to the impact of exchange rate movements, enhancements to the retail model and wholesale credit remediation plan.

Return on average equity increased 1% as the improved profit before tax more than offset the increased allocation of equity from the Group which, in turn, reflected an increase in risk weighted assets. This increase led to a decline in the return on average risk weighted assets. Return on average tangible equity decreased due to the effect of the equity allocation and an increase in non-controlling interests.

**2009**

**Impact of Absa Group Limited on Barclays results**

Absa Group Limited profit before tax of R9,842m (2008: R15,305m), a decrease of 36%, is translated in Barclays results at an average exchange rate of R13.14/£ (2008: R15.17/£), a 15% appreciation in the average value of the Rand against Sterling. Consolidation adjustments reflected the amortisation of intangible assets of £61m (2008: £58m) and internal funding and other adjustments of £83m (2008: £155m). The resulting profit before tax of £605m (2008: £796m) is represented within the Barclays Group business segments as follows: Absa £528m (2008: £563m), Barclays Capital £16m loss (2008: £175m profit), Barclaycard £95m (2008: £58m) and Barclays Wealth £2m loss (2008: £nil).

Absa Group Limited s total assets were R710.8bn (2008: R773.3bn), a decline of 8%. This is translated into Barclays results at a period-end exchange rate of R11.97/£ (2008: R13.74/£).

**Performance**

Profit before tax decreased 6% to £528m (2008: £563m) owing to challenging market conditions. Modest Rand income growth and tight cost control were offset by increased impairment.

Income increased 17% to £2,553m (2008: £2,187m) predominantly reflecting the impact of exchange rate movements.

Net interest income improved 18% to £1,300m (2008: £1,104m) reflecting the appreciation in the average value of the Rand against Sterling and modest balance sheet growth. Average customer assets increased 17% to £32.5bn (2008: £27.7bn) driven by appreciation of the Rand against

Sterling and modest growth in loans and advances. Retail and commercial mortgages remained relatively flat in 2009 while instalment finance showed a slight decline with the run-off outweighing new sales. The assets margin decreased to 268bps (2008: 279bps) as a result of the higher cost of wholesale funding and significant reductions in interest recognised on delinquent accounts. Average customer deposits increased 29% to £17.4bn (2008: £13.5bn), primarily driven by the appreciation of the Rand and the increase in the number of customers. Retail and commercial deposits increased 3.9% and 4.6% respectively. The liabilities margin was down to 243bps (2008: 306bps) reflecting stronger growth in lower margin retail deposits, pricing pressure from competitors and the impact of margin compression due to the decrease in interest rates.

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

Net investment income increased to £128m (2008: £105m) reflecting the impact of exchange rate movements and gains of £17m from the sale of shares in MasterCard, slightly offset by lower gains on economic hedges. Net premiums from insurance contracts increased 26% to £294m (2008: £234m) reflecting volume growth in short-term insurance contracts and the impact of exchange rate movements. Other income decreased to £64m (2008: £102m) reflecting the non-recurrence of the gain of £46m recorded on the Visa IPO in 2008.

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

Operating expenses increased 13% to £1,451m (2008: £1,283m) reflecting the impact of exchange rate movements. Costs were tightly controlled in Rand.

Total assets increased 14% to £45.8bn (2008: £40.3bn) and risk weighted assets increased 14% to £21.4bn (2008: £18.8bn), reflecting the impact of exchange rate movements.

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Performance Measures** | | | |
| Return on average equity [a] | **11%** | 10% | n/a |
| Return on average tangible equity [b] | **20%** | 24% | n/a |
| Return on average risk weighted assets | **1.7%** | 1.9% | n/a |
| Loan loss rate (bps) | **112** | 152 | n/a |
| Cost: income ratio | **62%** | 57% | 59% |
| Cost: net income ratio | **75%** | 73% | 70% |
| **Key Facts** | | | |
| Number of corporate customers | **83,000** | 89,000 | 107,000 |
| Number of retail customers | **11.6m** | 11.4m | 10.4m |
| Number of ATMs | **8,578** | 8,560 | 8,719 |
| Number of branches | **840** | 857 | 877 |
| Number of sales centres | **167** | 205 | 300 |
| Number of distribution points | **1,007** | 1,062 | 1,177 |

Notes

a The return on average equity differs from the return on equity reported by Absa Group Ltd of 15.1% as the latter does not include goodwill arising from Barclays acquisition of Absa and does include other Absa Group businesses that Barclays Group reports within Barclaycard, Barclays Capital and Barclays Wealth.

b Including non-controlling interests

# Financial review

## Analysis of results by business continued

### Barclays Capital

Barclays Capital is the investment banking division of Barclays. It provides large corporate, government and institutional clients with a full spectrum of solutions to meet their strategic advisory, financing and risk management needs. Barclays Capital has a global presence providing advisory services and distribution power to meet the needs of issuers and investors worldwide.

#### Performance

**2010**

Barclays Capital profit before tax increased to £4,780m (2009: £2,464m). Excluding own credit, profit before tax increased 2% to £4,389m (2009: £4,284m). Top-line income of £13,333m (2009: £17,862m) was down 25% on the very strong prior year performance, reflecting a more challenging market environment. Top-line income in the fourth quarter of 2010 was £3,380m, up 20% on the third quarter of 2010 reflecting higher activity levels and contributions from Equities and Prime Services up 74% and Investment Banking up 45%. Fourth quarter FICC top-line income, which benefited from non-recurring gains, was broadly in line with the prior quarter with higher contributions from Rates, Currency and Commodities. Net income for 2010, excluding an own credit gain of £391m (2009: loss of £1,820m), increased 17% to £12,666m (2009: £10,854m). There was a significant reduction both in credit market losses taken through income to £124m (2009: £4,417m) and in impairment charges to £543m (2009: £2,591m).

Income increased 17% to £13,600m (2009: £11,625m). The impact on top-line income of difficult trading conditions from the second quarter onwards was more than offset by the significant reduction of credit market losses in income and the impact of the gain in own credit in 2010. Fixed Income, Currency and Commodities top-line income declined 35% to £8,811m (2009: £13,652m), reflecting lower contributions particularly from Rates and Commodities. Higher funding costs also led to a reduction in net

interest income. Equities and Prime Services decreased 6% to £2,040m (2009: £2,165m) due to the subdued market activity in European equity derivatives, partially offset by improved client flow in cash equities and equity financing, as the benefits of the build-out of the cash equities business started to come through. Investment Banking, which comprises advisory businesses and equity and debt underwriting, increased 3% to £2,243m (2009: £2,188m) as a result of continued growth in banking activities. Fee and commission income increased 12% to £3,347m (2009: £3,001m) across Investment Banking and Equities with a higher contribution from Asia. Principal Investments generated income of £239m (2009: loss of £143m) which contributed to the increase in net investment income to £752m (2009: loss of £164m) in addition to an increase in income from the disposal of available for sale assets and a reduction in fair value losses on assets held at fair value.

Impairment charges of £543m (2009: £2,591m) included credit market impairment of £621m (2009: £1,669m) primarily relating to the difference between the carrying value of the Protium loan and the fair value of the underlying assets supporting the loan which follows a reassessment of the expected realisation period. Non-credit market related impairment was a release of £78m (2009: charge of £922m).

Operating expenses increased 26% to £8,295m (2009: £6,592m) which largely reflected investment in our sales, origination, trading and research activities, increased charges relating to prior year compensation deferrals and restructuring costs. Excluding the impact of own credit, the cost: net income ratio was 65% (2009: 61%) and compensation costs represented 43% of income (2009: 33%).

Total assets increased 7% to £1,095bn (2009: £1,019bn). The increase reflected the net depreciation in the value of Sterling relative to other currencies in which our assets are denominated, growth in reverse repurchase trading and an increase in the liquidity pool to £154bn (2009: £127bn). Assets contributing to adjusted gross leverage increased 8% to £668bn (2009: £618bn). Risk weighted assets increased 6% to £191bn (2009: £181bn) due to changes in methodology and the impact of foreign exchange rate movements, offset by reductions resulting from capital

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Income statement information** | | | |
| Net interest income | **1,121** | 1,598 | 1,724 |
| Net fee and commission income | **3,347** | 3,001 | 1,429 |
| Net trading income | **8,377** | 7,185 | 1,506 |
| Net investment income/(loss) | **752** | (164) | 559 |
| Other income | **3** | 5 | 13 |
| **Total income** | **13,600** | 11,625 | 5,231 |
| Impairment charges and other credit provisions | **(543)** | (2,591) | (2,423) |
| **Net income** | **13,057** | 9,034 | 2,808 |
| Operating expenses excluding amortisation of intangible assets | **(8,151)** | (6,406) | (3,682) |
| Amortisation of intangible assets | **(144)** | (186) | (92) |
| **Operating expenses** | **(8,295)** | (6,592) | (3,774) |
| Share of post-tax results of associates and joint ventures | **18** | 22 | 6 |
| Gains on acquisitions | | | 2,262 |
| **Profit before tax** | **4,780** | 2,464 | 1,302 |
| **Profit/(loss) before tax (excluding own credit)** | **4,389** | 4,284 | (361) |
| | | | |
| **Balance sheet information** | | | |
| Loans and advances to banks and customers at amortised cost | **£149.7bn** | £162.6bn | £206.8bn |
| Total assets | **£1,094.8bn** | £1,019.1bn | £1,629.1bn |
| Assets contributing to adjusted gross leverage [a] | **£668.1bn** | £618.2bn | £681.0bn |
| Risk weighted assets | **£191.3bn** | £181.1bn | £227.4bn |
| Liquidity pool | **£154bn** | £127bn | £43bn |

Note

a 31st December 2010 uses a revised definition.

**Table of Contents**



£13,600m

total income

£4,780m

profit before tax

management efficiencies. Return on average equity increased to 16% (2009: 9%), return on average tangible equity increased to 17% (2009: 9%) and return on average risk weighted assets increased to 1.6% (2009: 0.8%) reflecting a significant increase in profit before tax. Average DVaR decreased to £53m (2009: £77m), due to lower client activity. Spot DVaR at 31st December 2010 reduced to £48m (2009: £55m).

**2009**

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

Income of £11,625m was up 122% (2008: £5,231m), reflecting excellent growth across the client franchise. Top-line income increased 81% to £17,862m (2008: £9,858m). Fixed Income, Currency and Commodities increased 75% and drove the strong increase in trading income following the expansion of the business and the associated increase in client flows. Equities and Prime Services increased 202% driven by the acquisition of the Lehman Brothers North American businesses with particularly strong performances in cash equities and equity derivatives. Investment Banking more than doubled to £2,188m (2008: £1,053m) driven by origination and advisory activity. The cash equity business, along with Investment Banking, drove a significant rise in fee and commission income. Losses in Principal Investments of £143m (2008: income of £299m) contributed to the overall net investment loss of £164m (2008: income of £559m).

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

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

Total assets reduced 37% to £1,019.1bn (2008: £1,629.1bn) primarily as a result of derivative balances. There were further reductions in the trading portfolio and lending as well as depreciation in the value of other currencies relative to Sterling. These reductions contributed to an overall decrease of 9% in assets contributing to adjusted gross leverage to £618.2bn (2008: £681.0bn). Risk weighted assets reduced 20% to £181.1bn (2008: £227.4bn) following the reductions in the balance sheet, reclassification of certain securitisation assets to capital deductions and depreciation on the value of other currencies against Sterling, partially offset by a deterioration in credit conditions which increased probabilities of default.

| Analysis of Total Income | Year ended 31st December | | |
|---|---|---|---|
| | **2010** | 2009 | 2008 |
| | **£m** | £m | £m |
| Fixed Income, Currency and Commodities | **8,811** | 13,652 | 7,789 |

| | | | |
|---|---|---|---|
| Equities and Prime Services | **2,040** | 2,165 | 717 |
| Investment Banking | **2,243** | 2,188 | 1,053 |
| Principal Investments | **239** | (143) | 299 |
| **Top-line income** | **13,333** | 17,862 | 9,858 |
| Credit market losses in income | **(124)** | (4,417) | (6,290) |
| **Total income (excluding own credit)** | **13,209** | 13,445 | 3,568 |
| Own credit | **391** | (1,820) | 1,663 |
| **Total Income** | **13,600** | 11,625 | 5,231 |

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Performance Measures** | | | |
| Return on average equity | **16%** | 9% | n/a |
| Return on average tangible equity | **17%** | 9% | n/a |
| Return on average risk weighted assets | **1.6%** | 0.8% | n/a |
| Loan loss rate (bps) | **42** | 115 | n/a |
| Cost: income ratio | **61%** | 57% | 72% |
| Cost: net income ratio | **64%** | 73% | 134% |
| Cost: net income ratio (excluding own credit) | **65%** | 61% | n/a |
| Compensation: income ratio (excluding own credit) | **43%** | 33% | 44% |
| **Other Financial Measures** | | | |
| Average DVaR (95%) | **£53m** | £77m | £53m |
| Average income per employee (000s) | **£548** | £515 | £281 |

Table of Contents



# Financial review

## Analysis of results by business continued

### Barclays Corporate

Barclays Corporate provides integrated banking solutions to large corporates, financial institutions and multinationals in the UK & Ireland, Continental Europe and New Markets.

#### Performance

**2010**

Barclays Corporate recorded a loss before tax of £631m (2009: profit of £157m). An improvement in the result of the profitable UK & Ireland business was more than offset by increased losses in Continental Europe, notably Spain, and New Markets.

Profit before tax in the UK & Ireland increased 16% to £851m. Performance was primarily driven by significantly reduced impairment. Loss before tax in Continental Europe increased £728m to a loss of £870m mainly due to impairments on property and construction exposures in Spain. New Markets recorded a loss before tax of £612m (2009: £433m loss) reflecting the write down of the £243m goodwill relating to Barclays Bank Russia and restructuring costs totalling £119m, including £25m relating to restructuring of the Russian business. These were partially offset by a substantial reduction in impairment charges and tight control of operating expenses.

Total income decreased 7% to £2,974m mainly as a result of lower treasury management income and reduced risk appetite outside the UK. Excluding the 2009 gains on buy-backs of securitised debt of £85m and fair value adjustments in 2010, UK income remained resilient.

Net interest income fell 4% to £2,004m (2009: £2,083m) reflecting lower treasury management income and higher funding charges in Continental Europe and reduced average asset balances in New Markets. UK & Ireland net interest income increased 3% (£36m), with higher deposit income reflecting strong growth in balances, offset by reduced demand for lending and higher funding costs. Barclays Corporate net interest margin decreased 12bps to 153bps (2009: 165bps).

Non-interest related income decreased 12% to £970m. Net fees and commissions fell 9% to £910m (2009: £1,002m) driven by lower debt fees and treasury income.

Net trading income increased to £80m (2009: £18m) mainly as a result of loan fair value adjustments in the UK. Net investment loss decreased to £32m (2009: £46m) reflecting reduced write downs in venture capital investments.

Other income decreased to £12m (2009: £39m) due to lower operating lease income.

Impairment charges increased to £1,696m (2009: £1,558m), primarily in Spain where a £630m increase to £898m was driven by depressed market conditions in the property and construction sector, including some significant single name cases. This was partly offset by an improvement of £302m in UK & Ireland reflecting lower default rates and fewer insolvencies; and an improvement in New Markets of £206m, including £130m in the retail book. Loan loss rates increased to 226bps (2009: 211bps).

Operating expenses grew 30% to £1,907m (2009: £1,466m), reflecting the write down of the £243m of goodwill relating to Barclays Bank Russia and associated restructuring costs of £25m, as well as previously announced restructuring costs of £94m in other geographies within New Markets (predominantly relating to Indonesia), higher pension costs in the UK, and increased investment spend as Barclays Corporate continues to invest in its infrastructure to deliver leading product and superior client service capabilities.

Total average lending fell 8% to £69.8bn (2009: £75.7bn). In the UK, this was due to reduced utilisation of overdraft facilities and reduced demand in asset based lending. There was strong growth in total average customer accounts which grew 21% to £60.9bn, mostly within the UK & Ireland, as a result of significant increases in current account balances and deposits benefiting from product innovation. As a result, the balance between loans and deposits, including banks, in the UK & Ireland moved by £8bn to surplus deposits of £2.4bn.

Risk weighted assets fell 8% to £70.8bn (2009: £76.9bn) reflecting lower levels of customer assets across the business and improvements in the credit quality of the UK portfolio.

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Income statement information** | | | |
| Net interest income | **2,004** | 2,083 | 1,934 |
| Net fee and commission income | **910** | 1,002 | 904 |
| Net trading income | **80** | 18 | 11 |
| Net investment income/(loss) | **(32)** | (46) | 23 |
| Gains on debt buy-backs and extinguishments | | 85 | |
| Other income | **12** | 39 | 120 |
| **Total income** | **2,974** | 3,181 | 2,992 |
| Impairment charges and other credit provisions | **(1,696)** | (1,558) | (593) |
| **Net income** | **1,278** | 1,623 | 2,399 |
| Operating expenses excluding amortisation of intangible assets and goodwill impairment | **(1,616)** | (1,430) | (1,310) |
| Amortisation of intangible assets | **(48)** | (36) | (19) |
| Goodwill impairment | **(243)** | | |
| **Operating expenses** | **(1,907)** | (1,466) | (1,329) |
| Share of post-tax results of associates and joint ventures | **(2)** | | (2) |
| **(Loss)/profit before tax** | **(631)** | 157 | 1,068 |
| **Balance sheet information** | | | |
| Loans and advances to customers at amortised cost | **£65.7bn** | £70.7bn | £79.8bn |
| Loans and advances to customers at fair value | **£14.4bn** | £13.1bn | £13.0bn |
| Customer accounts | **£71.0bn** | £66.3bn | £60.9bn |
| Total assets | **£85.7bn** | £88.8bn | £98.5bn |
| Risk weighted assets | **£70.8bn** | £76.9bn | £82.8bn |

£2,974m

total income

£631m

loss before tax

Negative returns on average equity, average tangible equity and average risk weighted assets in 2010 were the result of the increased losses in Continental Europe and New Markets, which more than offset the improved profitability of UK & Ireland.

**2009**

Barclays Corporate recorded a profit before tax of £157m (2008: £1,068m). Profits in the UK & Ireland were partially offset by losses within Continental Europe and New Markets.

Profit before tax in the UK & Ireland decreased by 31% to £732m. Performance was primarily driven by significantly increased impairment charges. Profit before tax in Continental Europe decreased by £195m to a loss of £142m driven by impairment on property exposures in Spain partially offset by strong income growth across all countries. New Markets recorded a loss before tax of £433m (2008: £49m loss) reflecting significantly increased impairment charges and continued investment across the business.

Total income increased 6% to £3,181m reflecting strong performance from net fees and commissions offsetting lower net investment income in the UK. In Continental Europe and New Markets income increased significantly due to exceptionally strong growth in net interest income.

Net interest income increased 8% to £2,083m (2008: £1,934m) reflecting an improvement in asset margins of 11bps to 165bps (2008: 154bps). Deposit margin fell 27 bps to 1.10% (2008: 1.37%) reflecting the fall in UK base rate and margin compression in Continental Europe. UK & Ireland net interest income was steady, with the benefit of increased average lending balances and higher deposit volumes offset by margin compression in the deposit book of £171m. Continental Europe net interest income increased 25% while New Markets increased by 26%.

Non-interest related income increased 4% to £1,098m. Net fees and commissions increased 11% to £1,002m (2008: £904m) driven by debt fees, trade guarantees and other fee income.

Net trading income increased to £18m (2008: £11m) and net investment income decreased to a loss of £46m (2008: profit of £23m) as a result of investment write downs and fewer opportunities for equity realisation within the current market environment.

Other income grew 3% to £124m (2008: £120m) reflecting increased income from the repurchase of securitised debt issued of £85m (2008: £24m), partially offset by lower rental income from operating leases of £21m (2008: £29m). 2008 income included a £39m gain from the restructuring of Barclays interest in a third-party finance operation.

Impairment charges increased to £1,558m (2008: £593m) reflecting worsening economic conditions across all areas. UK impairment significantly deteriorated reflecting the impact of the economic recession, continued pressure on corporate liquidity, rising default rates and lower asset values. Continental Europe impairment is primarily driven by an increased charge in Spain reflecting depressed market conditions in the property and construction sector. New Markets impairment was mainly driven by India and UAE reflecting challenging economic conditions.

Operating expenses grew 10% to £1,466m (2008: £1,329m), reflecting continued investment in New Markets and business expansion in Continental Europe. UK costs fell 4% driven by tightly managed discretionary costs and a £94m one-off credit for the closure of the UK final salary pensions scheme partially offset by an increase in pension costs of £65m and the non-recurrence of property credits.

Total average lending grew 6% to £75.7bn (2008: £71.5bn) reflecting our continuing commitment to lend to viable business in the UK, along with business expansion outside the UK. Total average customer deposits grew 9% to £50.5bn (2008: £46.5bn) benefiting from ongoing product initiatives.

Total assets fell 10% to £88.8bn (2008: £98.5bn) mostly driven by reduced overdraft borrowings and lower volumes in the Asset and Sales Finance business in the UK. Risk weighted assets fell by 7% to £76.9bn (2008: £82.8bn) reflecting reduced levels of balance sheet commitments in the UK foreign exchange rate impact and balance sheet reduction in Continental Europe and New Markets.

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Performance measures** | | | |
| Return on average equity | **(8%)** | 2% | n/a |
| Return on average tangible equity | **(9%)** | 2% | n/a |
| Return on average risk weighted assets | **(0.8%)** | 0.1% | n/a |
| Loan loss rate (bps) | **226** | 211 | n/a |
| Cost: income ratio | **64%** | 46% | 44% |
| Cost: net income ratio | **149%** | 90% | 55% |

| **Income Statement Information** | **2010** | | | | 2009 [a] | | | |
|---|---|---|---|---|---|---|---|---|
| | **UK & Ireland** | **Continental Europe** | **New Markets** | **Total** | UK & Ireland | Continental Europe | New Markets | Total |
| **Year Ended 31st December** | **£m** | **£m** | **£m** | **£m** | £m | £m | £m | £m |
| **Income** | **2,313** | **394** | **267** | **2,974** | 2,380 | 466 | 335 | 3,181 |
| Impairment charges and other credit provisions | **(468)** | **(1,063)** | **(165)** | **(1,696)** | (770) | (417) | (371) | (1,558) |
| Operating expenses | **(992)** | **(201)** | **(714)** | **(1,907)** | (878) | (191) | (397) | (1,466) |
| Share of post-tax results of associates and joint ventures | **(2)** | | | **(2)** | | | | |
| Profit/(loss) before tax | **851** | **(870)** | **(612)** | **(631)** | 732 | (142) | (433) | 157 |

Note

a 2009 figures have been revised to reflect the transfer from UK & Ireland to Continental Europe of the Italian business, IVECO (representing £59m loss before tax)

# Financial review

## Analysis of results by business continued

### Barclays Wealth

Barclays Wealth is the wealth management division of Barclays. It focuses on private and intermediary clients worldwide, providing international and private banking, investment management, fiduciary services and brokerage. It has offices in Europe, North America, Asia and Africa.

#### Performance

**2010**

Barclays Wealth profit before tax increased 14% to £163m (2009: £143m).

Income increased 18% to £1,560m (2009: £1,322m) principally from growth in the High Net Worth businesses and higher attributable net interest income from the revised internal funds pricing mechanism.

Net interest income increased 35% to £678m (2009: £503m), mostly due to changes in internal funds pricing which gives credit for the behaviourally long-term deposits held by Barclays Wealth. The net interest margin increased to 122bps (2009: 102bps). (This reflects the increase in the liabilities margin from 96bps to 129bps as well as the reduction in the asset margin from 101bps to 81bps. Customer accounts grew 17% to £44.8bn (2009: £38.4bn) and loans and advances to customers grew 24% to £16.1bn (2009: £13.0bn).

Net fee and commission income increased 10% to £869m (2009: £792m) primarily driven by higher transactional activity with High Net Worth clients.

Impairment charges reduced to £48m (2009: £51m).

Operating expenses increased 19% to £1,349m (2009: £1,129m). This was principally due to the impact of the growth in High Net Worth business revenues on staff and infrastructure costs and the start of Barclays Wealth s strategic investment programme. Expenditure in this programme was £33m in the first half of 2010 and £79m for the second half. This programme is focused on hiring client-facing staff to build productive capacity and investment in the facilities and technology required to develop our delivery to clients.

Total client assets, comprising customer deposits and client investments, were £163.9bn (2009: £151.2bn) with underlying net new asset inflows of £6bn. Risk weighted assets increased 9% to £12.4bn (2009: £11.4bn) reflecting growth in loans and advances, impact of exchange rate movements and collateral management.

Stable returns on average equity and average tangible equity, and the improved return on average risk weighted assets reflected the strong performance of the business offset by the cost of strategic investment and the increase in capital allocation.

**2009**

Barclays Wealth profit before tax reduced 79% to £143m (2008: £671m). The reduction in profit was principally due to the sale of the closed life assurance business in 2008 (2008: profit before tax of £104m and profit on disposal of £326m). Results were also affected by the integration of Lehman Brothers North American businesses (Barclays Wealth Americas), which made a loss of £39m.

Total income increased 1% to £1,322m (2008: £1,312m).

| | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| **Income statement information** | | | |
| Net interest income | **678** | 503 | 485 |
| Net fee and commission income | **869** | 792 | 709 |
| Net trading income/(loss) | **11** | 7 | (11) |
| Net investment income/(loss) | **2** | 13 | (333) |
| Net premiums from insurance contracts | | | 136 |
| Other income | | 7 | 26 |
| **Total income** | **1,560** | 1,322 | 1,012 |
| Net claims and benefits incurred on insurance contracts | | | 300 |
| **Total income net of insurance claims** | **1,560** | 1,322 | 1,312 |
| Impairment charges and other credit provisions | **(48)** | (51) | (44) |
| **Net income** | **1,512** | 1,271 | 1,268 |
| Operating expenses excluding amortisation of intangible assets | **(1,320)** | (1,105) | (907) |
| Amortisation of intangible assets | **(29)** | (24) | (16) |
| **Operating expenses** | **(1,349)** | (1,129) | (923) |
| Profit on disposal of subsidiaries, associates and joint ventures | | 1 | 326 |
| **Profit before tax** | **163** | 143 | 671 |
| **Balance sheet information** | | | |
| Loans and advances to customers | **£16.1bn** | £13.0bn | £11.4bn |
| Customer accounts | **£44.8bn** | £38.4bn | £42.3bn |
| Total assets | **£17.8bn** | £14.9bn | £13.2bn |
| Risk weighted assets | **£12.4bn** | £11.4bn | £10.3bn |

£1,560m

total income

£163m

profit before tax

Net interest income increased 4% to £503m (2008: £485m) reflecting growth in customer lending. Average lending grew 26% to £12.3bn (2008: £9.7bn). Assets margin reduced to 1.01% from 1.04%. Average 2009 deposits were in line with the prior year (2008: £37.2bn) with a stable liabilities margin of 0.96% (2008: 0.95%).

Net fee and commission income increased by 12% to £792m (2008: £709m) driven by Barclays Wealth Americas.

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

Impairment charges increased 16% to £51m (2008: £44m). This increase reflected the impact of the economic environment in 2009 on client liquidity and collateral values and the substantial increase in the loan book over the period from 2008 to 2009.

Operating expenses increased 22% to £1,129m (2008: £923m) principally reflecting the impact of the acquisition of Barclays Wealth Americas partially offset by the impact of the disposal of the closed life business in 2008.

Total client assets, comprising customer accounts and client investments were £151.2bn (31st December 2008: £145.0bn) with underlying net new asset inflows of £3bn.

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| **Performance Measures** | | | |
| Return on average equity | **9%** | 9% | n/a |
| Return on average tangible equity | **14%** | 14% | n/a |
| Return on average risk weighted assets | **1.2%** | 1.1% | n/a |
| Loan loss rate (bps) | **29** | 38 | n/a |
| Cost: income ratio | **86%** | 85% | 70% |
| **Other Financial Measures** | | | |
| Total client assets | **£163.9bn** | £151.2bn | £145.0bn |
| Average net income per employee (000s) | **£201** | £168 | £175 |

# Financial review

## Analysis of results by business continued

### Investment Management

Investment Management manages the Group s 19.9% economic interest in BlackRock, Inc. and the residual elements relating to Barclays Global Investors, which was sold on 1st December 2009.

#### Performance

**2010**

Investment Management profit before tax of £67m (2009: £22m) principally reflected dividend income from the 19.9% holding in BlackRock, Inc., which was acquired as part of the consideration for the sale of Barclays Global Investors on 1st December 2009.

Total assets as at 31st December 2010 of £4.6bn (2009: £5.4bn) reflected the fair value of the Group s investment in 37.567 million BlackRock, Inc. shares.

The available for sale reserve impact of £1.1bn relating to this investment as at 31st December 2010 resulted in an adverse impact of approximately 20bps in the Core Tier 1 ratio over the year. The offsetting appreciation in the shares US Dollar value against Sterling of £0.3bn was hedged by foreign exchange instruments.

The holding was assessed for impairment by the Group as at 31st December 2010. This analysis identified that the reduction in fair value from the original acquisition value was not significant or prolonged in the light of an increase in share price through the second half of the year and ongoing price volatility and, as such, no impairment was recognised.

**2009**

Investment Management s 2009 results reflect the continuing operations of BGI. These consist of residual obligations under the cash support arrangements and associated liquidity support charges. Profit before tax on continuing operations for 2009 increased by £368m to £22m (2008: £346m loss) primarily due to lower liquidity support charges.

Total assets as at 31st December 2009 of £5.4bn reflected the fair value of the Group s investment in 37.567 million of BlackRock, Inc. shares.

| | 2010 £m | 2009 £m | 2008 £m |
|---|---|---|---|
| **Income statement information** | | | |
| Net interest (expense)/income | **(6)** | 10 | (38) |
| Net fee and commission income/(expense) | **4** | (2) | 1 |
| Net trading (loss)/income | **(19)** | 20 | (4) |
| Net investment income/(loss) | **100** | 11 | (29) |
| Other (loss)/income | **(1)** | 1 | (2) |
| **Total income** | **78** | 40 | (72) |
| **Operating expenses** | **(11)** | (17) | (274) |
| Loss on disposal of subsidiaries, associates and joint ventures | | (1) | |
| **Profit before tax** | **67** | 22 | (346) |

| | | | |
|---|---|---|---|
| **Balance Sheet Information** | | | |
| Total assets | **£4.6bn** | £5.4bn | n/a |
| Risk weighted assets | **£0.1bn** | £0.1bn | n/a |

## Head Office Functions and Other Operations

Head Office Functions and Other Operations comprise head office and central support functions, businesses in transition and consolidation adjustments.

### Performance

**2010**

Head Office Functions and Other Operations loss before tax increased £209m to a loss of £759m (2009: loss of £550m). The results for 2009 reflected a net gain on debt buy-backs of £1,164m, while 2010 benefited notably from a significant decrease in the costs of the central funding activity and a reclassification of profit from the currency translation reserve.

Group segmental reporting is consistent with internal reporting to the Executive Committee and the Board, with inter-segment transactions being 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.

Gilts held as part of the structural hedge portfolio were disposed of during the year realising net gains of approximately £500m, which were distributed out to the businesses through net interest income as part of the allocation of the share of the benefit of Group equity. In Head Office Functions and Other Operations these gains were recognised in net investment income.

Income decreased to a loss of £178m (2009: income of £28m). Net interest income improved to £35m (2009: £507m expense) with a significant decrease in the costs of the central funding activity as the money market dislocations eased. In addition, an increase of £336m from the reclassification consolidation adjustment on hedging derivatives from net trading loss was more than offset by the allocation to the businesses of the profit on disposal of gilts. Net fee and commission expense improved to £389m (2009: £418m) reflecting increases in fees for structured capital market activities to £239m (2009: £191m) partially offset by a reduction in fees paid to Barclays Capital for debt and equity raising and risk management advice to £73m (2009: £174m). Net trading loss increased

to £434m (2009: £291m) due to the reclassification to net interest income partially offset by the repatriation of capital from overseas leading to a reclassification of £265m of profit from the currency translation reserve to the income statement. Net investment income increased to £491m (2009: loss of £34m) predominantly due to the gains on disposal of gilts.

Operating expenses increased to £579m (2009: £570m) principally due to payment of a £194m settlement to US regulators in resolution of the investigation into Barclays compliance with US economic sanctions (see page 228), partially offset by a reduction in the bank payroll tax charge to £96m (2009: £225m) and a reduction of £59m in Financial Services Compensation Scheme charges.

Total assets increased to £20.9bn (2009: £6.4bn), largely due to a £7.4bn net increase in gilts held for the equity structural hedge and £6.8bn of covered bonds and other notes.

**2009**

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

Total income increased to £28m (2008: loss of £377m). Net interest income decreased to a loss of £507m (2008: income of £182m) primarily due to an increase in costs in central funding activity. Net fees and commission expense decreased to £418m (2008: £486m) reflecting adjustments to eliminate inter-segmental transactions, offset by increases in fees for structured capital market activities to £191m (2008: £141m) and in fees paid to Barclays Capital for debt and equity raising and risk management advice to £174m (2008: £151m). Other income increased £1,160m to £1,186m (2008: £26m), primarily reflecting gains on debt buy-backs and extinguishments.

Operating expenses increased to £570m (2008: £451m) reflecting a UK bank payroll tax charge of £190m (2008: £nil), partially offset by a reduction of £55m in the costs relating to an internal review of Barclays compliance with US economic sanctions to £33m (2008: £88m).

Total assets increased to £6.4bn (2008: £3.1bn).

| | **2010 £m** | 2009 £m | 2008 £m |
|---|---|---|---|
| **Income statement information** | | | |
| Net interest income/(expense) | **35** | (507) | 182 |
| Net fee and commission expense | **(389)** | (418) | (486) |
| Net trading loss | **(434)** | (291) | (245) |
| Net investment income/(loss) | **491** | (34) | 27 |
| Net premiums from insurance contracts | **79** | 92 | 119 |
| Gains on debt buy-backs and extinguishments | | 1,164 | |
| Other income | **39** | 22 | 26 |
| **Total (loss)/income** | **(179)** | 28 | (377) |
| Net claims and benefits incurred under insurance contracts | **1** | | |
| Total (loss)/income net of insurance claims | **(178)** | 28 | (377) |
| Impairment charges and other credit provisions | **(2)** | (16) | (30) |
| **Net (loss)/income** | **(180)** | 12 | (407) |
| **Operating expenses** | **(579)** | (570) | (451) |
| Share of post-tax results of associates and joint ventures | | 1 | |
| Profit on disposal of associates and joint ventures | | 7 | |
| **Loss before tax** | **(759)** | (550) | (858) |
| **Balance sheet information** | | | |
| Total assets | **£20.9bn** | £6.4bn | £3.1bn |
| Risk weighted assets | **£0.6bn** | £0.9bn | £0.4bn |

Table of Contents

Table of Contents

# Risk management

## Barclays risk management strategy

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

At a strategic level, our risk management objectives are:

To identify the Group s significant risks.

To formulate the Group s Risk Appetite and ensure that business profile and plans are consistent with it.

To optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.

To ensure that business growth plans are properly supported by effective risk infrastructure.

To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.

To help executives improve the control and co-ordination of risk taking across the business.

The Group s approach is to provide direction on: understanding the principal risks to achieving Group strategy; establishing Risk Appetite; and establishing

**Assigning responsibilities**

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

The *Board* is responsible for approving Risk Appetite (see page 69), which is the level of risk the Group chooses to take in pursuit of its business objectives. The Chief Risk Officer regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Group Control Framework). It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set via the Group s Principal Risks Policy.

The *Board Risk Committee* (BRC) monitors the Group s risk profile against the agreed appetite. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the BRC is comfortable with them. After each meeting, the Chair of the BRC prepares a report for the next meeting of the Board. Barclays first established a separate Board Risk Committee in 1999 and all members are non-executive directors. The Finance Director and the Chief Risk Officer attend each meeting as a matter of course and the Chief Risk Officer has a dotted reporting line to the Chair. The BRC receives regular and comprehensive reports on risk methodologies and the Group s risk profile including the key issues affecting each business portfolio and forward risk trends. The Committee also commissions in-depth analyses of significant risk topics, which are presented by the Chief Risk Officer or senior risk managers in the businesses. The Chair of the Committee prepares a statement each year on its activities (see pages 163 and 164).

and communicating the risk management framework. The process is then broken down into five steps: identify, assess, control, report, and manage/challenge. Each of these steps is broken down further, to establish end to end activities within the risk management process and the infrastructure needed to support it (see panel below). The Group s risk management strategy is broadly unchanged from 2009.

| Steps | Activity |
|---|---|
| **Identify** | Establish the process for identifying and understanding business-level risks. |
| **Assess** | 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.<br>Monitor the operation of the controls and adherence to risk direction and limits.<br>Provide early warning of control or appetite breaches.<br>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.<br>Interpret and report on sensitivities and Key Risk Indicators.<br>Communicate with external parties. |
| **Manage and Challenge** | Review and challenge all aspects of the Group s risk profile.<br>Assess new risk-return opportunities.<br>Advise on optimising the Group s risk profile.<br>Review and challenge risk management practices. |

The *Board Audit Committee* receives quarterly reports on control issues of significance and a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, the Group s policies and methodologies and the performance trends of peer banks. The Chair of the Board Audit Committee also sits on the Board Risk Committee. See pages 160 to 162 for additional details on the membership and activities of the Board Audit Committee.

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

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are given on pages 9 to 11. The terms of reference for each of the principal Board Committees are available from the Corporate Governance section at: *www.aboutbarclays.com.*

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

Table of Contents



# Risk management

## Barclays risk management strategy continued

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

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

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

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

For further details on the management of each of the principal risks see pages 74 to 81.

Note

a Reporting lines effective from January 2011, previously reported to the Group Finance Director.

Table of Contents



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

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

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

The Principal Risks Framework:

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

Each of the Principal Risks, which are set out on pages 74 to 81, is owned by a senior individual within Barclays, known as the Group Principal Risk Owner (GPRO). The GPRO is required to document, communicate and maintain a risk control framework which makes clear the mandated control requirements in managing exposures to that Principal Risk, for every business across the firm.

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

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

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

## Risk Appetite

Risk Appetite is defined as the level of risk that Barclays is prepared to sustain whilst pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented. Barclays framework combines a top-down view of its capacity to take risk with a bottom-up view of the business risk profile associated with each business area s medium term plans. The appetite is ultimately approved by the Board.

The Risk Appetite framework consists of two elements: Financial Volatility and Mandate & Scale .

Taken as a whole, the Risk Appetite framework provides a basis for the allocation of risk capacity across Barclays Group.

**Financial Volatility**

Financial Volatility is defined as the level of potential deviation from expected financial performance that Barclays is prepared to sustain at relevant points on the risk profile.

The Board sets the Group s financial volatility risk appetite in terms of broad financial objectives (ie top down ) on through the cycle, 1 in 7 and 1 in 25 severity levels. The Group s risk profile is assessed via a bottom-up analysis of the Group s business plans to establish the financial volatility. If the projections entail too high a level of risk (i.e breach the top-down financial objectives at the through the cycle, 1 in 7 or 1 in 25 level), management will challenge each area to rebalance the risk profile to bring the bottom-up risk appetite back within top-down appetite. Performance against Risk Appetite usage is measured and reported to the Executive Committee and the Board regularly throughout the year.

To measure the risk entailed by the business plans, management estimates the potential earnings volatility from different businesses under various scenarios, represented by severity levels:

expected loss: the average losses based on measurements over many years

1 in 7 (moderate) loss: the worst level of losses out of a random sample of 7 years

1 in 25 (severe) loss: the worst level of losses out of a random sample of 25 years

# Risk management

## Barclays risk management strategy continued

These potentially larger but increasingly less likely levels of loss are illustrated in the Risk Appetite concepts chart above. 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. Specifically, Barclays believes that this framework enables it to:

- Improve management confidence and debate regarding the Group s risk profile
- Re-balance the risk profile of the medium-term plan where breaches are indicated, thereby achieving a superior risk-return profile
- Identify unused risk capacity, and thus highlight the need to identify further profitable opportunities
- Improve executive management control and co-ordination of risk-taking across businesses

**Mandate & Scale**

The second element to the setting of risk appetite in Barclays is an extensive system of Mandate & Scale limits, which is a risk management approach that seeks to formally review and control business activities to ensure that they are within Barclays 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). Barclays achieves this by using limits and triggers to avoid concentrations which would be out of line with external expectations, and which may lead to unexpected losses of a scale that would be detrimental to the stability of the relevant business line or of the Group. These limits are set by the independent Risk function, formally monitored each month and subject to Board-level oversight.

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

Barclays uses the Mandate & Scale framework to:

- Limit concentration risk
- Keep business activities within Group and individual business mandate
- Ensure activities remain of an appropriate scale relative to the underlying risk and reward

Ensure risk-taking is supported by appropriate expertise and capabilities

As well as Group-level Mandate & Scale limits, further limits are set by risk managers within each business unit, covering particular portfolios.

### Risk Appetite and Stress Testing

Stress testing occurs throughout the Bank and it helps to ensure that our medium term plan has sufficient flexibility to remain appropriate over a multi-year time horizon during times of stress.

Stress testing allows us to analyse a specific potential economic scenario or event using defined macro and market based parameters. The results of a stress test, whether at a Group or business level, will produce an output which could be compared to a point in the curve of our Financial Volatility based statistical outcomes, although stress tests are scenario based and as such are not calibrated to a specific confidence level.

Given that the stress testing, Risk Appetite, and medium term planning timelines are all aligned, the outputs of stresses are used by risk functions throughout the Group to inform Risk Appetite (particularly at a business level). The outputs of stresses also feed into the setting of Mandate & Scale limits. For example, via the use of primary and secondary stresses in Market Risk, we identify and limit the scale of risks that DVaR would not automatically capture.

Reverse stress testing also supports our Risk Appetite framework. Reverse stress testing starts with defining a worst case set of metrics and deduces a scenario that could theoretically cause that situation to occur. This will help to ensure that we understand the tail risks across our books and explain what would have to happen to generate a change in strategy. Group reverse stress testing also identifies risks that in one business alone would not have been sufficient to be a critical event, thereby complementing the Financial Volatility and Mandate & Scale processes.

For further information on stress testing see page 72.

## Modelling of risk

Barclays makes extensive use of quantitative estimates of the risks it takes in the course of its business. Risk models are used in a wide range of decisions, from credit grading, pricing and approval to portfolio management, risk appetite setting, economic capital allocation and regulatory capital calculations. The types of risks that are covered by such models include credit, market and operational risks.

The Group has a wide range of models in use, covering estimations of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default, (LGD) as well as many other types of risk besides credit risk. The models are developed and owned by each business unit. To minimise the risk of loss through model failure, the Group Model Risk Policy (GMRP) was developed. It is managed by the independent Group Risk function and is reviewed annually.

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

To ensure that the governance process is effective, and that management time is focused on the more material models, each model is provided with a materiality rating. The GMRP defines the materiality ranges for all model types, based on an assessment of the impact to the Group in the event of a model error. The final level of model sign-off is based on materiality, with all of a business unit s models initially being approved in business unit committees. The more material models are also approved at the Group Material Models Technical Committee, and the most material models require further approval by the Executive Models Committee, a subcommittee of Group Executive Committee. This process ensures that the most significant models are subject to the most rigorous review, and that senior management has a good understanding of the most material models in the Group. Although the final level of model sign-off will vary, depending on model materiality, the standards required by the GMRP do not change with the materiality level.

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

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

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

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

Within Barclays Capital, where models are used to value positions within the trading book, the positions are subject to regular independent price testing which covers all trading positions. Prices are compared with direct external market data where possible. When this is not possible, more analytic techniques are used, such as industry consensus pricing services.

# Risk management

## Barclays risk management strategy continued

These services enable peer banks to compare structured products and model input parameters on an anonymous basis. The conclusions and any exceptions to this exercise are communicated to senior levels of business management.

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

### Stress testing

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

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

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

At the Group level, stress tests capture a wide range of macroeconomic variables that are relevant to the current environment, such as:

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

Note

a On 7th February 2011 CEBS was renamed the European Banking Authority

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

In 2010, the range of stress scenarios included the stress test set out by the FSA as part of its assessment of the Group s resilience to stressed credit risk, market risk and economic conditions over a five-year period. This stress scenario analysis took into account a wide range of factors, including:

- The Group s revenue generation potential given stressed macroeconomic variables such as GDP and interest rates;

- The effect of the scenario on the probability of default and possible losses given default within its loan book; and

- Possible declines in the market value of assets held in the trading books caused by the stress.

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

In addition, Barclays, along with 90 other banks, was included in the Committee of European Banking Supervisors (CEBS) stress test performed in July 2010. The stress test was designed to assess the resilience of the EU banking sector and each of the selected banks ability to absorb possible shocks on credit and market risks, including sovereign risks. Under the scenario considered, results indicated that Barclays would be well-placed to withstand the stress.

In 2010, Barclays integrated reverse stress testing into the Group wide stress testing process. Reverse stress testing aims to identify the conditions that would result in the business model no longer being viable, such as extreme macroeconomic downturn scenarios or specific idiosyncratic events. This is being used to help support the on-going risk management of the Group, for example reverse stress testing has been integrated into the Risk Appetite framework. This also supports the Group in meeting new regulatory requirements in regards to reverse stress testing.

Information on the Group s stress testing specifically relating to liquidity risk is set out on page 131.

# Risk management

## Risk factors

### Risk Factors

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

The Group s approach to identifying, assessing, managing and reporting risks is formalised in its Principal Risks framework and supporting processes. A description of the Principal Risks framework is provided on page 69 and definitions of the 13 Principal Risks are provided in the table below. The risk categories relevant to operational risk disclosed on pages 137 and 138 are : People, Legal, Regulatory, Operations, Financial Crime, Technology, Financial Reporting and Taxation. This summary also includes discussions of the impact of business conditions and the general economy and regulatory changes which can impact risk factors and so influence the Group s results. The Principal Risks described below can potentially impact the Group s reputation and brand.

**Business conditions and the general economy**

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

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

The general recovery in the global economy resulted in an improvement in credit conditions in our main markets during 2010. In the UK, the economy recovered slightly during 2010 reflecting the lower than expected growth in unemployment rates, the sustained low interest rate environment and moderate GDP growth. However a slowdown in growth was evident in the fourth quarter which is likely to lead to uncertainty in the near term. In addition, persistent unemployment and inflation, fiscal tightening, the possibility of weakening house prices, and possible rising oil prices may have an adverse impact on the strength of the recovery which could increase the risk that a higher proportion of the Group s customers and counterparties may be unable to meet their obligations. Economic credit conditions have also continued to show signs of improvement in many other key geographies, although in Spain the housing sector remains depressed which led to significantly increased impairment in our Spain wholesale portfolios in 2010. Unemployment rates remain high in the US.

The business conditions facing the Group in 2011 are subject to significant uncertainties, most notably:

- the extent and sustainability of economic recovery particularly in the UK, US, Spain and South Africa;
- the dynamics of unemployment particularly in the UK, US, Spain and South Africa and the impact on delinquency and charge-off rates;
- the speed and extent of possible rises in interest rates in the UK, US, South Africa and the Eurozone;

- the possibility of any further falls in residential property prices in the UK, South Africa and Western Europe;
- the impact of potentially deteriorating sovereign credit quality;
- the potential for single name losses in different sectors and geographies where credit positions are sensitive to economic downturn;
- the potential impact of increasing inflation on economic growth and corporate profitability;
- possible deterioration in our remaining credit market exposures, including commercial real estate, leveraged finance and a loan to Protium Finance LP (Protium);
- changes in the value of Sterling relative to other currencies, which could increase risk weighted assets and therefore raise the capital requirements of the Group;
- continued turmoil in the Middle East and North Africa region could result in loss of business in the affected countries, increased oil prices, increased volatility and risk aversion to this region; and
- the liquidity and volatility of capital markets and investors appetite for risk, which could lead to a decline in the income that the Group receives from fees and commissions.

**Regulatory changes**

As noted in the Chairman s report (pages 7 and 8) and the section on Supervision and Regulation (pages 139 to 142), 2010 has seen significant regulatory change. This has been, and remains, the subject of close management attention. Where regulatory change has strategic implications this will tend to affect more than one Principal Risk factor. Such issues are dealt with on a Group wide basis by cross-disciplinary teams working under an accountable executive reporting to senior management. Issues dealt with in this manner in 2010 included:

- The Independent Commission on Banking (ICB): The ICB has been charged by the UK Government with reviewing the UK banking system. Its findings are expected by September 2011. Although the ICB has yet to make recommendations, and it is not possible to predict what the Government s response to any recommendations that are made will be, there is a possibility that the ICB could recommend change to the structure of UK banks which may require Barclays to make major changes to its structure and business.
- Recovery and Resolution Plans: there has been a strong regulatory focus on resolvability in 2010, both from UK and international regulators. TheGroup has been engaged, and continues to be engaged, with the authorities on taking forward recovery planning and identifying information that would be required in the event of a resolution.
- The Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA): the DFA will have an impact on the Group and its business. The full scale of this impact remains unclear as many of the provisions of the Act require rules to be made to give them effect and this process is still under way. Barclays has taken a centralised approach to monitoring this process and to ensuring compliance with the rules that are developed as a result.

# Risk management

## Risk factors continued

**A summary of the Group s 13 principal risks is as follows**

| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **1. Wholesale Credit Risk** **and** **2. Retail Credit Risk** | | |
| Credit Risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. | The Board and management have established a number of key committees to review credit risk management, approve overall Group credit policy and resolve all significant credit policy issues. These comprise: the Board Risk Committee, the Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee. | Specific areas and scenarios where credit risk could lead to higher impairment charges in future years include: |
| | | **Credit Market Exposures** |
| This can also arise when an entity s credit rating is downgraded, leading to a fall in the value of Barclays investment in its issued financial instruments. | Barclays constantly reviews its concentration in a number of areas including, for example, portfolio segments, geography, maturity, industry and investment grade. | Barclays Capital holds certain exposures to credit markets that became illiquid during 2007. These exposures primarily relate to commercial real estate, leveraged finance and a loan to Protium. The Group actively managed down some of these exposures in 2010. |
| | Diversification is achieved through setting maximum exposure guidelines to individual counterparties sectors and countries, with excesses reported to the Risk Oversight Committee and the Board Risk Committee. | For further information see pages 112 to 116. |
| | | **Sovereign Risk** |
| | For further information see pages 88 to 94. | EU deficits approached very high levels during 2010, leading to a loss of market confidence in certain countries to which the Group is exposed. The Group has put certain |

countries on watch list status with detailed monthly reporting to the Wholesale Credit Risk Management Committee.

For further information see page 117.

**Economic Uncertainty**

Conditions have continued to show signs of improvement in many key markets, although the UK has experienced a slowdown in growth in the fourth quarter, US unemployment rates remain high and the Spanish housing sector continues to be depressed, impacting our wholesale and retail credit risk exposures.

In particular, in Spain, the Group has experienced elevated impairment across its operations, following a marked reduction in construction activity and shrinking consumer spending. The Group has reduced its credit risk appetite to the most severely affected segments of the economy. In particular, new lending to the property and construction sector ceased and workout team resources have been increased significantly.

For further information see pages 99 to 104.

| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **3. 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 Group is exposed to market risk through traded market risk, non-traded interest rate risk and the pension fund. | The Board approves market risk appetite for trading and non-trading activities, with limits set within this context by the Group Market Risk Director.<br><br>The head of each business market risk team is responsible for implementing the Barclays Market Risk Control Framework which sets out how market risk should be identified, measured, controlled, reported and reviewed. Oversight and challenge is provided by business committees, Group committees and the central Group market risk team.<br><br>Non-traded interest rate risk is hedged with the external market by a business treasury operation or Group Treasury.<br><br>For further information see pages 118 to 125. | **Traded Market Risk Exposures**<br><br>While the Group is exposed to continued market volatility, Barclays Capital s trading activities are principally a consequence of supporting customer activity.<br><br>Primary stress testing applies stress moves to each of the major asset classes. Most asset class stress limits were, at some point during 2010, near to their limit. There was one instance of an excess to limit in relation to equity risk in March 2010. This was appropriately escalated and remediated promptly.<br><br>Barclays Capital s 2010 market risk exposure, as measured by average total DVaR decreased to £53m (2009: £77m).<br><br>For further information see pages 119 and 120.<br><br>**Non-traded Interest Rate Risk**<br><br>The Group is exposed to three main types of non-traded interest rate risk:<br>fixed rate loans and deposits that are not hedged or matched;<br>structural risk due to variability of earnings on structural product and equity balances which have no contractual maturity and an interest rate which does not move in line with the base rate; and<br>margin compression.<br>Fixed rate loan risk is mitigated by hedging the risk with the external market either via Group Treasury, or a business treasury operation. Structural risk and margin compression are hedged by |

equity and structural hedges managed by Group Treasury. The maturities of these hedges were extended during 2010.

Due to economic concerns in the third quarter, gilts purchased as part of the equity structural hedge extension were sold. The duration extension process was resumed towards the end of 2010 and is expected to be completed by the end of 2011.

For further information see pages 121 to 123.

**Pension Fund Risk**

Barclays could be required or might choose to make extra contributions to the pension fund. Financial details of the pension fund are in Note 28.

# Risk management

## Risk factors continued

| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **4. Capital Risk** | | |
| Capital Risk is the risk that the Group has insufficient capital resources to: ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set out by the UK FSA and US Federal Reserve; ensure locally regulated subsidiaries can meet their minimum regulatory requirements; support the Group s Risk Appetite and economic capital requirements; and support the Group s credit rating. | Primary responsibility for managing Capital Risk rests with the Group Treasury Committee, which has defined and implemented a Capital Risk governance framework.<br><br>The Committee monitors the Group s actual and forecast capital positions on both a pre and post stress basis. Stress testing considers the impact to capital resources and requirements as a result of macroeconomic stresses. The Committee also considers major risks to the capital forecast such as changes to the regulatory requirements.<br><br>The Group has a number of regulated legal entities within the UK and overseas. Local management has primary responsibility for ensuring these entities comply with their local capital requirements. Where necessary, injections of capital may be made. Such injections are approved by Group Treasury Committee.<br><br>For further information see pages 126 to 130. | **Increasing Capital Requirements**<br><br>There have been a number of recent developments in regulatory capital requirements which are likely to have a significant impact on the Group. Most significantly, during 2010, the Capital Requirement Directives 2 and 3 and the guidelines from the Basel Committee for strengthening capital requirements (Basel III) have been finalised.<br><br>Aligned to this, markets and credit rating agencies now expect equity capital levels significantly in excess of the current regulatory minimum.<br><br>As a result, and in anticipation of the future regulatory changes, the Group continues to build its capital base and actively manage its risk weighted assets. As at 31st December 2010, the Group s Core Tier 1 Capital ratio was 10.8% (2009: 10.0%).<br><br>For further information see pages 127, 128 and 141. |
| **5. Liquidity Risk** | | |
| | | **Inability To Meet Obligations As They Fall Due,** |

Liquidity Risk is the risk that the Group is unable to meet its obligations as they fall due resulting in: an inability to support normal business activity; failing to meet liquidity regulatory requirements; or rating agency concerns.

The Group maintains a substantial liquidity buffer comprised of deposits with central banks and investments in highly liquid securities or deposits.

Stress reporting for a number of liquidity scenarios is run on a daily basis. These tests measure the survival periods under Barclays defined stress scenarios. Similar stresses are run for key entities within the Group as well as at the Group level.

Since June 2010, the Group has also reported its liquidity position against backstop Individual Liquidity Guidance provided by the FSA. Calibration of the Group s liquidity framework anticipated final FSA rules and is therefore broadly consistent with current FSA standards.

Daily reporting monitors a number of indicators of stress as well as daily cash activity.

**At Reasonable Cost**

As a result of sudden, large and potentially protracted increases in cash outflows, the cash resources of the Group could be severely depleted. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, ratings downgrades or loan drawdowns. This could result in:

- limited ability to support client lending, trading activities and investments;
- forced reduction in balance sheet and sales of assets;
- inability to fulfil lending obligations; and
- regulatory breaches under the liquidity standards introduced by the FSA on 1st December 2009.

These outflows could be the result of general market dislocations or specific concerns about Barclays.

For further information see pages 131 to 136.

Table of Contents



| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **6. People Risk** | | |
| People risk arises from failures of the Group to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements. | People Risk is mitigated through the operation of the People Risk Framework (PRF). The PRF consists of Group wide policies which mandate the minimum controls that all businesses globally need to operate to mitigate their people risks and covers the following areas:<br>Recruitment<br>Pre-employment screening<br>Employment agreements<br>Performance management<br>Reward<br>Discipline, Capability and Grievance<br>Health and Safety<br>Exit management | **Compensation and People Retention Risk**<br>During 2010, external regulatory developments in relation to remuneration continued to impact the People Principal Risk.<br>On 17th December 2010, the FSA published its final Remuneration code following the July 2010 Consultation Paper. The code was updated in order to implement the remuneration rules required by the Capital Requirements Directive (CRD 3) and the Financial Service Act 2010. The code applies to remuneration paid from 1st January 2011, including remuneration in respect of 2010 performance.<br>Barclays remuneration approach has been reviewed in detail and enhancements made as appropriate to ensure continued compliance with the FSA Code.<br>During 2010, Barclays developed a Group wide policy formalising the role of risk functions in remuneration activities and ensuring regulatory requirements are fulfilled. An independent review of Barclays approach was conducted on behalf of the Board Risk Committee by a third party. The review concluded Barclays approach is market leading and satisfies regulatory requirements. |

- Employee feedback
- Hiring former employees of the statutory auditor

Conformance with the policies is monitored by the HR Risk Committee through regular conformance reviews and quarterly key indicators. Further oversight of the management of People Risk is provided by the Board Remuneration Committee and the Group Operating Committee.

For further information see pages 166 to 182.

**7. 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:

- 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 in an adverse way.
- Intellectual property may not be adequately protected.
- Liability for damages may be incurred to third parties harmed by the conduct of its business.

Legal Risk is owned and managed by the Legal Function both at a Group level and by the business unit legal teams.

The General Counsel for each business unit is responsible for management and reporting of Legal Risk. The adequacy and effectiveness of the controls operated in the business units is overseen by the Group Legal Executive Committee.

Specific risks relating to Legal Risk are reported on a quarterly basis to the Executive Committee and the Board.

Key Legal Risks to which the Group was exposed during 2010 have included:

- Litigation in relation to Lehman Brothers Holdings Inc.
- Litigation in relation to American Depositary Shares
- Developments in relation to Payment Protection Insurance (see Regulatory Risk)
- Compliance with US economic sanctions (see Regulatory Risk)

Further details of these matters and other Legal Risks are set out in the Legal Proceedings Note (see page 227) and the Competition and Regulatory Matters Note (see page 228).

Table of Contents



# Risk management

## Risk factors continued

| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **8. Regulatory Risk** | | |
| Regulatory Risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. | Regulatory Risk is owned and managed by the Compliance Function. Business Unit compliance functions monitor and control compliance risks, applying a range of Compliance policies under the co-ordination and oversight of Group Compliance. The primary focus is on adherence to the regulatory framework currently in place.<br><br>Specific reports on regulatory compliance are prepared on a regular basis for the Group Operating Committee, the Group Governance and Control Committee and the Board Audit Committee.<br><br>Compliance risk and control issues are also included in quarterly reporting by the Legal and Compliance functions to the Executive Committee and the Board.<br><br>Not all risks that might be considered to be regulatory in origin fall under the Regulatory Principal Risk. Most notably, prudential regulatory risks are managed and mitigated in the manner outlined in the sections on Wholesale and Retail Credit Risk, Market Risk, Operations Risk, Capital Risk and Liquidity Risk. | **Regulatory Change**<br><br>The regulatory response to the financial crisis has led to very substantial regulatory change in the UK, EU and US and in the other countries in which the Group operates. It has also led to a change in the style of supervision in a number of territories, with a more assertive approach being demonstrated by the authorities.<br><br>**Anti-bribery and Corruption**<br><br>Among other things, the Bribery Act 2010, which applies to UK companies worldwide, has created an offence of failure by a commercial organisation to prevent a bribe being paid on its behalf. However, it will be a defence if the organisation has adequate procedures in place to prevent bribery. In anticipation of the entry into force of the Bribery Act later in 2011, the Group has been enhancing its framework of controls to comply with the provisions of the Act.<br><br>**Payment Protection Insurance (PPI)**<br><br>PPI has been under scrutiny by the UK competition authorities and financial services regulators. The UK Competition Commission (CC) has undertaken an in-depth enquiry into the PPI market which has resulted in the CC introducing a number of remedies including a prohibition on sale of PPI at the point of sale. In addition a judicial review has been launched regarding the treatment of PPI complaints by the FSA and Financial Ombudsman Services. |

**US Economic Sanctions**

As announced on 18th August 2010, Barclays reached settlements with US Authorities in relation to the investigation by those agencies into compliance with US sanctions and US dollar payment practices.

In addition, an Order to Cease and Desist has been issued upon consent by the Federal Reserve Bank of New York and the New York State Banking Department. Barclays has taken significant steps to enhance further its compliance programmes including: the further development and implementation of its Sanctions Policy; substantial investment in advanced payment and customer screening technology; and the delivery of mandatory sanctions training for more than 100,000 staff around the world.

For further information, see pages 139 to 142 and 228.

**9. Operations Risk**

Operations Risk has a broad scope and, for that reason, it is defined at a more granular level. The risks are:

- Transaction operations
- New product development
- Premises and security
- External suppliers
- Payments process

These risks are managed by Business Units in accordance with control requirements articulated via mandated Group Policies and/or Risk Control Frameworks. The adequacy and effectiveness of the controls operated in the Business Units is overseen by the Group Principal Risk Owner teams in the Group Centre via regular management information, conformance reviews and quarterly Risk Review for meetings (attended by Business Unit representatives). The Group Operating Committee is responsible for oversight of these risks.

During 2010 there were enhancements to the management of external suppliers and transaction operations risks.

Information, data quality and records management

| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **10. Financial Crime Risk** | | |
| Financial Crime Risk is the risk that the Group suffers losses as a result of internal and external fraud or intentional damage, loss or harm to people, premises or moveable assets. | The Group Financial Crime Team, Fraud Oversight Committee and Security Risk Management Committee provide oversight of the implementation of the Fraud Risk Control Framework and the Group Security Risk Control Framework. Oversight is achieved via conformance reviews and other review activity undertaken by Group Financial Crime and within business units. | As a major financial institution, Barclays is a target for financial crime. The Group has frameworks and systems in place to enable it to respond to threats to both the organisation and its customers as they emerge. |
| | Monthly reports on fraud losses across the Group are produced for the Fraud Oversight Committee which monitors these events and considers the actions to be taken on a case by case basis. Where relevant, the Fraud Oversight Committee takes actions to drive remediation of the root cause of such events. | |
| | Quarterly Financial Crime reports are submitted to the Group Risk Oversight Committee and Board Risk Committee. | |
| **11. Technology Risk** | | |
| Technology Risk includes the non-availability of IT systems, inadequate design and testing of new and changed IT solutions and inadequate IT system security. Data privacy issues are covered under Regulatory Risk and external supplier issues relating to technology are covered under Operations Risk. | Technology is a key business enabler and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed. Technology Risk is managed through a formal risk governance framework. A set of Key Risk Indicators (KRIs), consistent across Business Units, is periodically collated and reviewed by management. Each KRI has a specific target state, defining the Group s attitude to risk. Any areas falling short of this standard are highlighted to management for action. | Similar to many large organisations, Barclays is exposed to the risk that systems may not be continually available. This risk is monitored closely and enhancements to certain key systems are being undertaken. |
| | Regular technology risk reporting is provided to the Group Operating Committee, the Governance and Control Committee and the Board Audit Committee. | |

Table of Contents



# Risk management

## Risk factors continued

| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **12. Financial Reporting Risk** | | |
| Financial Reporting Risk arises from a failure or inability to comply fully with the laws, regulations or codes in relation to the disclosure of financial information. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. | Group wide requirements and any material external requirements are set out in the Financial Reporting Risk Control Framework. | **Changes in accounting standards** |
| | During 2010 a review of the Financial Reporting Risk was undertaken, resulting in a broadening of its scope. The Group monitoring process was also strengthened to provide the Group Financial Controller with a more effective oversight. | As set out in Future Accounting Developments on page 205, the International Accounting Standards Board is undertaking a significant programme of revision to IFRS which it aims to complete by 30th June 2011. The final form of IFRS requirements, the time period over which new requirements will need to be applied and the impact on the results and financial position is not yet known. The Group is taking steps to ensure that it is able to appropriately respond to the changes as they emerge, however, the situation is evolving rapidly. |
| | All business units and Group centre functions are required to comply with the Risk Control Framework requirements and retain evidence to support this accordingly. Compliance with the Financial Reporting Risk policies is reported at Group level through core key indicators on at least a quarterly basis. Group oversight is undertaken via conformance review, other ongoing monitoring activities and quarterly review meetings are held between the Group Financial Controller and business unit Finance Directors to review and challenge the business unit Financial Reporting Risk status and assessment. | **Increased scrutiny** |
| | | Following the financial crisis, the financial reporting of banks has been subject to greater scrutiny by regulators. This has included consideration of accounting policies, accounting for particular transactions and financial statement disclosures. |
| | Quarterly Financial Reporting Risk reports are submitted to the Group Operating Committee for oversight and monitoring. Additionally, specific reports are submitted to the Group Governance & Control Committee and to the Board Audit Committee around the Group compliance with Sarbanes Oxley requirements. | For Barclays, this has included the accounting treatment of Protium Finance LP. Further details are provided on pages 115 and 116. |
| | | The Group continues to maintain an effective system of internal control over financial reporting and to enhance its disclosures in response to feedback received and the British Bankers Association (BBA) Disclosure Code. Further details on internal control over financial |

reporting can be found on page 147 and on the BBA code and improvements to Annual Report disclosures on page 184.

| Principal Risk Factor | Principal Risk Management | Key Specific Risks and Mitigation |
|---|---|---|
| **13. Taxation Risk** | | |
| Tax Risk is the risk that the Group suffers losses associated with changes in tax law or in the interpretation of tax law. It also includes 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 reputational damage or a financial penalty for failure to comply with required tax procedures or other aspects of tax law. | The Group s strategy is to maximise returns for shareholders whilst complying with relevant tax laws, disclosure requirements and regulations under an appropriate risk control framework. | During 2010 the Group settled open issues in a number of jurisdictions, principally the UK and South Africa, including agreement of the UK bank payroll tax liability with HMRC. |
| | The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk, specifically tax risks are assessed as part of the Group s formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee. The tax charge is reviewed by the Board Audit Committee. Barclays has adopted the Code of Practice for Taxation of Banks (The Code) and has confirmed to HMRC that it will have regard to the spirit of the law and the intent of Parliament in managing its tax affairs. | Governance and controls have been put in place to ensure compliance with the UK government s Code of Practice for Taxation of Banks.<br><br>The profit forecasts that support the Group s deferred tax assets, principally in the UK, US and Spain, have been subject to close scrutiny by management. |
| | The Group employs high-quality tax professionals and takes appropriate advice from reputable professional firms. Effective, well-documented and controlled processes are in place to ensure compliance with tax disclosure and filing obligations. | The Group continues to monitor the potential impact of proposed taxes aimed at banks such as the UK bank levy (see also page 207). |
| | Where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner. | |

# Risk management

## Credit risk management

All disclosures in this section (pages 82-117) are unaudited unless otherwise stated

### Overview of Barclays Group Credit Risk Exposures

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

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with clients. Other sources of credit risk arise from trading activities, including debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase agreements.

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.

**Analysis of the Group s maximum exposure to credit risk before collateral held or other credit enhancements**

The following tables present the maximum exposure at 31st December 2010 and 2009 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.

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.

This analysis and all subsequent analyses of credit risk include only financial assets subject to credit risk. They exclude other financial assets, mainly equity securities held in the trading portfolio or as available for sale assets, as well as non-financial assets. The nominal value of off-balance sheet credit related instruments is also shown, where appropriate.

Financial assets designated at fair value 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.

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.

Table of Contents



| Maximum exposure to credit risk (audited) | Asset class | | | | | |
|---|---|---|---|---|---|---|
| As at 31st December 2010 | Loans and advances[a] £m | Debt securities and other bills[b] £ m | Derivatives[c] £m | Reverse repurchase agreements[d] £m | Other £ m | Total assets £ m |
| **On-balance sheet:** | | | | | | |
| **Cash and balances at central banks** | | | | | 97,630 | 97,630 |
| **Items in the course of collection from other banks** | | | | | 1,384 | 1,384 |
| **Trading portfolio assets:** | | | | | | |
| Debt securities | | 139,240 | | | | 139,240 |
| Traded loans | 2,170 | | | | | 2,170 |
| **Total trading portfolio assets** | 2,170 | 139,240 | | | | 141,410 |
| **Financial assets designated at fair value:** | | | | | | |
| Loans and advances | 22,352 | | | | | 22,352 |
| Debt securities | | 1,918 | | | | 1,918 |
| Other financial assets | | | | 7,559 | 2,542 | 10,101 |
| **Total financial assets designated at fair value** | 22,352 | 1,918 | | 7,559 | 2,542 | 34,371 |
| **Derivative financial instruments** | | | 420,319 | | | 420,319 |
| **Loans and advances to banks** | 37,799 | | | | | 37,799 |
| **Loans and advances to customers:** | | | | | | |
| Home loans | 168,055 | | | | | 168,055 |
| Credit card receivables | 22,658 | | | | | 22,658 |
| Other personal lending | 26,608 | | | | | 26,608 |
| Wholesale and corporate | 200,618 | | | | | 200,618 |
| Finance lease receivables | 10,003 | | | | | 10,003 |
| **Total loans and advances to customers** | 427,942 | | | | | 427,942 |
| **Reverse repurchase agreements and other similar secured lending** | | | | 205,772 | | 205,772 |
| **Available for sale debt securities** | | 59,629 | | | | 59,629 |
| **Other assets** | | | | | 2,824 | 2,824 |
| **Total on-balance sheet** | 490,263 | 200,787 | 420,319 | 213,331 | 104,380 | 1,429,080 |
| **Off-balance sheet:** | | | | | | |
| Securities lending arrangements | | | | | | 27,672 |
| Guarantees and letters of credit pledged as collateral security | | | | | | 13,783 |
| Acceptances and endorsements | | | | | | 331 |
| Documentary credits and other short-term trade related transactions | | | | | | 1,194 |
| Standby facilities, credit lines and other commitments | | | | | | 222,963 |
| **Total off-balance sheet** | | | | | | 265,943 |
| **Total maximum exposure to credit risk** | | | | | | 1,695,023 |

Notes

a Further analysis of loans and advances is on pages 95 to 108.
b Further analysis of debt securities and other bills is on page 109.
c Further analysis of derivatives is on page 110.
d Further analysis of reverse repurchase agreements is on page 111.

# Risk management

## Credit risk management continued

| Maximum exposure to credit risk (audited) | Asset class | | | | | |
|---|---|---|---|---|---|---|
| As at 31st December 2009 | Loans and advances £m | Debt securities and other bills £m | Derivatives £m | Reverse repurchase agreements £m | Other £m | Total assets £m |
| **On-balance sheet:** | | | | | | |
| **Cash and balances at central banks** | | | | | 81,483 | 81,483 |
| **Items in the course of collection from other banks** | | | | | 1,593 | 1,593 |
| **Trading portfolio assets:** | | | | | | |
| Debt securities | | 126,520 | | | | 126,520 |
| Traded loans | 2,962 | | | | | 2,962 |
| **Total trading portfolio assets** | 2,962 | 126,520 | | | | 129,482 |
| **Financial assets designated at fair value:** | | | | | | |
| Loans and advances | 22,390 | | | | | 22,390 |
| Debt securities | | 4,007 | | | | 4,007 |
| Other financial assets | 557 | | | 7,757 | 344 | 8,658 |
| **Total financial assets designated at fair value** | 22,947 | 4,007 | | 7,757 | 344 | 35,055 |
| **Derivative financial instruments** | | | 416,815 | | | 416,815 |
| **Loans and advances to banks** | 41,135 | | | | | 41,135 |
| **Loans and advances to customers:** | | | | | | |
| Home loans | 149,099 | | | | | 149,099 |
| Credit card receivables | 21,889 | | | | | 21,889 |
| Other personal lending | 25,435 | | | | | 25,435 |
| Wholesale and corporate | 212,928 | | | | | 212,928 |
| Finance lease receivables | 10,873 | | | | | 10,873 |
| **Total loans and advances to customers** | 420,224 | | | | | 420,224 |
| **Reverse repurchase agreements and other similar secured lending** | | | | 143,431 | | 143,431 |
| **Available for sale debt securities** | | 49,807 | | | | 49,807 |
| **Other assets** | | | | | 3,476 | 3,476 |
| **Total on-balance sheet** | 487,268 | 180,334 | 416,815 | 151,188 | 86,896 | 1,322,501 |
| **Off-balance sheet:** | | | | | | |
| Securities lending arrangements | | | | | | 27,406 |
| Guarantees and letters of credit pledged as collateral security | | | | | | 15,406 |
| Acceptances and endorsements | | | | | | 375 |
| Documentary credits and other short-term trade related transactions | | | | | | 762 |
| Standby facilities, credit lines and other commitments | | | | | | 206,513 |
| **Total off-balance sheet** | | | | | | 250,462 |
| **Total maximum exposure to credit risk** | | | | | | 1,572,963 |

## Concentrations of Credit Risk

A concentration of credit risk exists when a number of counterparties are located in a geographical region, or 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.

| Credit risk concentrations by geographical sector (audited) | United Kingdom £m | Other European Union £m | United States £m | Africa £m | Rest of the World £m | Total £m |
|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | |
| **On-balance sheet:** | | | | | | |
| Cash and balances at central banks | **18,535** | **13,558** | **41,288** | **2,293** | **21,956** | **97,630** |
| Items in the course of collection from other banks | **1,169** | **114** | | **100** | **1** | **1,384** |
| Trading portfolio assets | **16,063** | **30,066** | **66,148** | **1,516** | **27,617** | **141,410** |
| Financial assets designated at fair value | **14,800** | **3,613** | **9,001** | **2,918** | **4,039** | **34,371** |
| Derivative financial instruments | **129,183** | **129,497** | **110,467** | **4,234** | **46,938** | **420,319** |
| Loans and advances to banks | **5,233** | **10,375** | **12,559** | **1,475** | **8,157** | **37,799** |
| Loans and advances to customers | **209,995** | **83,269** | **53,297** | **52,938** | **28,443** | **427,942** |
| Reverse repurchase agreements and other similar secured lending | **50,044** | **45,265** | **77,430** | **23** | **33,010** | **205,772** |
| Available for sale financial investments | **25,466** | **14,839** | **6,399** | **7,281** | **5,644** | **59,629** |
| Other assets | **1,612** | **235** | **314** | **537** | **126** | **2,824** |
| **Total on-balance sheet** | **472,100** | **330,831** | **376,903** | **73,315** | **175,931** | **1,429,080** |
| **Off-balance sheet:** | | | | | | |
| Securities lending arrangements | | | **27,672** | | | **27,672** |
| Guarantees and letters of credit pledged as collateral security | **3,803** | **2,273** | **4,266** | **2,179** | **1,262** | **13,783** |
| Acceptances and endorsements | **125** | **4** | **6** | **29** | **167** | **331** |
| Documentary credits and other short-term trade related transactions | **476** | **156** | **143** | **183** | **236** | **1,194** |
| Standby facilities, credit lines and other commitments | **94,676** | **29,985** | **64,812** | **24,522** | **8,968** | **222,963** |
| **Total off-balance sheet** | **99,080** | **32,418** | **96,899** | **26,913** | **10,633** | **265,943** |
| **Total** | **571,180** | **363,249** | **473,802** | **100,228** | **186,564** | **1,695,023** |
| **As at 31st December 2009** | | | | | | |
| **On-balance sheet:** | | | | | | |
| Cash and balances at central banks | 37,697 | 5,584 | 32,279 | 1,742 | 4,181 | 81,483 |
| Items in the course of collection from other banks | 1,340 | 56 | | 196 | 1 | 1,593 |
| Trading portfolio assets | 12,232 | 35,088 | 52,229 | 1,414 | 28,519 | 129,482 |
| Financial assets designated at fair value | 13,945 | 3,986 | 10,800 | 2,352 | 3,972 | 35,055 |
| Derivative financial instruments | 133,713 | 128,881 | 111,269 | 2,511 | 40,441 | 416,815 |
| Loans and advances to banks | 5,117 | 12,697 | 13,137 | 2,388 | 7,796 | 41,135 |
| Loans and advances to customers | 203,582 | 84,343 | 58,355 | 47,495 | 26,449 | 420,224 |
| Reverse repurchase agreements and other similar secured lending | 22,222 | 44,014 | 60,759 | 527 | 15,909 | 143,431 |
| Available for sale financial investments | 16,752 | 14,028 | 7,175 | 4,993 | 6,859 | 49,807 |
| Other assets | 1,565 | 417 | 651 | 661 | 182 | 3,476 |
| **Total on-balance sheet** | 448,165 | 329,094 | 346,654 | 64,279 | 134,309 | 1,322,501 |
| **Off-balance sheet:** | | | | | | |
| Securities lending arrangements | | | 27,406 | | | 27,406 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Guarantees and letters of credit pledged as collateral security | 3,337 | 2,783 | 5,443 | 1,795 | 2,048 | 15,406 |
| Acceptances and endorsements | 134 | 5 | | 26 | 210 | 375 |
| Documentary credits and other short-term trade related transactions | 357 | 94 | | 174 | 137 | 762 |
| Standby facilities, credit lines and other commitments | 94,763 | 26,250 | 57,598 | 19,306 | 8,596 | 206,513 |
| **Total off-balance sheet** | 98,591 | 29,132 | 90,447 | 21,301 | 10,991 | 250,462 |
| **Total** | 546,756 | 358,226 | 437,101 | 85,580 | 145,300 | 1,572,963 |

# Risk management

## Credit risk management continued

**Credit Risk concentrations by industrial sector (audited)**

| | Financial institutions £m | Manufacturing £m | Construction and property £m | Government £m | Energy and water £m | Wholesale and retail distribution and leisure £m | Business and other services £m | Home loans £m | Cards, unsecured loans and other personal lending £m | Other £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | | | | | |
| **On-balance sheet:** | | | | | | | | | | | |
| Cash and balances at central banks | | | | 97,630 | | | | | | | 97,630 |
| Items in the course of collection from other banks | 1,378 | | | 6 | | | | | | | 1,384 |
| Trading portfolio assets | 51,337 | 2,222 | 986 | 79,055 | 3,408 | 873 | 2,209 | | 17 | 1,303 | 141,410 |
| Financial assets designated at fair value | 11,507 | 71 | 11,746 | 5,328 | 1,389 | 683 | 2,944 | | 109 | 594 | 34,371 |
| Derivative financial instruments | 382,038 | 4,810 | 2,953 | 7,637 | 11,265 | 3,193 | 2,622 | | 61 | 5,740 | 420,319 |
| Loans and advances to banks | 36,606 | | | 1,193 | | | | | | | 37,799 |
| Loans and advances to customers | 87,405 | 14,766 | 28,670 | 5,108 | 9,231 | 17,357 | 26,228 | 168,055 | 46,668 | 24,454 | 427,942 |
| Reverse repurchase agreements and other similar secured lending | 197,808 | 50 | 7 | 7,247 | | 279 | 339 | | | 42 | 205,772 |
| Available for sale financial investments | 23,585 | 154 | 336 | 33,402 | 37 | 117 | 1,359 | 410 | 72 | 157 | 59,629 |
| Other assets | 1,267 | 4 | 47 | 436 | 9 | 9 | 383 | 4 | 615 | 50 | 2,824 |
| **Total on-balance sheet** | 792,931 | 22,077 | 44,745 | 237,042 | 25,339 | 22,511 | 36,084 | 168,469 | 47,542 | 32,340 | 1,429,080 |
| **Off-balance sheet:** | | | | | | | | | | | |
| Securities lending arrangements | 27,672 | | | | | | | | | | 27,672 |
| Guarantees and letters of credit pledged as collateral security | 5,213 | 1,445 | 752 | 358 | 1,256 | 686 | 2,196 | 439 | 477 | 961 | 13,783 |
| Acceptances and endorsements | 28 | 111 | 38 | | 4 | 48 | 92 | | 8 | 2 | 331 |
| Documentary credits and other short-term | 396 | 35 | 103 | | 3 | 124 | 477 | | 56 | | 1,194 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| trade related transactions | | | | | | | | | | | |
| Standby facilities, credit lines and other commitments | **47,784** | **20,999** | **9,860** | **2,307** | **15,671** | **9,220** | **10,664** | **16,789** | **79,341** | **10,328** | **222,963** |
| **Total off-balance sheet** | **81,093** | **22,590** | **10,753** | **2,665** | **16,934** | **10,078** | **13,429** | **17,228** | **79,882** | **11,291** | **265,943** |
| **Total** | **874,024** | **44,667** | **55,498** | **239,707** | **42,273** | **32,589** | **49,513** | **185,697** | **127,424** | **43,631** | **1,695,023** |
| **As at 31st December 2009** | | | | | | | | | | | |
| **On-balance sheet:** | | | | | | | | | | | |
| Cash and balances at central banks | | | | 81,483 | | | | | | | 81,483 |
| Items in the course of collection from other banks | 1,586 | | | 7 | | | | | | | 1,593 |
| Trading portfolio assets | 41,482 | 3,899 | 1,063 | 76,454 | 3,136 | 608 | 1,569 | | | 1,271 | 129,482 |
| Financial assets designated at fair value | 13,366 | 78 | 11,929 | 5,435 | 330 | 775 | 2,569 | 150 | 4 | 419 | 35,055 |
| Derivative financial instruments | 379,901 | 4,230 | 2,416 | 6,119 | 12,081 | 3,472 | 5,627 | | 69 | 2,900 | 416,815 |
| Loans and advances to banks | 36,710 | | | 4,425 | | | | | | | 41,135 |
| Loans and advances to customers | 93,113 | 18,197 | 29,175 | 4,801 | 10,723 | 19,156 | 29,603 | 149,099 | 40,575 | 25,782 | 420,224 |
| Reverse repurchase agreements and other similar secured lending | 136,184 | 87 | 926 | 5,347 | | 279 | 608 | | | | 143,431 |
| Available for sale financial investments | 30,398 | 285 | 269 | 16,320 | 57 | 82 | 1,896 | 416 | | 84 | 49,807 |
| Other assets | 1,588 | 23 | 60 | 414 | 13 | 38 | 478 | 106 | 682 | 74 | 3,476 |
| **Total on-balance sheet** | 734,328 | 26,799 | 45,838 | 200,805 | 26,340 | 24,410 | 42,350 | 149,771 | 41,330 | 30,530 | 1,322,501 |
| **Off-balance sheet:** | | | | | | | | | | | |
| Securities lending arrangements | 27,406 | | | | | | | | | | 27,406 |
| Guarantees and letters of credit pledged as collateral security | 5,711 | 1,266 | 715 | | 2,872 | 955 | 2,164 | 584 | 411 | 728 | 15,406 |
| Acceptances and endorsements | 85 | 108 | 2 | | 33 | 45 | 8 | | 5 | 89 | 375 |
| Documentary credits and other short-term trade related transactions | 242 | 33 | 80 | | | 171 | 233 | | 3 | | 762 |
| Standby facilities, credit lines and other commitments | 39,564 | 19,530 | 10,567 | 1,687 | 13,502 | 7,949 | 9,243 | 15,356 | 79,052 | 10,063 | 206,513 |
| **Total off-balance sheet** | 73,008 | 20,937 | 11,364 | 1,687 | 16,407 | 9,120 | 11,648 | 15,940 | 79,471 | 10,880 | 250,462 |
| **Total** | 807,336 | 47,736 | 57,202 | 202,492 | 42,747 | 33,530 | 53,998 | 165,711 | 120,801 | 41,410 | 1,572,963 |

An analysis of geographical and industry concentration of Group loans and advances held at amortised cost is presented on page 96.

## Impairment Charges (audited)

Impairment charges on loans and advances fell 24% to £5,625m (2009: £7,358m), reflecting improving credit conditions in the main sectors and geographies in which Barclays lends, which led to lower charges across the majority of businesses. The largest reduction was in the wholesale portfolios, due to lower charges against credit market exposures and fewer large single name charges. This reduction was partially offset by the impact of deteriorating credit conditions in the Spanish property and construction sectors, which resulted in an increase of £630m in impairment against the Barclays Corporate loan book in Spain, and £532m impairment relating to the Protium loan in Barclays Capital. In the retail portfolios, impairment performance improved as delinquency rates fell across Barclays businesses, most notably the UK, US, Spanish, Indian, and African portfolios.

As a result of this fall in impairment and the 1% rise in loans and advances, the loan loss rate decreased to 118bps (2009: 156bps).

The impairment charges against available for sale assets and reverse repurchase agreements fell by 93% to £47m (2009: £713m), principally driven by lower impairment against credit market exposures.

| Impairment charges by business (audited) | Loans and advances[a] £m | Available for sale £m | Reverse repos £m | Total £m |
|---|---|---|---|---|
| **Year ended 31st December 2010** | | | | |
| UK Retail Banking | **819** | | | **819** |
| Barclaycard | **1,688** | | | **1,688** |
| Western Europe Retail Banking | **314** | | | **314** |
| Barclays Africa | **82** | | | **82** |
| Absa | **480** | | | **480** |
| Barclays Capital[b] | **642** | **(95)** | **(4)** | **543** |
| Barclays Corporate | **1,551** | **145** | | **1,696** |
| Barclays Wealth | **48** | | | **48** |
| Head Office Functions and Other Operations | **1** | **1** | | **2** |
| **Total impairment charges** | **5,625** | **51** | **(4)** | **5,672** |
| **Year ended 31st December 2009** | | | | |
| UK Retail Banking | 1,031 | | | 1,031 |
| Barclaycard | 1,798 | | | 1,798 |
| Western Europe Retail Banking | 334 | 4 | | 338 |
| Barclays Africa | 121 | | | 121 |
| Absa | 567 | | | 567 |
| Barclays Capital[b] | 1,898 | 650 | 43 | 2,591 |
| Barclays Corporate | 1,544 | 14 | | 1,558 |
| Barclays Wealth | 51 | | | 51 |
| Head Office Functions and Other Operations | 14 | 2 | | 16 |
| **Total impairment charges** | 7,358 | 670 | 43 | 8,071 |
| **Year ended 31st December 2008** | | | | |
| UK Retail Banking | 642 | | | 642 |
| Barclaycard | 1,097 | | | 1,097 |
| Western Europe Retail Banking | 172 | | | 172 |
| Barclays Africa | 71 | | | 71 |
| Absa | 347 | | | 347 |
| Barclays Capital[b] | 1,936 | 363 | 124 | 2,423 |

| | | | | |
|---|---|---|---|---|
| Barclays Corporate | 593 | | | 593 |
| Barclays Wealth | 44 | | | 44 |
| Head Office Functions and Other Operations | 11 | 19 | | 30 |
| **Total impairment charges** | 4,913 | 382 | 124 | 5,419 |

Notes

a Includes charges of £76m (2009: £28m; 2008: £329m) in respect of undrawn facilities and guarantees.

b Credit market related impairment charges within Barclays Capital comprised £660m (2009: £1,205m; 2008: £1,517m) against loans and advances, a write back of £39m

(2009: £464m charge; 2008: £192m charge) against available for sale assets and

a charge against reverse repurchase agreements of £nil (2009: £nil; 2008: £54m).

# Risk management

## Credit risk management continued

### Credit Risk Management Overview

#### A. Overview (audited)

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

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

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with our clients. Other sources of credit risk arise from trading activities, including debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

Credit risk management objectives are to:

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

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

#### B. Organisation and structure

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

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

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

Group Credit Risk Policies currently in force include:

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

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

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

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

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

CRIC makes twice-yearly recommendations to the Board Audit Committee on the adequacy of Group impairment allowances. Impairment allowances are reviewed relative to the risk in the portfolio, business and economic trends, current policies and methodologies, and the Group s position relative to peer banks.

### C. Credit risk mitigation

Barclays employs a range of techniques and strategies to actively mitigate credit risks to which it is exposed. These can broadly be divided into three types:

- netting and set-off;
- collateral; and
- risk transfer.

In many jurisdictions in which Barclays operates, credit risk exposures can be reduced by applying netting and set off which uses Barclays obligations to a counterparty to produce a lower, net, credit exposure. This technique is commonly used in derivative transactions.

Barclays will often seek to take a security interest in a tangible or financial asset to provide an alternative source of repayment in the event that customers, clients or counterparties are unable to meet their obligations. Assets taken as collateral include cash, financial assets (subject to an appropriate margin or haircut to reflect their price volatility) and physical assets, particularly property but also vehicles, aircraft, ships and physical commodities amongst many others. Assets other than cash are subject to regular revaluation to ensure they continue to achieve appropriate mitigation of risk. Customer agreements often include requirements for provision of additional collateral should valuations decline or credit exposure increase (for example due to market moves impacting a derivative exposure).

Finally, a range of instruments including guarantees, credit insurance, credit derivatives and securitisation can be used to transfer credit risk from one counterparty to another. This mitigates credit risk in two main ways:

- firstly, if the risk is transferred to a counterparty which is more creditworthy than the original counterparty, then overall credit risk will be reduced; and
- secondly, where recourse to the first counterparty remains, a default of both counterparties is required before a loss materialises. This will be less likely than the default of either counterparty individually so credit risk is reduced.

Risk transfer can also be used to reduce risk concentrations within portfolios, lowering the impact of stress events.

### D. Measurement and internal ratings

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

- Probability of default (PD);

Exposure at default (EAD); and

Loss given default (LGD).

For example, Barclays can assign an expected loss over the next 12 months to each customer by multiplying these three factors. We calculate probability of default (PD) by assessing the credit quality of borrowers and other counterparties. For the sake of illustration, suppose a customer has a 2% probability of defaulting over a 12-month period.

The exposure at default (EAD) is our estimate of what the outstanding balance will be if the customer does default. Supposing the current balance is £150,000, our models might predict a rise to £200,000 by then. Should customers default, some part of the exposure is usually recovered. The part that is not recovered, together with the economic costs associated with the recovery process, comprise the loss given default (LGD), which is expressed as a percentage of EAD. Supposing the LGD in this case is estimated to be 50%, the expected loss for this customer is: 2% x £200,000 x 50% or £2,000.

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

| **Barclays PD Masterscale** | | | |
|---|---|---|---|
| | **Default Probability** | | |
| **Default grade** | | | |
| **TTC Band** | **>=Min** | **Mid** | **<Max** |
| 1 | 0.00% | 0.01% | 0.02% |
| 2 | 0.02% | 0.03% | 0.03% |
| 3 | 0.03% | 0.04% | 0.05% |
| 4 | 0.05% | 0.08% | 0.10% |
| 5 | 0.10% | 0.13% | 0.15% |
| 6 | 0.15% | 0.18% | 0.20% |
| 7 | 0.20% | 0.23% | 0.25% |
| 8 | 0.25% | 0.28% | 0.30% |
| 9 | 0.30% | 0.35% | 0.40% |
| 10 | 0.40% | 0.45% | 0.50% |
| 11 | 0.50% | 0.55% | 0.60% |
| 12 | 0.60% | 0.90% | 1.20% |
| 13 | 1.20% | 1.38% | 1.55% |
| 14 | 1.55% | 1.85% | 2.15% |
| 15 | 2.15% | 2.60% | 3.05% |
| 16 | 3.05% | 3.75% | 4.45% |
| 17 | 4.45% | 5.40% | 6.35% |
| 18 | 6.35% | 7.50% | 8.65% |
| 19 | 8.65% | 10.00% | 11.35% |
| 20 | 11.35% | 15.00% | 18.65% |
| 21 | 18.65% | 30.00% | 100.00% |

# Risk management

## Credit risk management continued

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

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

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

Exposure at default (EAD) represents the expected level of usage of the credit facility should default occur. At the point of default, the customer exposure can vary from the current position due to the combined effects of additional drawings, repayment of principal and interest and fees. EAD parameters are all derived from internal estimates and are determined from internal historical behaviour. The lower bound of EAD for regulatory

capital purposes is the current balance at calculation of EAD. For derivative instruments, exposure in the event of default is the estimated cost of replacing contracts where counterparties have incurred obligations which they have failed to satisfy.

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

### E. Reporting

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

measuring exposures and concentrations;

monitoring weaknesses in portfolios;

identifying potential problem loans and credit risk loans (collectively known as potential credit risk loans or PCRLs);

raising allowances for impaired loans; and

writing off assets when the whole or part of a debt is considered irrecoverable.

### F. Measuring exposures and concentrations

Loans and advances to customers provide the principal source of credit risk to the Group although Barclays can also be exposed to other forms of credit risk through, for example, loans to banks, loan commitments and debt securities. Barclays risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data. One area of particular review is concentration risk. A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. As a result, Barclays constantly reviews its concentration in a number of areas including, for example, geography, maturity and industry (see previous page).

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

### G. Monitoring weaknesses in portfolios

Whilst the basic principles for monitoring weaknesses in wholesale and retail exposures are broadly similar, they will reflect the differing nature of the assets. As a matter of policy all facilities granted to corporate or wholesale customers are subject to a review on, at least, an annual basis, even when they are performing satisfactorily.

Corporate accounts that are deemed to contain heightened levels of risk are recorded on graded early warning lists or watchlists comprising three categories graded in line with the perceived severity of the risk attached

to the lending, and its probability of default. These are updated monthly and circulated to the relevant risk control points. Once an account has been placed on watchlist (WL) or early warning list (EWL), the exposure is carefully monitored and, where appropriate, exposure reductions are effected. Should an account become impaired, it will normally have passed through each of the three categories, which reflect the need for increasing caution and control. Where an obligor s financial health gives grounds for concern, it is immediately placed into the appropriate category. While all obligors, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis, more frequent interim reviews may be undertaken should circumstances dictate. Specialist recovery functions deal with clients in default, collection or insolvency. Their mandate is to maximise shareholder value via the orderly and timely recovery of impaired debts. Accounts can stay in Recoveries for up to two years unless a longer-term strategy has been agreed.

Within the retail portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow potential weaknesses to be monitored on a portfolio basis. The approach is consistent with the Group s policy of raising a collective impairment allowance as soon as objective evidence of impairment is identified. Retail accounts can be classified according to specified categories of arrears status (or cycle), which reflects the level of contractual payments which are overdue on a loan.

The probability of default increases with the number of contractual payments missed, thus raising the associated impairment requirement.

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

# Risk management

## Credit risk management continued

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

For the majority of products, the standard period for charging off accounts is 180 days past due of contractual obligation. However, in the case of customer bankruptcy or insolvency, the associated accounts will be charged off within 60 days. Within UKRB Local Business, accounts that are deemed to have a heightened level of risk, or that exhibit some unsatisfactory features which could affect viability in the short to medium term, are transferred to a separate caution stream. Accounts on the caution stream are reviewed on at least a quarterly basis, at which time consideration is given to continuing with the agreed strategy, returning the customer to a lower risk refer stream, or instigating recovery/exit action.

In the retail portfolios, forbearance programmes assist personal customers in financial difficulty through agreements to accept less than contractual amounts due where financial distress would otherwise prevent satisfactory repayment within the original terms and conditions of the contract. These agreements may be initiated by the customer, Barclays or a third party and include approved debt counselling plans, minimum due reductions, interest rate concessions and switches from capital and interest repayments to interest-only payments.

In the wholesale portfolios, Barclays will on occasion participate in debt for equity swaps, debt for asset swaps, debt standstills and debt restructuring agreements as part of the business support process. Debt restructuring agreements may include actions to improve security; such as changing an overdraft to a factoring or invoice discounting facility or moving debt to asset owning companies. Consideration is also given to the waiving or relaxing of covenants where this is the optimum strategy for the survival of our client s businesses and therefore Barclays loans and advances.

Loans in forbearance programmes are still subject to impairment in line with normal impairment policy.

For personal customers, the Group Retail Impairment Policy outlines the methodology for impairment of assets that are categorised as under forbearance. Identified impairment is raised for such accounts, recognising the agreement between the bank and customer to pay less than the original contractual payment and is measured using a future discounted cash flow approach comparing the debt outstanding to the expected repayment on the debt. This results in appropriately higher provisions being held than for fully performing assets.

For wholesale customers, impairment is raised for any portion of restructured debt that Barclays does not expect to recover. Sufficient identified impairment will be raised to cover the difference between the loan and the present value of future cash flow discounted at the contractual interest rate.

### H. Identifying potential credit risk loans

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

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

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

Impaired loans comprise loans where an individual identified impairment allowance has been raised and also include loans which are fully collateralised or where indebtedness has already been written down to the expected realisable value. This category includes all retail loans that have been charged off to legal recovery. The impaired loan category may include loans, which, while impaired, are still performing.

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

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

**I. Allowances for impairment and other credit provisions**

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

Impairment allowances are measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available. In terms of individual assessment, the principal trigger point for impairment is the missing of a contractual payment which is evidence that an account is exhibiting serious financial problems, and where any further deterioration is likely to lead to failure. Details of other trigger points can be found on page 198. Two key inputs to the cash flow calculation are the valuation of all security and collateral, as well as the timing of all asset realisations, after allowing for all attendant costs. This method applies mainly in the corporate portfolios.

For collective assessment, the principal trigger point for impairment is the missing of a contractual payment which is the policy consistently adopted across all credit cards, unsecured loans, mortgages and most other retail lending. Details of other trigger points can be found on page 198. The calculation methodology relies on the historical experience of pools of similar assets; hence the impairment allowance is collective. The impairment calculation is based on a roll-rate approach, where the percentage of assets that move from the initial delinquency to default is derived from statistical probabilities based on historical experience. Recovery amounts and contractual interest rates are calculated using a weighted average for the relevant portfolio. This method applies mainly to the Group s retail portfolios and is consistent with Barclays policy of raising an allowance as soon as impairment is identified.

The impairment allowance in the retail portfolios is mainly assessed on a collective basis and is based on the drawn balances adjusted to take into account the likelihood of the customer defaulting ($PD_{pit}$) and the amount estimated as not recoverable (LGD). The basic calculation is:

Impairment allowance = Total outstandings x Probability of Default ($PD_{pit}$) x Loss Given Default (LGD)

The PDpit increases with the number of contractual payments missed thus raising the associated impairment requirement.

Impairment in the wholesale portfolios is generally calculated by valuing each impaired asset on a case by case basis, i.e. on an individual assessment basis. A relatively small amount of wholesale impairment relates to unidentified or collective impairment; in such cases impairment is calculated using modelled PD x LGD x EAD adjusted for an emergence period.

Unidentified impairment allowances are also raised to cover losses which are judged to be incurred but not yet specifically identified in customer exposures at the balance sheet date, and which, therefore, have not been specifically reported. The incurred but not yet reported calculation is based on the asset s probability of moving from the performing portfolio to being specifically identified as impaired within the given emergence period and then on to default within a specified period. This is calculated on the present value of estimated future cash flows discounted at the financial asset s original effective interest rate. The emergence periods vary across businesses and are based on actual experience and are reviewed on an annual basis. This methodology ensures that the Group captures the loss incurred at the correct balance sheet date. These impairment allowances are reviewed and adjusted at least quarterly by an appropriate charge or release of the stock of impairment allowances based on statistical analysis and management judgement. Where appropriate, the accuracy of this analysis is periodically assessed against actual losses (see Modelling of Risk on page 71). As one of the controls to ensure that adequate impairment allowances are held, movements in impairment allowances to individual names with total impairment of more than £10m are presented to the Credit Committee for agreement.

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

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

- Credit risk loans coverage ratio (impairment allowances as a percentage of CRL balances); and

- Potential credit risk loans coverage ratio (impairment allowances as a percentage of total CRL and PPL balances).

Note

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

# Risk management

## Credit risk management continued

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

Secured retail Home loans: 5%-20%;

Credit cards, unsecured and other personal lending products: 65%-75%; and

Corporate facilities: 30%-50%.

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

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

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

### J. Writing off of assets

After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write off will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable. The timing and extent of write offs may involve some element of subjective judgement. Nevertheless, a write off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery. In any event, the position of impaired loans is reviewed at least quarterly to ensure that irrecoverable advances are being written off in a prompt and orderly manner and in compliance with any local regulations.

Such assets are only written off once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are written back and hence decrease the amount of the reported loan impairment charge in the income statement. In 2010 total write offs of impaired financial assets increased by £930m to £4,310m (2009: £3,380m).

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

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

## Loans and Advances to Customers and Banks

Total gross loans and advances to customers and banks increased 1% to £502,695m (2009: £498,064m). Loans and advances at amortised cost were £478,173m (2009: £472,155m) and loans and advances at fair value were £24,522m (2009: £25,909m).

### Loans and Advances at Amortised Cost

Gross loans and advances to customers and banks at amortised cost increased 1% (£6,018m) to £478,173m (2009: £472,155m) with a 10% rise in the retail portfolios offset by a 6% fall in wholesale. Included in this balance are settlement balances of £27,112m (2009: £25,825m) and cash collateral balances of £29,374m (2009: £29,847m). The principal drivers for this increase were:

UK Retail Banking where loans and advances increased 12% to £117,689m (2009: £105,066m), due to increased lending in Home Finance and the acquisition of Standard Life Bank at the beginning of 2010;

Western Europe Retail Banking where loans and advances increased 6% to £44,500m, which primarily reflected growth in Italian mortgages partially offset by the depreciation in the value of the Euro against Sterling;

Absa where loans and advances increased 14% to £42,725m (2009: £37,365m), reflecting appreciation in the value of the Rand against Sterling; and

Barclays Wealth where loans and advances increased 22% to £16,468m (2009: £13,467m) primarily due to growth in High Net Worth lending.

These increases were partially offset by decreases in:

Barclays Capital where loans and advances decreased 8% to £152,711m (2009: £165,624m) due to a reduction in borrowings partially offset by a net depreciation in the value of Sterling relative to other currencies; and

Barclays Corporate where loans and advances decreased by 6% to £68,632m (2009: £73,007m), principally due to lower customer demand in the UK & Ireland business.

| Analysis of loans and advances[a] | Gross loans and advances £m | Impairment allowance £m | Loans and advances net of impairment £m | Credit risk loans[a] £m | CRLs % of gross loans and advances[a] % | Impairment charges £m | Loan loss rates bps |
|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | |
| Wholesale customers | 204,991 | 5,501 | 199,490 | 11,716 | 5.7% | 2,347 | 114 |
| Wholesale banks | 37,847 | 48 | 37,799 | 35 | 0.1% | (18) | (5) |
| Total wholesale | 242,838 | 5,549 | 237,289 | 11,751 | 4.8% | 2,329 | 96 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Retail customers | **235,335** | **6,883** | **228,452** | **12,571** | **5.3%** | **3,296** | **140** |
| Total retail | **235,335** | **6,883** | **228,452** | **12,571** | **5.3%** | **3,296** | **140** |
| **Loans and advances at amortised cost** | **478,173** | **12,432** | **465,741** | **24,322** | **5.1%** | **5,625** | **118** |
| **Loans and advances held at fair value** | **24,522** | **n/a** | **24,522** | | | | |
| **Total loans and advances** | **502,695** | **12,432** | **490,263** | | | | |
| **As at 31st December 2009** | | | | | | | |
| Wholesale customers | 217,470 | 4,616 | 212,854 | 10,982 | 5.0% | 3,428 | 158 |
| Wholesale banks | 41,196 | 61 | 41,135 | 57 | 0.1% | 11 | 3 |
| Total wholesale | 258,666 | 4,677 | 253,989 | 11,039 | 4.3% | 3,439 | 133 |
| Retail customers | 213,489 | 6,119 | 207,370 | 11,503 | 5.4% | 3,919 | 184 |
| Total retail | 213,489 | 6,119 | 207,370 | 11,503 | 5.4% | 3,919 | 184 |
| Loans and advances at amortised cost | 472,155 | 10,796 | 461,359 | 22,542 | 4.8% | 7,358 | 156 |
| Loans and advances held at fair value | 25,909 | n/a | 25,909 | | | | |
| Total loans and advances | 498,064 | 10,796 | 487,268 | | | | |

Note

a Excludes from credit risk loans (CRLs) the Protium loan of £7,560m against which impairment of £532m has been recognised. Further disclosure of CRLs and coverage ratios including the impact of the Protium loan are set out on page 98.

# Risk management

## Credit risk management continued

| Loans and advances at amortised cost net of impairment allowances, by industry sector and geography | United Kingdom £m | Other European Union £m | United States £m | Africa £m | Rest of the World £ m | Total £m |
|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | |
| Financial institutions | **23,184** | **25,173** | **53,191** | **3,786** | **18,677** | **124,011** |
| Manufacturing | **6,591** | **4,160** | **704** | **1,193** | **2,118** | **14,766** |
| Construction | **3,607** | **1,258** | **5** | **739** | **254** | **5,863** |
| Property | **13,356** | **2,895** | **493** | **4,706** | **1,357** | **22,807** |
| Government | **533** | **1,159** | **324** | **2,217** | **2,068** | **6,301** |
| Energy and water | **2,181** | **3,090** | **2,092** | **136** | **1,732** | **9,231** |
| Wholesale and retail distribution and leisure | **11,441** | **2,444** | **509** | **1,646** | **1,317** | **17,357** |
| Business and other services | **15,185** | **4,358** | **979** | **2,841** | **2,865** | **26,228** |
| Home loans | **104,872** | **36,979** | **28** | **24,911** | **1,265** | **168,055** |
| Cards, unsecured loans and other personal lending | **26,255** | **7,499** | **6,765** | **3,755** | **2,394** | **46,668** |
| Other | **8,023** | **4,629** | **766** | **8,483** | **2,553** | **24,454** |
| **Net loans and advances to customers and banks** | **215,228** | **93,644** | **65,856** | **54,413** | **36,600** | **465,741** |
| **As at 31st December 2009** | | | | | | |
| Financial institutions | 26,194 | 26,815 | 57,442 | 4,295 | 15,077 | 129,823 |
| Manufacturing | 8,407 | 5,327 | 773 | 1,398 | 2,292 | 18,197 |
| Construction | 3,503 | 1,380 | 7 | 850 | 192 | 5,932 |
| Property | 13,424 | 4,129 | 412 | 4,154 | 1,124 | 23,243 |
| Government | 913 | 770 | 360 | 3,072 | 4,111 | 9,226 |
| Energy and water | 2,447 | 3,878 | 2,333 | 156 | 1,909 | 10,723 |
| Wholesale and retail distribution and leisure | 12,610 | 2,362 | 720 | 1,690 | 1,774 | 19,156 |
| Business and other services | 16,359 | 4,774 | 1,708 | 3,997 | 2,765 | 29,603 |
| Home loans | 90,840 | 35,644 | 19 | 21,596 | 1,000 | 149,099 |
| Cards, unsecured loans and other personal lending | 24,999 | 6,737 | 6,672 | 813 | 1,354 | 40,575 |
| Other | 9,003 | 5,224 | 1,046 | 7,862 | 2,647 | 25,782 |
| **Net loans and advances to customers and banks** | 208,699 | 97,040 | 71,492 | 49,883 | 34,245 | 461,359 |

### Group wholesale loans and advances held at fair value by industry sector

Total loans and advances held at fair value were £24,522m (2009: £25,909m), principally relating to Barclays Corporate and Barclays Capital. Barclays Corporate loans and advances held at fair value, which comprise lending to property, government and business and other services, were £14,401m (2009: £13,074m). Movements in the fair value of these loans are substantially offset by fair value movements on hedging instruments. Barclays Capital loans and advances held at fair value were £9,987m (2009: £12,835m). Included within this balance is £4,712m relating to credit market exposures, the majority of which is made up of commercial real estate loans, £5,275m primarily comprising loans to financial institutions and business and other services.

| Loans and advances held at fair value by industry sector<br>As at 31st December | 2010<br>£ m | 2009<br>£ m |
|---|---|---|
| Financial institutions | **2,125** | 3,543 |
| Manufacturing | **347** | 1,561 |
| Construction | **249** | 237 |

| | | |
|---|---|---|
| Property | **11,934** | 11,490 |
| Government | **5,088** | 5,024 |
| Energy and water | **370** | 241 |
| Wholesale and retail distribution and leisure | **800** | 664 |
| Business and other services | **3,246** | 2,793 |
| Other | **363** | 356 |
| **Total** | **24,522** | 25,909 |

## Impairment allowances

Impairment allowances increased £1,636m to £12,432m (2009: £10,796m), reflecting increased impairment charges against delinquent assets across the majority of retail businesses as they flowed into later cycles, higher impairment charges against the Spanish property sectors, reflected in Barclays Corporate Continental Europe, and a charge relating to the Protium loan in Barclays Capital. Amounts written off increased £930m to £4,310m (2009: £3,380m) with higher write offs across the majority of businesses.

| Movements in allowance for impairment by asset class (audited) | At beginning of year £m | Acquisitions and disposals £m | Unwind of discount £m | Exchange and other adjustments £m | Amounts written off £m | Recoveries £m | Amounts charged to income statement £m | Balance at 31st December £m |
|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | |
| **Loans and advances to banks** | **61** | | | **(1)** | **(11)** | **17** | **(18)** | **48** |
| **Loans and advances to customers:** | | | | | | | | |
| Home loans | **639** | **18** | **(54)** | **63** | **(134)** | **6** | **316** | **854** |
| Credit card receivables | **2,309** | **74** | **(100)** | **50** | **(1,374)** | **77** | **1,405** | **2,441** |
| Other personal lending | **2,908** | | **(47)** | **45** | **(1,059)** | **37** | **1,243** | **3,127** |
| Wholesale and corporate | **4,558** | **(14)** | **(6)** | **148** | **(1,547)** | **40** | **2,432** | **5,611** |
| Finance lease receivables | **321** | | **(6)** | **26** | **(185)** | **24** | **171** | **351** |
| **Total loans and advances to customers** | **10,735** | **78** | **(213)** | **332** | **(4,299)** | **184** | **5,567** | **12,384** |
| **Total impairment allowance** | **10,796** | **78** | **(213)** | **331** | **(4,310)** | **201** | **5,549** | **12,432** |
| **2009** | | | | | | | | |
| **Loans and advances to banks** | 51 | | | (11) | | 10 | 11 | 61 |
| **Loans and advances to customers:** | | | | | | | | |
| Home loans | 321 | 19 | (59) | 46 | (82) | 3 | 391 | 639 |
| Credit card receivables | 1,445 | 415 | (79) | (28) | (1,009) | 78 | 1,487 | 2,309 |
| Other personal lending | 1,869 | | (26) | (89) | (633) | 21 | 1,766 | 2,908 |
| Wholesale and corporate | 2,699 | | (15) | (48) | (1,538) | 28 | 3,432 | 4,558 |
| Finance lease receivables | 189 | | (6) | 3 | (118) | 10 | 243 | 321 |
| **Total loans and advances to customers** | 6,523 | 434 | (185) | (116) | (3,380) | 140 | 7,319 | 10,735 |
| **Total impairment allowance** | 6,574 | 434 | (185) | (127) | (3,380) | 150 | 7,330 | 10,796 |

# Risk management

## Credit risk management continued

### Potential Credit Risk Loans

**Protium**

As at 31st December 2010, wholesale gross loans and advances included a £7,560m loan to Protium. Principal and interest payments have been received in accordance with contractual terms. However, following a reassessment of the expected realisation period, the loan is carried at an amount equivalent to the fair value of the underlying collateral, resulting in an impairment of £532m. Further details are provided on page 114.

In light of the effect of the Protium loan and related impairment allowance on CRLs and coverage ratios, the commentary below excludes the impact of the Protium loan to allow for a more meaningful analysis of other exposures and to facilitate comparison with prior years.

**Credit Risk Loans**

The Group s Credit Risk Loans (CRLs) rose 8% to £24,322m (2009: £22,542m) reflecting increases in both the retail and wholesale sectors.

CRLs in the Wholesale portfolios increased 6% to £11,751m (2009: £11,039m) primarily due to a rise in Continental Europe reflecting the deterioration in the Spanish property sector. This was partially offset by lower balances in Barclays Capital as credit conditions led to improvements across default grades and an improvement in credit market exposures.

CRLs in the Retail portfolios rose 9% to £12,571m (2009: £11,503m) reflecting increases in Home Loans of 14% to £4,294m (2009: £3,758m) primarily due to an increase in the Sterling value of recovery balances in the Absa Home Loans portfolio as well as the acquisition of Standard Life Bank. Credit Cards, Unsecured and Other Retail Lending increased 7% to £8,277m (2009: £7,745m) reflecting higher recovery balances as accounts rolled through to later cycles in most businesses and a weak debt sale sector.

**Potential Problem Loans**

The Group s Potential Problem Loans (PPLs) balance fell by 24% to £2,695m (2009: £3,523m).

PPL balances fell 26% in Wholesale portfolios to £1,970m (2009: £2,674m) mainly reflecting a decrease in Barclays Capital as a small number of counterparties moved out of the category and some balances reduced, and decreases in Continental Europe, mainly Spain, and Absa as accounts flowed in to CRL categories.

In the Retail portfolios, PPLs fell 15% to £725m (2009: £849m) primarily due to a fall of £94m in Credit Cards, Unsecured and Other Retail Lending portfolios, driven by lower balances in Barclaycard, primarily UK Secured Loans and US Cards and Western Europe Retail Bank, primarily Spain.

**Potential Credit Risk Loans**

Group Potential Credit Risk Loan (PCRL) balances increased 4% to £27,017m (2009: £26,065m), reflecting an increase in CRLs partially offset by a decrease in PPLs.

Total PCRL balances in the Wholesale portfolios remained broadly unchanged at £13,721m (2009: £13,713m).

PCRL balances rose in Home Loans by 13% to £4,554m (2009: £4,048m) while PCRLs in Credit Cards, Unsecured and Other Retail Lending portfolios increased 5% to £8,742m (2009: £8,304m).

**Coverage Ratios**

In the Wholesale portfolios, the CRL coverage ratio increased to 42.7% (2009: 42.4%), and the PCRL coverage ratio increased to 36.6% (2009: 34.1%).

The CRL coverage ratio in Home Loans increased to 19.9% (2009: 17.0%), and the PCRL coverage ratio increased to 18.8% (2009: 15.8%). The CRL coverage ratio in Credit Cards, Unsecured and Other portfolios increased to 72.8% (2009: 70.8 %) and the PCRL coverage ratio increased to 69.0% (2009: 66.0%).

The CRL coverage ratios in Home Loans, Credit Cards, Unsecured and Other and Wholesale portfolios remain within typical severity rate ranges for these types of products. The Group s CRL coverage ratio increased to 48.9% (2009: 47.9%). The PCRL coverage ratio also increased to 44.0% (2009: 41.4%).

| Potential credit risk loans and coverage ratios | CRLs | | PPLs | | PCRLs | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| **As at 31st December** | **£m** | £m | **£m** | £m | **£m** | £m |
| Home loans[a] | **4,294** | 3,758 | **260** | 290 | **4,554** | 4,048 |
| Credit cards, unsecured and other retail lending | **8,277** | 7,745 | **465** | 559 | **8,742** | 8,304 |
| **Retail** | **12,571** | 11,503 | **725** | 849 | **13,296** | 12,352 |
| Wholesale (excluding loan to Protium) | **11,751** | 11,039 | **1,970** | 2,674 | **13,721** | 13,713 |
| Loan to Protium[b] | **7,560** | | | | **7,560** | |
| **Wholesale** | **19,311** | 11,039 | **1,970** | 2,674 | **21,281** | 13,713 |
| **Group (excluding loan to Protium)** | **24,322** | 22,542 | **2,695** | 3,523 | **27,017** | 26,065 |
| **Group** | **31,882** | 22,542 | **2,695** | 3,523 | **34,577** | 26,065 |

| | Impairment allowance | | CRL coverage | | PCRL coverage | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| **As at 31st December** | **£m** | £m | **%** | % | **%** | % |
| Home loans[a] | **854** | 639 | **19.9** | 17.0 | **18.8** | 15.8 |
| Credit cards, unsecured and other retail lending | **6,029** | 5,480 | **72.8** | 70.8 | **69.0** | 66.0 |
| **Retail** | **6,883** | 6,119 | **54.8** | 53.2 | **51.8** | 49.5 |
| Wholesale (excluding loan to Protium) | **5,017** | 4,677 | **42.7** | 42.4 | **36.6** | 34.1 |
| Loan to Protium[b] | **532** | | **7.0** | | **7.0** | |
| **Wholesale** | **5,549** | 4,677 | **28.7** | 42.4 | **26.1** | 34.1 |
| **Group (excluding loan to Protium)** | **11,900** | 10,796 | **48.9** | 47.9 | **44.0** | 41.4 |
| **Group** | **12,432** | 10,796 | **39.0** | 47.9 | **36.0** | 41.4 |

Notes

a Comparative figures for Home Loans have been restated to align with externally disclosed arrears definitions.
b Refer to page 114 for further information on Protium.

## Wholesale Credit Risk

Loans and advances to customers and banks in the wholesale portfolios decreased 6% to £242,838m (2009: £258,666m), including a fall of 8% in Barclays Capital to £152,711m (2009: £165,624m) due to a reduction in borrowings offset by a net depreciation in the value of Sterling relative to other currencies. Loans and advances in Barclays Corporate fell 6% to £66,961m (2009: £71,125m), due to reduced customer demand in UK & Ireland. The 21% increase in balances to £12,188m at Absa was due to the appreciation in the value of the Rand against Sterling during 2010.

Impairment allowances increased 19% to £5,549m (2009: £4,677m) principally reflecting the increase in Barclays Corporate Continental Europe and impairment of £532m relating to the Protium loan in Barclays Capital. Excluding the impact of the Protium loan, the credit risk loans (CRL) coverage ratio increased to 42.7% (2009: 42.4%) and the potential credit risk loans (PCRL) coverage ratio increased to 36.6% (2009: 34.1%).

In the wholesale portfolios, the impairment charge against loans and advances fell 32% to £2,329m (2009: £3,439m) mainly due to lower charges against credit market exposures in Barclays Capital. In addition there was a release in the non-credit market related loan book. This was partially offset by an increase in the Barclays Corporate impairment charge as deteriorating credit conditions in the Spanish property and construction sector led to significantly higher charges in Continental Europe, although this was partially mitigated by lower default rates and fewer single name charges in UK & Ireland and New Markets. In addition, wholesale impairment reflected £532m relating to the Protium loan in Barclays Capital.

Wholesale loans and advances net of impairment decreased 7% to £237,289m (2009: £253,989m). This is mainly made up of Barclays Capital which decreased 8% to £149,675m (2009: £162,599m) and Barclays Corporate which decreased 7% to £64,975m (2009: £69,921m).

The loan loss rate across the Group s wholesale portfolios for 2010 was 96bps (full year 2009: 133bps), reflecting the fall in impairment. Excluding Protium, the wholesale CRL coverage ratio was 42.7% (2009: 42.4%).

The principal uncertainties relating to the performance of the wholesale portfolios in 2011 include the:

extent and sustainability of economic recovery particularly in the UK, US, Spain and South Africa;

potential for large single name losses and deterioration in specific sectors and geographies;

possible deterioration in remaining credit market exposures, including commercial real estate and leveraged finance;

impact of potentially deteriorating sovereign credit quality; and

potential impact of increasing inflation on economic growth and corporate profitability.

| Wholesale loans and advances at amortised cost[a] | Gross loans and | Impairment | Loans and advances net of | Credit risk | CRLs % | Impairment charges £m | Loans loss |
|---|---|---|---|---|---|---|---|

| | advances £m | allowance £m | impairment £m | loans[b] £m | of gross loans and advances [b] % | | rates bps |
|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | |
| UK Retail Banking | **3,889** | **77** | **3,812** | **345** | **8.9%** | **80** | **206** |
| Barclaycard[c] | **338** | **5** | **333** | **7** | **2.1%** | **20** | **592** |
| Barclays Africa | **2,456** | **123** | **2,333** | **242** | **9.9%** | **28** | **114** |
| Absa | **12,188** | **239** | **11,949** | **912** | **7.5%** | **95** | **78** |
| Barclays Capital | **152,711** | **3,036** | **149,675** | **5,370** | **3.5%** | **642** | **42** |
| Barclays Corporate | **66,961** | **1,986** | **64,975** | **4,591** | **6.9%** | **1,436** | **214** |
| Barclays Wealth | **2,884** | **66** | **2,818** | **218** | **7.6%** | **27** | **94** |
| Head office | **1,411** | **17** | **1,394** | **66** | **4.7%** | **1** | **7** |
| **Total** | **242,838** | **5,549** | **237,289** | **11,751** | **4.8%** | **2,329** | **96** |
| **As at 31st December 2009** | | | | | | | |
| UK Retail Banking | 4,002 | 56 | 3,946 | 247 | 6.2% | 95 | 238 |
| Barclaycard[c] | 322 | 4 | 318 | 10 | 3.1% | 17 | 528 |
| Barclays Africa | 2,991 | 124 | 2,867 | 227 | 7.6% | 33 | 110 |
| Absa | 10,077 | 195 | 9,882 | 690 | 6.8% | 67 | 66 |
| Barclays Capital | 165,624 | 3,025 | 162,599 | 6,411 | 3.9% | 1,898 | 115 |
| Barclays Corporate | 71,125 | 1,204 | 69,921 | 3,148 | 4.4% | 1,298 | 182 |
| Barclays Wealth | 3,495 | 43 | 3,452 | 179 | 5.1% | 17 | 49 |
| Head office | 1,030 | 26 | 1,004 | 127 | 12.4% | 14 | 137 |
| **Total** | 258,666 | 4,677 | 253,989 | 11,039 | 4.3% | 3,439 | 133 |

Notes

a Loans and advances to business customers in Western Europe Retail Banking are included in the Retail Loans and Advances to customers at amortised cost table on page 101.
b Barclays Capital credit risk loans exclude the loan to Protium. Barclays Capital CRLs and CRLs % of Gross L&A including the loan to Protium were £12,930m and 8.5% respectively.
c Barclaycard represents corporate credit and charge cards.

Table of Contents



# Risk management

## Credit risk management continued

**(i) Analysis of Barclays Capital Wholesale Loans and Advances at Amortised Cost**

Barclays Capital wholesale loans and advances net of impairment decreased 8% to £149,675m (2009: £162,599m). This was driven by a reduction in corporate lending which declined 18% to £41,093m (2009: £49,849m) primarily due to a reduction in borrowings by customers partially offset by the net depreciation in the value of Sterling relative to other currencies.

Included within corporate lending and other wholesale lending portfolios are £3,787m (2009: £5,646m) of loans backed by retail mortgage collateral classified within financial institutions.

| Barclays Capital wholesale loans and advances at amortised cost | Gross loans and advances £m | Impairment allowance £m | Loans and advances net of impairment £m | Credit risk loans[a] £m | CRLs % of gross loans and advances[a] % | Impairment charges £m | Loan loss rates bps |
|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | |
| **Loans and advances to banks** | | | | | | | |
| Cash collateral and settlement balances | **14,058** | | **14,058** | | **0.0%** | | |
| Interbank lending | **21,547** | **48** | **21,499** | **35** | **0.2%** | **(18)** | **(8)** |
| **Loans and advances to customers** | | | | | | | |
| Government lending | **2,940** | | **2,940** | | **0.0%** | | |
| ABS CDO Super Senior | **3,537** | **1,545** | **1,992** | **3,537** | **100.0%** | **(137)** | **(387)** |
| Corporate lending | **41,891** | **798** | **41,093** | **1,483** | **3.5%** | **285** | **68** |
| Other wholesale lending | **26,310** | **645** | **25,665** | **315** | **1.2%** | **512** | **195** |
| Cash collateral and settlement balances | **42,428** | | **42,428** | | **0.0%** | | |
| **Total** | **152,711** | **3,036** | **149,675** | **5,370** | **3.5%** | **642** | **42** |
| **As at 31st December 2009** | | | | | | | |
| **Loans and advances to banks** | | | | | | | |
| Cash collateral and settlement balances | 15,893 | | 15,893 | | 0.0% | | |
| Interbank lending | 21,722 | 61 | 21,661 | 57 | 0.3% | 14 | 6 |
| **Loans and advances to customers** | | | | | | | |
| Government lending | 3,456 | | 3,456 | | 0.0% | | |
| ABS CDO Super Senior | 3,541 | 1,610 | 1,931 | 3,541 | 100.0% | 714 | 2,016 |
| Corporate lending | 50,886 | 1,037 | 49,849 | 2,198 | 4.3% | 1,115 | 219 |
| Other wholesale lending | 30,347 | 317 | 30,030 | 615 | 2.0% | 55 | 18 |
| Cash collateral and settlement balances | 39,779 | | 39,779 | | 0.0% | | |
| Total | 165,624 | 3,025 | 162,599 | 6,411 | 3.9% | 1,898 | 115 |

**(ii) Analysis of Barclays Corporate Wholesale Loans and Advances at Amortised Cost**

Barclays Corporate wholesale loans and advances net of impairment decreased 7% to £64,975m (2009: £69,921m). This was driven primarily by a reduction in borrowings across all three of the business main segments, alongside an increase in impairment allowances in Spain.

The UK & Ireland portfolios declined 6% to £52,659m (2009: £56,215m), primarily due to lower overdraft balances and asset based loans, reflecting depressed demand as UK businesses de-leverage. The Continental Europe portfolios declined 11% to £10,162m (2009: £11,453m) driven by increased impairment allowances in Spain, as well as lower revolving credit lines, term lending and mortgage loans.

**Barclays Corporate wholesale loans and advances at amortised cost**

| | Gross loans and advances £m | Impairment allowance £m | Loans and advances net of impairment £m | Credit risk loans £m | CRLs % of gross loans and advances % | Impairment charges £m | Loan loss rates bps |
|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | |
| UK & Ireland | **53,308** | **649** | **52,659** | **1,699** | **3.2%** | **503** | **94** |
| Continental Europe | **11,385** | **1,223** | **10,162** | **2,739** | **24.1%** | **884** | **776** |
| New Markets | **2,268** | **114** | **2,154** | **153** | **6.7%** | **49** | **216** |
| **Total** | **66,961** | **1,986** | **64,975** | **4,591** | **6.9%** | **1,436** | **214** |
| **As at 31st December 2009** | | | | | | | |
| UK & Ireland | 56,838 | 623 | 56,215 | 1,588 | 2.8% | 864 | 152 |
| Continental Europe | 11,912 | 459 | 11,453 | 1,396 | 11.7% | 309 | 259 |
| New Markets | 2,375 | 122 | 2,253 | 164 | 6.9% | 125 | 526 |
| **Total** | 71,125 | 1,204 | 69,921 | 3,148 | 4.4% | 1,298 | 182 |

Note

a Barclays Capital credit risk loans exclude the Protium loan. Other wholesale lending CRLs and CRLs % of Gross L&A including the loan to Protium were £7,875m and 29.9% respectively.

## Retail Credit Risk

Gross loans and advances to customers in the retail portfolios increased 10% to £235,335m (2009: £213,489m). In UK Retail Banking, the increase of 13% to £113,800m (2009: £101,064m) primarily reflected increased lending in the UK Home Finance portfolio and the acquisition of Standard Life Bank at the start of 2010. Barclays Wealth loans and advances increased 36% to £13,584m (2009: £9,972m) primarily due to growth in High Net Worth lending. Western Europe Retail Banking loans and advances to customers increased 6%, which primarily reflected growth in Italian mortgages and the acquisition of Citigroup s credit card business in Italy, partially offset by the depreciation in the value of the Euro against Sterling. Absa balances increased 12% due to the appreciation in the value of the Rand against Sterling during 2010.

Retail impairment allowances rose 12% to £6,883m (2009: £6,119m) comprising growth of 34% in Home Loans to £854m (2009: £639m) and 10% (£549m) in Credit Cards, Unsecured and Other Retail Lending to £6,029m (2009: £5,480m) as impairment stock increased against delinquent assets flowing into later cycles.

Total retail loans and advances net of impairment were £228,452m on 31st December 2010 (2009: £207,370m), of which Home Loans were

£168,055m (2009: £149,099m), Credit Cards and Unsecured loans were £39,171m (2009: £39,012m), and Other Retail Lending were £21,226m (2009: £19,259m).

Total Home Loans net of impairment to retail customers rose by 13% to £168,055m (2009: £149,099m) principally due to an increase in the UK Home Loan portfolios within UK Retail Banking which grew 15% to £101,210m (2009: £87,943m). Home Loans represented 74% of total retail loans and advances to customers on 31st December 2010 (2009: 72%).

### Credit Risk Loans

CRLs in the Retail portfolios rose 9% to £12,571m (2009: £11,503m) reflecting increases in Home Loans of 14% to £4,294m (2009: £3,758m) primarily due to an increase in recovery balances in the Sterling value of Absa Home Loans portfolio and the acquisition of Standard Life Bank. Credit Cards, Unsecured and Other Retail Lending increased 7% to £8,277m (2009: £7,745m) reflecting higher recovery balances as accounts rolled through to later delinquency cycles in most businesses and a weak debt sale market.

The CRL coverage ratios were higher at 31st December 2010 in Retail Home Loans at 19.9% (2009: 17.0%) and in Retail Credit Cards Unsecured and Other Retail Lending at 72.8%, (2009: 70.8%) but remained within typical severity rate ranges for these types of products.

| Retail loans and advances at amortised cost | Gross loans and advances £m | Impairment allowance £m | Loans and advances net of impairment £m | Credit risk loans £m | CRLs % of gross loans and advances % | Impairment charges £m | Loan loss rates bps |
|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | |
| UK Retail Banking | **113,800** | **1,737** | **112,063** | **3,166** | **2.8%** | **739** | **65** |
| Barclaycard | **29,281** | **2,981** | **26,300** | **3,678** | **12.6%** | **1,668** | **570** |
| WE Retail Banking[a] | **44,500** | **833** | **43,667** | **1,729** | **3.9%** | **314** | **71** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Barclays Africa | **1,962** | **160** | **1,802** | **177** | **9.0%** | **54** | **275** |
| Absa | **30,537** | **842** | **29,695** | **3,190** | **10.4%** | **385** | **126** |
| Barclays Corporate[b] | **1,671** | **255** | **1,416** | **301** | **18.0%** | **115** | **688** |
| Barclays Wealth | **13,584** | **75** | **13,509** | **330** | **2.4%** | **21** | **15** |
| **Total** | **235,335** | **6,883** | **228,452** | **12,571** | **5.3%** | **3,296** | **140** |
| **As at 31st December 2009** | | | | | | | |
| UK Retail Banking | 101,064 | 1,587 | 99,477 | 3,262 | 3.2% | 936 | 93 |
| Barclaycard | 29,460 | 2,670 | 26,790 | 3,392 | 11.5% | 1,781 | 605 |
| WE Retail Banking[a] | 42,012 | 673 | 41,339 | 1,410 | 3.4% | 334 | 80 |
| Barclays Africa | 1,811 | 138 | 1,673 | 163 | 9.0% | 88 | 486 |
| Absa | 27,288 | 655 | 26,633 | 2,573 | 9.4% | 500 | 183 |
| Barclays Corporate[b] | 1,882 | 340 | 1,542 | 397 | 21.1% | 246 | 1,307 |
| Barclays Wealth | 9,972 | 56 | 9,916 | 306 | 3.1% | 34 | 34 |
| **Total** | 213,489 | 6,119 | 207,370 | 11,503 | 5.4% | 3,919 | 184 |

**Analysis of retail loans and advances to customers at amortised cost net of impairment allowances**

| | **Home loans** | | **Credit cards and unsecured loans** | | **Other retail lending** | | **Total retail** | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| **As at 31st December** | **£m** | £m | **£m** | £m | **£m** | £m | **£m** | £m |
| UK Retail Banking | **101,210** | 87,943 | **6,500** | 7,329 | **4,353** | 4,205 | **112,063** | 99,477 |
| Barclaycard | | | **20,991** | 21,564 | **5,309** | 5,226 | **26,300** | 26,790 |
| WE Retail Banking | **36,395** | 34,506 | **4,756** | 3,511 | **2,516** | 3,322 | **43,667** | 41,339 |
| Barclays Africa | **203** | 142 | **1,598** | 1,520 | **1** | 11 | **1,802** | 1,673 |
| Absa | **23,988** | 20,492 | **2,447** | 2,282 | **3,260** | 3,859 | **29,695** | 26,633 |
| Barclays Corporate | **377** | 396 | **783** | 984 | **256** | 162 | **1,416** | 1,542 |
| Barclays Wealth | **5,882** | 5,620 | **2,096** | 1,822 | **5,531** | 2,474 | **13,509** | 9,916 |
| **Total** | **168,055** | 149,099 | **39,171** | 39,012 | **21,226** | 19,259 | **228,452** | 207,370 |

Notes

a Western Europe Retail Banking includes loans and advances to business customers at amortised cost.

b Barclays Corporate primarily includes retail portfolios in India, UAE and Russia.

Table of Contents



# Risk management

## Credit risk management continued

**Retail Impairment**

In Retail portfolios, the impairment charge against loans and advances fell 16% to £3,296m (2009: £3,919m) as a result of lower charges across all businesses. This reflected the improving economic conditions compared to 2009, particularly in the labour and housing sectors, the continuing low interest rate environment, credit actions taken and an improved collections performance. This improvement was partially offset by the impact of a fall in house prices in Spain. The largest improvement was in UK Retail Banking which decreased 21% to £739m principally due to lower charges-offs and flows into collections in unsecured loans and overdrafts. The decrease of 6% to £1,668m in Barclaycard reflected positive underlying delinquency and bankruptcy trends, most notably in the US Cards and Absa Cards portfolios.

In Barclays Corporate, the impairment of retail portfolios decreased 53% to £115m, reflecting improving delinquency performance in the Indian and UAE portfolios. In Absa, impairment fell 23% to £385m mainly as a result of improvement in the retail mortgage portfolio partially offset by the appreciation in the value of the Rand against Sterling. Impairment charges were also lower in Western Europe Retail Banking, primarily due to an improved performance in collections and lower delinquency rates in the majority of the Spanish portfolios. Impairment charges reduced in Barclays Africa as a result of an improved collections performance.

The loan loss rate across the Group s Retail portfolios for 2010 was 140bps (2009: 184bps).

The principal uncertainties relating to the performance of the Group s retail portfolios in 2011 include the:

- increase in unemployment due to fiscal-tightening and other measures;
- sustainability of economic recovery particularly in the UK, US, Spain and South Africa;
- impact of rising inflation and the speed and extent of interest rate rises on affordability; and
- the possibility of any further falls in residential property prices in the UK, South Africa and Western Europe.

**Home Loans**

The Group s principal Home Loan portfolios consisted of UK Retail Banking (60% of the Group total), Western Europe Retail Banking (primarily Spain and Italy) (22%) and South Africa (14%). These portfolios account for 96% of the Group s Home Loan portfolios.

| Home loans principal portfolios[a] | Three month arrears[b] % | Gross charge-off rates[c] | Recoveries proportion of outstanding balances | Recoveries impairment coverage ratio[d] |
|---|---|---|---|---|

| | | % | % | % |
|---|---|---|---|---|
| **As at 31st December 2010** | | | | |
| UK | **0.3** | **0.5** | **0.7** | **8.6** |
| South Africa | **3.9** | **3.5** | **6.7** | **31.7** |
| Spain | **0.4** | **0.7** | **1.6** | **32.0** |
| Italy | **0.8** | **0.6** | **1.2** | **29.0** |
| **As at 31st December 2009** | | | | |
| UK | 0.3 | 0.9 | 0.8 | 4.8 |
| South Africa | 4.1 | 4.0 | 5.6 | 30.1 |
| Spain | 0.6 | 1.3 | 1.5 | 10.3 |
| Italy | 1.0 | 0.5 | 0.9 | 32.9 |

| **Home loans principal portfolios[a]** | **Average LTV on new mortgages** % | **New mortgages proportion above 85% LTV** % | **Portfolio marked to market LTV[e]** % | **Portfolio proportion above 85% LTV[e]** % |
|---|---|---|---|---|
| **As at 31st December 2010** | | | | |
| UK | **52** | **<1** | **43** | **10** |
| South Africa | **61** | **30** | **45** | **27** |
| Spain[f] | **61** | **1** | **58** | **12** |
| Italy | **59** | **<1** | **45** | **2** |
| **As at 31st December 2009** | | | | |
| UK | 48 | 1 | 43 | 14 |
| South Africa | 56 | 25 | 47 | 36 |
| Spain[f] | 58 | <1 | 54 | 10 |
| Italy | 51 | 1 | 45 | 2 |

Notes

a Comprising: UK: UK Retail Banking residential and buy to let mortgage portfolios; South Africa: Absa retail home loans portfolio; Spain and Italy: Retail mortgage portfolios.

b Defined as balances greater than 90 days delinquent but not charged off to recoveries, expressed as a percentage of outstanding balances excluding balances in recoveries. UK three month arrears rates for 2009 have been re-stated from 1.04% to exclude balances in recoveries.

c Defined as balances that were charged off to recoveries in the reporting period, expressed as a percentage of average outstanding balances excluding balances in recoveries.

d Defined as impairment allowance held against recoveries balances expressed as a percentage of balance in recoveries.

e Portfolio mark-to-market based on current valuations including recoveries balances.

f Spain mark-to-market methodology based on balance weighted approach as per Bank of Spain requirements.

**Table of Contents**



In 2010 Barclays increased lending to meet customer demand, most notably in the UK, whilst maintaining a broadly stable risk appetite. Total Home Loans net of impairment to retail customers rose 13% to £168,055m (2009: £149,099m) principally due to an increase in the Home Loans portfolios within UK Retail Banking which grew 15% to £101,210m (2009: £87,943m). Home Loans represented 74% of total retail loans and advances to customers net of impairment on 31st December 2010 (2009: 72%).

Home Loans was a principal driver of retail asset growth in 2010. The growth was mainly in the UK Home Loans portfolio driven by the acquisition of Standard Life Bank and increased lending. The gross new lending in Home Loans in 2010 was £16,875m in the UK (2009: £14,180m), £1,898m in South Africa (2009: £1,583m), £1,963m in Spain (2009: £2,352m), £3,561m in Italy (2009: £2,860m).

Improvements in arrears rates during 2010 were driven by balance growth and increased customer affordability supported by the low base rate environment. The improvement in arrears rates drove lower gross charge-off rates in the majority of portfolios.

Three month arrears rates within the South African portfolio improved as debt counselling balances held in late stage delinquency cycles moved to recoveries. Recoveries as a proportion of outstanding balances increased throughout 2010 as accounts remained in recoveries for an extended period as a result of a longer time taken to realise securities due to increased debt counselling balances moving into recoveries.

The asset quality of Barclays principal Home Loan portfolios has continued to be within expectations in the current economic conditions, as a result of the moderate average LTV of the existing portfolio and the range of LTVs of new mortgage lending.

Barclays has broadly maintained its risk appetite in 2010. There has been an increase across all portfolios in the average LTV on new mortgages, offset by redemptions resulting in year end marked to market LTVs broadly remaining unchanged compared to December 2009.

The increase of average LTV for new mortgage business in the UK and Spain was driven by an increased proportion of new mortgages from house purchase as the remortgage sector contracted significantly. In South Africa, the increase was driven by targeted acquisition criteria for higher LTV lending to better quality customers with an existing banking relationship with Absa.

In the UK, buy to let mortgages comprised 6% of the total stock as at 31st December 2010.

**Credit Cards and Unsecured Loans**

The Group s principal Credit Cards and Unsecured Loans portfolios are primarily comprised of UK Cards (28% of Group s total Credit Cards and Unsecured Loans), UK Loans (14%) and US Cards (17%). These account for 59% of the Group s Credit Cards and Unsecured Loans.

Gross new lending in 2010 for UK Cards was £2,298m (2009: £1,414m), for UK Loans was £2,212m (2009: £2,339m), and for US Cards was £4,126m (2009: £4,837m), representing the three main Credit Cards and Unsecured Loans retail portfolios in the Group. Loans and advances to customers net of impairment allowances remained broadly flat in 2010 at £39,171m (2009: £39,012m).

Three month arrears rates improved across all of Group s largest unsecured portfolios in 2010. UK Cards arrears rates fell to 1.5% (2009: 1.8%), reflecting the impact of improving economic conditions during 2010, while UK Loans arrears rates fell to 2.6% (2009: 3.8%) and US Cards arrears rates fell to 2.5% (2009: 3.3%).

| Credit cards and unsecured loans principal portfolios | One month arrears[a] | Three month | Gross charge-off | Recoveries proportion of | Recoveries impairment |
|---|---|---|---|---|---|

| | % | arrears[a] % | rates[b] % | outstanding balances % | coverage ratio[c] % |
|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | |
| UK Cards | **3.4** | **1.5** | **8.4** | **9.1** | **83.9** |
| UK Loans | **4.7** | **2.6** | **7.9** | **18.5** | **82.5** |
| US Cards | **4.6** | **2.5** | **12.2** | **8.1** | **93.8** |
| **As at 31st December 2009** | | | | | |
| UK Cards | 4.2 | 1.8 | 7.4 | 8.5 | 81.3 |
| UK Loans[d] | 6.1 | 3.8 | 8.2 | 16.8 | 80.7 |
| US Cards | 6.1 | 3.3 | 12.2 | 6.4 | 91.7 |

Notes

a Defined as balances greater than 30 or 90 days delinquent but not charged off to recoveries, expressed as a percentage of outstanding balances excluding balances in recovery. Percentages include accounts in forbearance programmes.

b Defined as balances that charged-off to recoveries in the reporting period, expressed as a percentage of average outstanding balances excluding balances in recoveries.

c Defined as impairment allowance held against recoveries balances, expressed as a percentage of balances in recoveries.

d UK Loans three month arrears rates for 2009 have been restated from 2.74% to align with new arrears definitions as per Group policy.

# Risk management

## Credit risk management continued

The recoveries impairment coverage ratios as at 31st December 2010 were 83.9% for UK Cards (2009: 81.3%), 82.5% for UK Loans (2009: 80.7%), and 93.8% for US Cards (2009: 91.7%).

Recoveries impairment coverage ratio against UK Cards, UK Loans and US Cards improved during 2010.

**Retail Forbearance Programmes**

Barclays forbearance programmes with the largest impairment allowances were in the Credit Cards and Unsecured Loans portfolios. Forbearance programme balances and impairment coverage ratios within the Group s principal Credit Cards and Unsecured Loans portfolios as at 31st December 2010 were:

UK Cards: Balances £875m, Impairment Coverage 35.1% (2009: £942m, 28.1%);

UK Loans: Balances £215m, Impairment Coverage 31.7% (2009: £202m, 18.8%); and

US Cards: Balances £150m, Impairment Coverage 18.4% (2009: £198m, 20.5%).

The impairment coverage of UK Cards and Loans Forbearance Programmes improved during 2010.

The impairment coverage of US Cards Forbearance Programmes decreased as a result of an improvement in portfolio mix to lower delinquency cycles, which are impaired at lower rates.

In addition, the Group has forbearance programmes on secured portfolios, principally Home Loans in the UK and South Africa, against which appropriate impairment allowances are held in line with the Group s impairment policy. Due to the value of the security held against these loans, impairment allowances held against our UK and South African Home Loan balances in forbearance are less significant than those held against Credit Cards and Unsecured Loans in forbearance.

**Other Retail Lending**

Other Retail Lending net of impairment was £21,226m (2009: £19,259m). This balance primarily consisted of the Local Business portfolio in UK Retail Banking (20%), the Barclays Partner Finance (9%) and FirstPlus (16%) portfolios in Barclaycard, Absa Vehicle and Asset Finance (15%) and other secured lending portfolios in Barclays Wealth (26%).

Impairment charges on these portfolios decreased 10% to £453m (2009: £506m). Impairment charges on the Barclays Partner Finance portfolio decreased 5% to £106m (2009: £111m) and on the UK Secured Lending portfolio (FirstPlus) 31% to £112m (2009: £163m) driven by improved economic conditions, previous credit risk actions and, in the case of FirstPlus, the run-off of the portfolio. Impairment charges on the Absa Vehicle and Asset Finance portfolio decreased 12% to

£73m (2009: £83m) reflecting the impact of exchange rate movements. Impairment charges on the other secured lending in Barclays Wealth reduced by 54% to £6m (2009: £13m) due to impairment in Spain in 2009 not recurring. Impairment charges on the Local Business portfolio in UK Retail Banking increased 15% to £156m (2009: £136m).

## Credit Quality of Loans and Advances (audited)

All loans and advances are categorised as either:

- neither past due nor individually impaired;
- past due but not individually impaired; or
- individually impaired, which includes restructured loans.

For the purposes of the disclosures:

- A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract.
- The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment. Loans subject to collective impairment allowances are included in either Neither past due but not impaired or Past due but not impaired.
- Credit risk loans comprise loans and advances to banks and customers 90 days overdue or more and those subject to individual impairment.
- The coverage ratio is calculated by reference to the total impairment allowance and the carrying value (before impairment) of credit risk loans.

| Credit quality of loans and advances (audited) | Neither past due nor individually impaired[a] £m | Past due but not individually impaired[b] £m | Individually impaired £m | Total £m | Impairment allowance £m | Total carrying value £ m | Credit risk loans[c] £m | Coverage ratio % |
|---|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | | |
| **Trading portfolio:** | | | | | | | | |
| Traded loans | 2,170 | | | 2,170 | | 2,170 | | |
| **Financial assets designated at fair value:** | | | | | | | | |
| Loans and advances | 22,273 | 79 | | 22,352 | | 22,352 | | |
| Other financial assets | | | | | | | | |
| **Loans and advances to banks** | 37,149 | 663 | 35 | 37,847 | (48) | 37,799 | 35 | 100.0 |
| **Loans and advances to customers:** | | | | | | | | |
| Home loans | 156,908 | 9,488 | 2,513 | 168,909 | (854) | 168,055 | 4,294 | 19.9 |
| Credit card receivables | 20,734 | 1,253 | 3,112 | 25,099 | (2,441) | 22,658 | 3,642 | 67.0 |
| Other personal lending | 24,363 | 1,975 | 3,397 | 29,735 | (3,127) | 26,608 | 3,886 | 80.5 |
| Wholesale and corporate | 181,473 | 6,746 | 18,010 | 206,229 | (5,611) | 200,618 | 19,331 | 29.0 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Finance lease receivables | **9,338** | **589** | **427** | **10,354** | **(351)** | **10,003** | **694** | **50.6** |
| **Total** | **454,408** | **20,793** | **27,494** | **502,695** | **(12,432)** | **490,263** | **31,882** | **39.0** |
| **As at 31st December 2009** | | | | | | | | |
| **Trading portfolio:** | | | | | | | | |
| Traded loans | 2,962 | | | 2,962 | | 2,962 | | |
| **Financial assets designated at fair value:** | | | | | | | | |
| Loans and advances | 22,210 | 180 | | 22,390 | | 22,390 | | |
| Other financial assets | 557 | | | 557 | | 557 | | |
| **Loans and advances to banks** | 38,859 | 2,280 | 57 | 41,196 | (61) | 41,135 | 57 | 100.0 |
| **Loans and advances to customers:** | | | | | | | | |
| Home loans[d] | 139,045 | 8,839 | 1,854 | 149,738 | (639) | 149,099 | 3,758 | 17.0 |
| Credit card receivables | 20,195 | 1,544 | 2,459 | 24,198 | (2,309) | 21,889 | 3,068 | 75.3 |
| Other personal lending | 23,796 | 2,175 | 2,372 | 28,343 | (2,908) | 25,435 | 3,466 | 83.9 |
| Wholesale and corporate | 199,800 | 7,598 | 10,088 | 217,486 | (4,558) | 212,928 | 11,497 | 39.6 |
| Finance lease receivables | 10,128 | 664 | 402 | 11,194 | (321) | 10,873 | 696 | 46.1 |
| **Total** | 457,552 | 23,280 | 17,232 | 498,064 | (10,796) | 487,268 | 22,542 | 47.9 |

Notes

a Financial assets subject to collective impairment allowance are included in this column if they are not past due.

b Financial assets subject to collective impairment allowance are included in this column if they are past due.

c Credit risk loans include the loan to Protium of £7,560m against which an impairment of £532m is held.

d Comparative figures for Home loans have been restated to align with externally disclosed arrears definitions.

# Risk management

## Credit risk management continued

| Credit quality of loans and advances neither past due nor individually impaired (audited) | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31st December | Strong £m | Satisfactory £m | Higher risk £m | Total £m | Strong £m | Satisfactory £m | Higher risk £m | Total £m |
| **Trading portfolio:** | | | | | | | | |
| Traded loans | **352** | **1,203** | **615** | **2,170** | 1,366 | 1,290 | 306 | 2,962 |
| **Financial assets designated at fair value:** | | | | | | | | |
| Loans and advances | **17,496** | **2,100** | **2,677** | **22,273** | 15,909 | 3,809 | 2,492 | 22,210 |
| Other financial assets | | | | | 261 | | 296 | 557 |
| **Loans and advances to banks** | **35,666** | **1,360** | **123** | **37,149** | 35,825 | 2,492 | 542 | 38,859 |
| **Loans and advances to customers:** | | | | | | | | |
| Home loans | **85,351** | **69,784** | **1,773** | **156,908** | 66,831 | 69,890 | 2,324 | 139,045 |
| Credit card receivables | | **20,538** | **196** | **20,734** | | 20,038 | 157 | 20,195 |
| Other personal lending | **5,555** | **16,130** | **2,678** | **24,363** | 3,417 | 18,108 | 2,271 | 23,796 |
| Wholesale and corporate | **115,783** | **59,921** | **5,769** | **181,473** | 119,764 | 70,132 | 9,904 | 199,800 |
| Finance lease receivables | **3,684** | **5,228** | **426** | **9,338** | 2,664 | 7,082 | 382 | 10,128 |
| **Total loans and advances** | **263,887** | **176,264** | **14,257** | **454,408** | 246,037 | 192,841 | 18,674 | 457,552 |

For the purposes of the analysis of credit quality, the following internal measures of credit quality have been used:

| Financial statements description | Retail lending Probability of default | Wholesale lending Probability of default | Default grade |
|---|---|---|---|
| Strong | 0.0-0.60% | 0.0-0.05% | 1-3 |
| | | 0.05-0.15% | 4-5 |
| | | 0.15-0.30% | 6-8 |
| | | 0.30-0.60% | 9-11 |
| Satisfactory | 0.60-10.00% | 0.60-2.15% | 12-14 |
| | | 2.15-11.35% | 15-19 |
| Higher risk | 10.00%+ | 11.35%+ | 20-21 |

Financial statement descriptions can be summarised as follows:

Strong there is a very high likelihood of the asset being recovered in full.

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 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.

Higher risk 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 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.

Table of Contents



**Loans and advances that are past due but not individually impaired**

An age analysis of loans and advances 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 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 table below provides a breakdown of total financial assets past due but not individually impaired. In general, retail and wholesale loans fall into this category for two separate reasons. Retail loans and advances to

customers may come under this category because the impairment allowance on such loans is calculated on a collective not individual basis. This reflects the homogenous nature of the assets, which allows statistical techniques to be used, rather than individual assessment. In contrast, some loans to Wholesale customers and banks may come under this category because of instances where a payment on a loan is past due without requiring an individual impairment allowance. For example, an individual impairment allowance will not be required when a loss is not expected due to a corporate loan being fully secured or collateralised. As a result, it is past due but not individually impaired.

| Loans and advances past due but not individually impaired (audited) | Past due up to 1 month £m | Past due 1-2 months £m | Past due 2-3 months £m | Past due 3-6 months £m | Past due 6 months and over £m | Total £m | Of which credit risk loans £m |
|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | | |
| **Financial assets designated at fair value:** | | | | | | | |
| Loans and advances | | | **70** | **1** | **8** | **79** | |
| **Loans and advances to banks** | **663** | | | | | **663** | |
| **Loans and advances to customers:** | | | | | | | |
| Home loans | **4,915** | **1,875** | **917** | **1,381** | **400** | **9,488** | **1,781** |
| Credit card receivables | **214** | **156** | **353** | **441** | **89** | **1,253** | **530** |
| Other personal lending | **422** | **672** | **392** | **362** | **127** | **1,975** | **489** |
| Wholesale and corporate | **4,104** | **788** | **533** | **620** | **701** | **6,746** | **1,321** |
| Finance lease receivables | **175** | **80** | **67** | **266** | **1** | **589** | **267** |
| **Total loans and advances to customers** | **9,830** | **3,571** | **2,262** | **3,070** | **1,318** | **20,051** | **4,388** |
| **Total financial assets past due but not individually impaired** | **10,493** | **3,571** | **2,332** | **3,071** | **1,326** | **20,793** | **4,388** |
| **As at 31st December 2009** | | | | | | | |
| **Financial assets designated at fair value:** | | | | | | | |
| Loans and advances | 170 | | 1 | | 9 | 180 | |
| **Loans and advances to banks** | 2,280 | | | | | 2,280 | |
| **Loans and advances to customers:** | | | | | | | |
| Home loans | 4,849 | 1,453 | 633 | 1,403 | 501 | 8,839 | 1,904 |
| Credit card receivables | 501 | 214 | 220 | 459 | 150 | 1,544 | 609 |
| Other personal lending | 369 | 295 | 417 | 413 | 681 | 2,175 | 1,094 |
| Wholesale and corporate | 5,403 | 292 | 494 | 866 | 543 | 7,598 | 1,409 |
| Finance lease receivables | 186 | 86 | 98 | 282 | 12 | 664 | 294 |
| **Total loans and advances to customers** | 11,308 | 2,340 | 1,862 | 3,423 | 1,887 | 20,820 | 5,310 |
| **Total financial assets past due but not individually impaired** | 13,758 | 2,340 | 1,863 | 3,423 | 1,896 | 23,280 | 5,310 |

| Loans and advances individually assessed as impaired (audited) As at 31st December | 2010 | 2009 |
|---|---|---|

| | Original carrying amount £m | Impairment allowance £m | Revised carrying amount £m | Original carrying amount £m | Impairment allowance £m | Revised carrying amount £m |
|---|---|---|---|---|---|---|
| **Total loans and advances to banks individually impaired** | **35** | **(31)** | **4** | 57 | (49) | 8 |
| **Loans and advances to customers:** | | | | | | |
| Home loans | **2,513** | **(627)** | **1,886** | 1,854 | (317) | 1,537 |
| Credit card receivables | **3,112** | **(2,025)** | **1,087** | 2,459 | (1,690) | 769 |
| Other personal lending | **3,397** | **(2,075)** | **1,322** | 2,372 | (1,531) | 841 |
| Wholesale and corporate | **18,010** | **(4,986)** | **13,024** | 10,088 | (3,837) | 6,251 |
| Finance lease receivables | **427** | **(265)** | **162** | 402 | (233) | 169 |
| **Total loans and advances individually impaired** | **27,494** | **(10,009)** | **17,485** | 17,232 | (7,657) | 9,575 |
| **Collective impairment allowance** | | **(2,423)** | | | (3,139) | |
| **Total impairment allowance** | | **(12,432)** | | | (10,796) | |

# Risk management

## Credit risk management continued

**Renegotiated loans and advances (audited)**

Loans and advances 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 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.

**Collateral and other credit enhancements held (audited)**

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 loans, Home Loans and finance lease receivables. Credit card receivables and other personal lending are generally unsecured (although in some instances a charge over the borrower s property or other assets may be sought).

**Corporate loans (audited)**

Security is usually taken in the form of a fixed charge over the borrower s property or a floating charge over the assets of the borrower. Loan covenants may be put in place to safeguard the Group 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. 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.

**Home loans (audited)**

Home loans are secured by a fixed charge over residential property. The estimated fair value of collateral held as at 31st December 2010 in respect of Home Loans that are past due or individually assessed as impaired was £10,057m (2009: £9,628m).

Collateral held 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.

**Finance lease receivables (audited)**

The net investment in the lease is secured through retention of legal title to the leased assets.

**Collateral and other credit enhancements obtained (audited)**

The carrying value of assets held by the Group as at 31st December 2010 as a result of the enforcement of collateral was as follows:

| Assets received (audited)<br>As at 31st December | 2010<br>Carrying<br>amount | 2009<br>Carrying<br>amount |
|---|---|---|

| | £m | £m |
|---|---|---|
| Residential property | **71** | 71 |
| Commercial and industrial property | **14** | 66 |
| Other credit enhancements | **210** | 248 |
| **Total** | **295** | 385 |

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.

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.

**Table of Contents**



## Debt Securities

### Credit Quality of Debt Securities (audited)

Trading portfolio assets, financial assets designated at fair value and available for sale assets are measured on a fair value basis. The fair value will reflect, among other things, the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group mainly uses external credit ratings provided by Standard & Poor s or Moody s. Where such ratings are not available or are not current, the Group will use its own internal ratings for the securities.

Included in the table below are impaired available for sale debt securities with a carrying value at 31st December 2010 of £358m (2009: £265m), after a write down of £583m (2009: £692m). Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

Debt securities and other bills increased by £20.5bn, with the most significant increases relating to investment grade government securities. Securities rated as sub-investment grade increased by £2.1bn, reflecting the receivable arising as part of the acquisition of the North American business of Lehman Brothers, moving from loans and advances to available for sale assets.

Securities rated as investment grade amounted to 93.0% of the portfolio (2009: 91.8%). An analysis of the credit quality of the Group s debt securities is set out below:

| Debt securities (audited) | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | AAA to BBB- (investment grade) | BB+ to B | B- and below | Total | AAA to BBB- (investment grade) | BB+ to B | B- and below | Total |
| As at 31st December | £m | £m | £m | £m | £m | £m | £m | £m |
| Trading portfolio | **130,744** | **6,663** | **1,833** | **139,240** | 119,138 | 5,346 | 2,036 | 126,520 |
| Financial assets designated at fair value | **942** | **644** | **332** | **1,918** | 2,200 | 1,791 | 16 | 4,007 |
| Available for sale financial investments | **55,107** | **2,022** | **2,500** | **59,629** | 44,233 | 5,055 | 519 | 49,807 |
| **Total debt securities** | **186,793** | **9,329** | **4,665** | **200,787** | 165,571 | 12,192 | 2,571 | 180,334 |
| **% of total** | **93.0%** | **4.7%** | **2.3%** | **100.0%** | 91.8% | 6.8% | 1.4% | 100.0% |

| Debt securities | 2010 | | 2009 | |
|---|---|---|---|---|
| As at 31st December | £m | % | £m | % |
| **Of which issued by:** | | | | |
| Governments and other public bodies | **107,922** | **53.7%** | 88,083 | 48.8% |
| US agency | **30,048** | **15.0%** | 23,924 | 13.3% |
| Mortgage and asset-backed securities | **13,993** | **7.0%** | 17,826 | 9.9% |
| Corporate and other issuers | **47,321** | **23.6%** | 41,641 | 23.1% |
| Bank and building society certificates of deposit | **1,503** | **0.7%** | 8,860 | 4.9% |
| **Total** | **200,787** | **100.0%** | 180,334 | 100.0% |

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. The Group held the following government securities which exceeded 10% of shareholders equity in any of the last three years. These securities are held at fair value.

| Government securities<br>As at 31st December | 2010<br>Book value<br>£m | 2009<br>Book value<br>£m | 2008<br>Book value<br>£m |
|---|---|---|---|
| United States | **25,553** | 17,356 | 17,165 |
| United Kingdom | **21,999** | 6,892 | 8,193 |
| Japan | **7,210** | 7,609 | 9,092 |
| Spain | **6,573** | 4,948 | 3,647 |
| Italy | **6,443** | 6,297 | 6,091 |
| Germany | **3,008** | 9,698 | 5,832 |

# Risk management

## Credit risk management continued

### Derivatives (audited)

The Group s use of derivative contracts is outlined on page 213.

The Group is exposed to credit risk on derivative contracts, which arises as a result of counterparty credit risk and movements in the fair value of credit derivatives. The Group s exposure to counterparty risk is affected by the nature of the trades, the credit worthiness of the counterparty, and netting and collateral arrangements. Details of credit derivatives are disclosed on page 213.

**Nature of derivative trades**

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.

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.

**Counterparty credit quality**

The credit quality of the Group s derivative assets according to the credit quality of the counterparty at 31st December 2010 and 2009 was as follows:

| Credit quality (audited) | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | AAA to BBB- (investment grade) | BB+ to B | B- and below | Total | AAA to BBB- (investment grade) | BB+ to B | B- and below | Total |
| As at 31st December | £m | £m | £m | £m | £m | £m | £m | £m |
| **Derivatives** | **401,242** | **15,598** | **3,479** | **420,319** | 399,534 | 15,565 | 1,716 | 416,815 |
| | **95.5%** | **3.7%** | **0.8%** | **100.0%** | 95.9% | 3.7% | 0.4% | 100.0% |

**Netting and collateral arrangements**

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Group policy requires all netting arrangements to be legally documented. The ISDA Master Agreement is the Group s preferred agreement for documenting OTC derivatives. 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 predetermined events occur.

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction. 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 collateral obtained for derivatives is either cash, direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country, debt issued by supranationals or letters of credit issued by an institution with a long-term unsecured debt rating of A+/A3 or better. Where the Group has ISDA master agreements, 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.

Under IFRS, netting is permitted only if both of the following criteria are satisfied:

- the entity has a legally enforceable right to set off the recognised amounts; and

- the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

This results in Gross derivative assets of £420bn (2009: £417bn).

Under US GAAP, netting is also permitted, regardless of the intention to settle on a net basis, where there is a counterparty master agreement that would be enforceable in the event of bankruptcy.

The tables below set out the fair values of the derivative assets together with the value of those assets subject to enforceable counterparty netting arrangements for which the Group holds offsetting liabilities and eligible collateral.

| Derivative assets | Gross assets £m | Counterparty netting £m | Net exposure £m |
|---|---|---|---|
| **As at 31st December 2010** | | | |
| Foreign exchange | **60,494** | **49,405** | **11,089** |
| Interest rate | **272,386** | **224,124** | **48,262** |
| Credit derivatives | **47,017** | **39,786** | **7,231** |
| Equity and stock index | **14,586** | **10,523** | **4,063** |
| Commodity derivatives | **25,836** | **16,629** | **9,207** |
| | **420,319** | **340,467** | **79,852** |
| **Total collateral held** | | | **37,289** |
| **Net exposure less collateral** | | | **42,563** |
| **As at 31st December 2009** | | | |
| Foreign exchange | 51,775 | 45,391 | 6,384 |
| Interest rate | 261,211 | 213,446 | 47,765 |
| Credit derivatives | 56,295 | 48,774 | 7,521 |
| Equity and stock index | 17,784 | 13,330 | 4,454 |
| Commodity derivatives | 29,750 | 21,687 | 8,063 |
| | 416,815 | 342,628 | 74,187 |
| **Total collateral held** | | | 31,471 |
| **Net exposure less collateral** | | | 42,716 |

Derivative asset exposures would be £378bn (2009: £374bn) lower than reported under IFRS if netting were permitted for assets and liabilities subject to enforceable counterparty netting arrangements or for which we hold cash collateral. Derivative liabilities would be £362bn (2009: £363bn) lower reflecting counterparty netting and collateral placed.

Exposure relating to derivatives, repurchase agreements, reverse repurchase agreements, stock borrowing and loan transactions is calculated using internal FSA approved models. These are used as the basis to assess both regulatory capital and capital appetite and are managed on a daily basis. The methodology encompasses all relevant factors to enable the current value to be calculated and the future value to be estimated, for example: current market rates, market volatility and legal documentation (including collateral rights).

## Reverse Repurchase Agreements and Other Financial Assets (audited)

| Credit quality (audited) | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| As at 31st December | AAA to BBB- (investment grade) | BB+ to B £m | B- and below £m | Total £m | AAA to BBB- (investment grade) | BB+ to B £m | B- and below £m | Total £m |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | £m | | | | £m | | | |
| **Financial assets designated at fair value** | | | | | | | | |
| **Other financial assets** | **7,285** | **271** | **3** | **7,559** | 4,749 | 1,955 | 1,053 | 7,757 |
| **Reverse repurchase agreements** | **179,625** | **24,801** | **1,346** | **205,772** | 136,366 | 6,674 | 391 | 143,431 |
| **Total reverse repurchase agreements** | **186,910** | **25,072** | **1,349** | **213,331** | 141,115 | 8,629 | 1,444 | 151,188 |
| | **87.6%** | **11.8%** | **0.6%** | **100.0%** | 93.3% | 5.7% | 1.0% | 100.0% |

No reverse repurchase agreements held by the Group at 31st December 2010 or 2009 were individually impaired, however during the year, the Group wrote back £4m of impairment on reverse repurchase agreements (2009: £43m charge).

## Other Credit Risk Assets (audited)

### Cash and balances at central banks

Cash and balances at central banks were £97,630m (2009: £81,483m). There is a reduced level of credit risk in relation to balances at central banks.

### Items in the course of collection from other banks

Items in the course of collection from other banks were £1,384m (2009: £1,593m) on which there is a reduced credit risk in light of the banking industry clearing system.

### Other financial assets

Other financial assets comprise £2,824m (2009: £3,476m) of other assets and £2,542m (2009: £344m) of assets held at fair value.

### Off-balance sheet

The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

# Risk management

## Credit risk management continued

### Risk Features in the Portfolio

Risk features in the portfolio are asset classes that are considered to be higher risk than the Group s normal activities and are subject to a higher level of scrutiny in our management of credit risk. The main exposures at 31st December 2010 to which significant management attention is given are:

Barclays Capital credit market exposures; and

Exposures to selected Eurozone and other countries.
These are described in more detail below.

### Barclays Capital Credit Market Exposures

Barclays Capital s credit market exposures primarily relate to commercial real estate, leveraged finance and a loan to Protium Finance LP. These include positions subject to fair value movements in the income statement and positions that are classified as loans and advances and as available for sale.

The balances and write downs presented below represent credit market exposures held at the time of the market dislocation in mid-2007. Similar assets acquired subsequent to the market dislocation are actively traded in secondary markets and are therefore excluded from this disclosure.

The balances and write downs to 31st December 2010 are set out by asset class below:

| Barclays Capital Credit Market Exposures[a] (audited) | As at 31st December | | | | Year ended 31st December 2010 | | |
|---|---|---|---|---|---|---|---|
| | | | | | Fair value (losses)/ gains | Impairment (charge)/ release | Total (losses)/ gains |
| | 2010 $m | 2009 $m | 2010 £m | 2009 £m | £m | £m | £m |
| **US Residential Mortgages** | | | | | | | |
| ABS CDO Super Senior | **3,085** | 3,127 | **1,992** | 1,931 | | **137** | **137** |
| Other US sub-prime and Alt-A[b] | **1,025** | 1,447 | **662** | 894 | **(43)** | **(11)** | **(54)** |
| Monoline protection on US RMBS | | 9 | | 6 | **(1)** | | **(1)** |
| **Commercial Mortgages** | | | | | | | |
| Commercial real estate loans and properties owned | **11,006** | 12,525 | **7,106** | 7,734 | **(110)** | | **(110)** |
| Commercial mortgage-backed securities[b] | **184** | 352 | **119** | 218 | **(5)** | | **(5)** |
| Monoline protection on CMBS | **18** | 49 | **12** | 30 | **40** | | **40** |
| **Other Credit Market** | | | | | | | |
| Leveraged Finance[c] | **7,636** | 8,919 | **4,930** | 5,507 | | **(242)** | **(242)** |
| SIVs, SIV-Lites and CDPCs | **618** | 896 | **399** | 553 | **50** | **27** | **77** |
| Monoline protection on CLO and other | **2,541** | 3,443 | **1,641** | 2,126 | **(55)** | | **(55)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Loan to Protium** | **10,884** | 12,727 | **7,028** | 7,859 | | **(532)** | **(532)** |
| **Total** | **36,997** | 43,494 | **23,889** | 26,858 | **(124)** | **(621)** | **(745)** |

During the year ended 31st December 2010, these credit market exposures decreased £2,969m to £23,889m (2009: £26,858m). The decrease reflected net sales and paydowns and other movements of £3,000m and total write downs of £745m, offset by foreign exchange rate movements of £776m, primarily relating to the appreciation of the US Dollar against Sterling.

In the year ended 31st December 2010, write downs comprised £621m (2009: £1,669m) of impairment charges and £124m (2009: £4,417m) of net fair value losses through income. Total write downs included an impairment charge of £532m (2009: £nil) relating to the Protium loan, losses of £75m (2009: £3,007m) against commercial mortgage positions and losses of £220m (2009: £997m) against other credit market positions, partially offset by a gain of £82m (2009: loss of £2,082m) against US residential mortgage positions.

## A. US Residential Mortgages

### A1. ABS CDO Super Senior

ABS CDO Super Senior positions at 31st December 2010 comprised five high grade liquidity facilities which were fully drawn and classified within loans and receivables. The positions increased £61m to £1,992m (2009: £1,931m). Net exposures are stated after impairment charges, of which £137m was written back in the current year (2009: charge of £714m). There was also an increase of £87m resulting from appreciation in the value of the US Dollar against Sterling, offset by amortisation of £163m in the year. These balances equated to a 50% mark after impairment and subordination (2009: 49%).

### A2. Other US Sub-Prime and Alt-A

Other US sub-prime and Alt-A positions at 31st December 2010 were £662m (2009: £894m). The decrease reflects net sales and paydowns and other movement of £214m and total write downs of £54m, partially offset by appreciation of the US Dollar against Sterling of £36m.

Notes

a As the majority of exposure is held in US Dollars, the exposures above are shown in both US Dollars and Sterling.
b 31st December 2009 comparatives have been adjusted to exclude actively traded positions relating to other US sub-prime and Alt-A of £498m and commercial mortgage-backed securities of £253m.
c Includes undrawn commitments of £264m (2009: £257m).

**Table of Contents**



## B. Commercial Mortgages

### B1. Commercial Real Estate and Mortgage-Backed Securities

Commercial mortgages include commercial real estate loans of £5,455m (2009: £6,534m), commercial real estate properties owned of £1,651m (2009: £1,200m) and commercial mortgage-backed securities of £119m (2009: £218m).

**Commercial Real Estate Loans and Properties Owned**

In the year ended 31st December 2010, commercial real estate loans and properties owned decreased by £628m to £7,106m (2009: £7,734m). The decrease was driven by net sales, paydowns and restructuring of £374m in the US, £320m in the UK and Europe, and £18m in Asia, as well as losses of £110m (2009: £2,466m), of which £47m related to the US, £13m to UK and Europe, and £50m to Asia. This was offset by the appreciation in value of other currencies against Sterling of £194m.

The geographic distribution of commercial real estate loans comprised 50% UK and Europe, 45% US and 5% Asia. One large position comprised 35% of the total US commercial real estate loan balance. The remaining 65% of the US portfolio comprised 51 positions. The UK and Europe portfolio comprised 45 positions at 31st December 2010. In Europe, protection is provided by loan covenants and periodic LTV retests, which cover 77% of the portfolio. 53% of the German portfolio related to one position secured on residential assets.

| Commercial real estate loans, by region | 2010 | | 2009 | |
|---|---|---|---|---|
| As at 31st December | Amount £m | Marks % | Amount £m | Marks % |
| US | **2,454** | **60** | 2,852 | 62 |
| Germany | **1,729** | **85** | 1,959 | 84 |
| Sweden | **210** | **78** | 201 | 81 |
| France | **198** | **75** | 189 | 70 |
| Switzerland | **162** | **86** | 141 | 85 |
| Spain | **70** | **67** | 72 | 56 |
| Other Europe | **86** | **66** | 370 | 57 |
| UK | **285** | **65** | 429 | 61 |
| Asia | **261** | **56** | 321 | 77 |
| **Total** | **5,455** | | 6,534 | |

| Commercial real estate loans, by industry | 2010 | | | | | | 2009 |
|---|---|---|---|---|---|---|---|
| As at 31st December | US £m | Germany £m | Other Europe £m | UK £m | Asia £m | Total £m | Total £m |
| Residential | **1,139** | **978** | | **121** | **111** | **2,349** | 2,439 |
| Office | **271** | **235** | **532** | **51** | **86** | **1,175** | 1,338 |
| Hotels | **534** | | **5** | **8** | | **547** | 846 |
| Retail | **2** | **376** | **80** | | **4** | **462** | 737 |
| Industrial | **374** | **100** | **109** | **22** | **9** | **614** | 622 |
| Leisure | | | | **83** | | **83** | 140 |
| Land | **134** | | | | | **134** | 128 |
| Mixed/others | | **40** | | | **51** | **91** | 284 |
| **Total** | **2,454** | **1,729** | **726** | **285** | **261** | **5,455** | 6,534 |

| Commercial real estate properties owned, by industry | 2010 | 2009 |
|---|---|---|

| As at 31st December | £m | £m |
|---|---|---|
| Residential | **82** | 56 |
| Office | **1,051** | 927 |
| Hotels | **227** | 126 |
| Retail | **157** | |
| Industrial | **45** | 25 |
| Leisure | **36** | 33 |
| Land | **53** | 31 |
| Mixed/others | | 2 |
| **Total** | **1,651** | 1,200 |

**Commercial Mortgage-Backed Securities**

In the year ended 31st December 2010, commercial mortgage backed securities positions decreased £99m to £119m (2009: £218m), primarily due to net sales and paydowns of £120m.

Table of Contents



# Risk management

## Credit risk management continued

### C. Other Credit Market

#### C1. Leveraged Finance

| Leveraged finance loans, by region<br>As at 31st December | 2010<br>£m | 2009<br>£m |
|---|---|---|
| UK | **4,238** | 4,530 |
| Europe | **789** | 1,051 |
| Asia | **172** | 165 |
| US | **6** | 35 |
| **Total lending and commitments** | **5,205** | 5,781 |
| Impairment | **(275)** | (274) |
| **Net lending and commitments as at 31st December** | **4,930** | 5,507 |

At 31st December 2010, the net exposure relating to leveraged finance loans reduced £577m to £4,930m (2009: £5,507m) reflecting net paydowns and other movements of £302m, impairment charges of £242m (2009: £396m) and the depreciation of the Euro against Sterling driving currency decreases of £33m.

#### C2. SIVs, SIV-Lites and CDPCs

SIV and SIV-lite positions comprise liquidity facilities and derivatives. At 31st December 2010 exposures decreased by £139m to £391m (2009: £530m).

Credit Derivative Product Companies (CDPCs) positions at 31st December 2010 reduced by £15m to £8m (2009: £23m).

#### C3. Monoline Protection on CLO and Other

The table below shows Collateralised Loan Obligations (CLOs) and other assets where Barclays held protection from monoline insurers as at 31st December 2010.

| By rating of the monoline | Notional<br>£m | Fair value of underlying asset<br>£m | Fair value exposure<br>£m | Credit valuation adjustment<br>£m | Net exposure<br>£m |
|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | |
| AAA/AA | **7,324** | **6,004** | **1,320** | **(88)** | **1,232** |
| Non-investment grade: | | | | | |
| Fair value through profit and loss | **742** | **581** | **161** | **(105)** | **56** |
| Loans and receivables | **6,578** | **5,873** | **705** | **(352)** | **353** |
| **Total** | **14,644** | **12,458** | **2,186** | **(545)** | **1,641** |
| **As at 31st December 2009** | £m | £m | £m | £m | £m |
| AAA/AA | 7,336 | 5,731 | 1,605 | (91) | 1,514 |

| | | | | | |
|---|---|---|---|---|---|
| Non-investment grade: | | | | | |
| Fair value through profit and loss | 1,052 | 824 | 228 | (175) | 53 |
| Loans and receivables | 9,116 | 7,994 | 1,122 | (563) | 559 |
| **Total** | 17,504 | 14,549 | 2,955 | (829) | 2,126 |

The movement in net exposure of £485m was driven by a decrease in the fair value exposure to monoline insurers of £527m and credit valuation adjustments of £55m (2009: £528m), offset by currency appreciation of £97m.

CLO assets wrapped by non-investment grade rated monolines and classified as loans and receivables declined to a fair value of £5,873m (2009: £7,994m), following the unwinding of certain protection during the year with a notional of £2,745m. As a result, there were CLO assets with a fair value of £1,969m at 31st December 2010 (2009: £nil) no longer protected by a monoline insurer. The remaining assets continue to be measured at fair value through profit and loss.

**D. Loan to Protium**

On 16th September 2009, Barclays Capital sold assets of £7,454m ($12,285m), including £5,087m ($8,384m) in credit market assets, to Protium Finance LP (Protium), a newly established fund. As part of the transaction Barclays extended a $12,641m 10 year loan to Protium.

The table below includes all assets held by Protium as collateral for the loan. At 31st December 2010, there were assets wrapped by a monoline insurer with a fair value of $4,806m (2009: $4,095m). Following the commutation of contracts with one monoline insurer in January 2011, there are no longer any assets wrapped by monoline insurers. Cash and cash equivalents at 31st December 2010 were $1,364m (2009: $688m) including cash realised from sales and paydowns and funds available to purchase third party assets. Other assets at 31st December 2010 were $811m (2009: $567m) including residential mortgage-backed securities purchased by Protium post inception and other asset-backed securities.

Principal and interest payments have been received in accordance with contractual terms. However, following a reassessment of the expected realisation period, the loan is carried at an amount equivalent to the fair value of the underlying collateral. This has resulted in an impairment charge of $824m (£532m).

The loan decreased in local currency between 31st December 2009 and 31st December 2010 primarily due to principal repayments of $993m, the impairment charge of $824m and accrued interest decreases of $26m. Interest payments of $407m were received during the year.

| **Protium assets** | **As at 31.12.10 $m** | As at 31.12.09 $m | As at 16.09.09 $m | **As at 31.12.10 £m** | As at 31.12.09 £m | As at 16.09.09 £m |
|---|---|---|---|---|---|---|
| Other US sub-prime whole loans and real estate | **817** | 1,038 | 1,124 | **528** | 641 | 682 |
| Other US sub-prime securities | **631** | 578 | 513 | **407** | 357 | 311 |
| **Total other US sub-prime** | **1,448** | 1,616 | 1,637 | **935** | 998 | 993 |
| Alt-A | **2,230** | 2,112 | 2,185 | **1,440** | 1,304 | 1,326 |
| Monoline protection | **225** | 3,300 | 4,562 | **145** | 2,038 | 2,768 |
| **Credit market related assets** | **3,903** | 7,028 | 8,384 | **2,520** | 4,340 | 5,087 |
| Fair value of underlying US RMBS | **519** | 723 | 655 | **335** | 447 | 397 |
| Fair value of underlying CMBS | **3,257** | 2,350 | 1,897 | **2,103** | 1,451 | 1,151 |
| Fair value of underlying CLO and other | **1,030** | 1,022 | 1,040 | **665** | 631 | 631 |
| **Fair value of underlying assets wrapped by monoline insurers** | **4,806** | 4,095 | 3,592 | **3,103** | 2,529 | 2,179 |
| Cash and cash equivalents | **1,364** | 688 | 250 | **881** | 425 | 152 |
| Other assets | **811** | 567 | 309 | **524** | 350 | 187 |
| **Total assets** | **10,884** | 12,378 | 12,535 | **7,028** | 7,644 | 7,605 |
| **Loan to Protium** | **10,884** | 12,727 | 12,641 | **7,028** | 7,859 | 7,669 |

**Protium Assets**

The ongoing review of Barclays financial statements by regulators includes consideration of the non-consolidation of Protium. Barclays continues to conclude that it is appropriate not to consolidate Protium within the Group financial statements. It should be noted that the Group s results would not be materially different if Protium were to be consolidated.

Fair value disclosures equivalent to those made for Barclays own financial assets have been provided below in respect of Protium s financial assets totalling £7,028m (2009: £7,644m), which are used to collateralise the loan from Barclays. The analysis below excludes cash and cash equivalents of £881m (2009: £425m) that are also used to collateralise the loan. The valuation techniques that would be used to measure these assets are described on pages 256 to 260. The valuations have been subject to Barclays valuation control framework, which is described on page 263.

The following table shows Protium s financial assets measured at fair value disaggregated by valuation technique within the fair value hierarchy and by product type.

| **Financial assets measured at fair value As at 31st December** | **2010** | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Quoted market prices (Level 1)** | **Observable inputs (Level 2) £m** | **Significant unobservable inputs (Level 3)** | **Total £m** | Quoted market prices (Level 1) | Observable inputs (Level 2) £m | Significant unobservable inputs (Level 3) | Total £m |

| | £m | | £m | | £m | | £m | |
|---|---|---|---|---|---|---|---|---|
| **Trading portfolio assets** | | | | | | | | |
| Other US sub-prime whole loans and real estate | | | **528** | **528** | | | 641 | 641 |
| Other US sub-prime securities | | **35** | **372** | **407** | | 51 | 306 | 357 |
| Alt-A | | **41** | **1,399** | **1,440** | | 70 | 1,234 | 1,304 |
| Other trading portfolio assets | **106** | **110** | **308** | **524** | 8 | 220 | 122 | 350 |
| Fair value of underlying assets wrapped by monoline insurers | | **323** | **2,780** | **3,103** | | 316 | 2,213 | 2,529 |
| **Derivative financial assets** | | | | | | | | |
| Monoline protection | | **145** | | **145** | | | 2,038 | 2,038 |
| **Total** | **106** | **654** | **5,387** | **6,147** | 8 | 657 | 6,554 | 7,219 |

Table of Contents



# Risk management

## Credit risk management continued

The following table shows movements in the Level 3 balances during the year.

| Analysis of movements in Level 3 financial assets | Trading portfolio assets £m | Derivative financial instruments £m | Total £m |
|---|---|---|---|
| As at 1st January 2010 | **4,516** | **2,038** | **6,554** |
| Purchases | | | |
| Sales | **(14)** | | **(14)** |
| Settlements | **(415)** | **(87)** | **(502)** |
| Total gains and losses in the period recognised in the income statement | **1,225** | **(1,805)** | **(580)** |
| Transfers in/(transfers out) | **75** | **(146)** | **(71)** |
| **As at 31st December 2010** | **5,387** | | **5,387** |

The significant movements in the Level 3 positions during the year ended 31st December 2010 are explained below:

Settlements represent assets that were paid in full, amortisation of principal, and payments from monoline insurers.

Total gains and losses represent changes in the fair value of the assets, and losses due to commutation of contracts with monoline insurers.

| Sensitivity analysis of valuations using unobservable inputs | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| As at 31st December | Total assets £m | Favourable changes £m | Unfavourable changes £m | Total assets £m | Favourable changes £m | Unfavourable changes £m |
| **Trading portfolio assets** | | | | | | |
| Other US sub-prime whole loans and real estate | **528** | **75** | **(43)** | 641 | 112 | (92) |
| Other US sub-prime securities | **372** | **53** | **(31)** | 306 | 54 | (44) |
| Alt-A | **1,399** | **198** | **(115)** | 1,234 | 216 | (178) |
| Other trading portfolio assets | **308** | **5** | **(4)** | 122 | 6 | (3) |
| Fair value of underlying assets wrapped by monoline insurers | **2,780** | **166** | **(162)** | 2,213 | 227 | (446) |
| **Derivative financial assets** | | | | | | |
| Monoline protection | | | | 2,038 | 209 | (411) |
| **Total** | **5,387** | **497** | **(355)** | 6,554 | 824 | (1,174) |

The effect of stressing the unobservable assumptions to a range of reasonably possible alternatives would be to increase the fair values by up to £0.5bn (2009: £0.8bn) or to decrease the fair values by up to £0.4bn (2009: £1.2bn) with all the potential effect impacting profit and loss.

The stresses applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data.

In all cases, an assessment is made to determine the suitability of available data. The sensitivity methodologies that are used to assess the Protium assets are described on pages 261 to 263 and are consistent with that of Barclays valuation control framework.

### E. Barclays Capital Credit Market Exposures by asset class

**Analysis of Barclays Capital Credit Market Exposures by asset class**

| As at 31st December | Trading portfolio assets debt securities £m | Financial assets designated at fair value equity securities £m | Financial assets designated at fair value debt securities £m | Financial assets designated at fair value L&A £m | Derivative financial instruments £m | L&A to customers £m | Available for sale debt securities £m | Other assets £m | 2010 Total £m | 2009 Total £m |
|---|---|---|---|---|---|---|---|---|---|---|
| ABS CDO Super Senior | | | | | | 1,992 | | | 1,992 | 1,931 |
| Other US Sub-prime and Alt-A | | | | | 250 | 5 | 407 | | 662 | 894 |
| Monoline Protection on US RMBS | | | | | | | | | | 6 |
| Commercial Real Estate Loans and Property | | 743 | | 4,712 | | | | 1,651 | 7,106 | 7,734 |
| CMBS | 154 | | | | (35) | | | | 119 | 218 |
| Monoline Protection on CMBS | | | | | 12 | | | | 12 | 30 |
| Leveraged Finance[a] | | | | | | 4,666 | | | 4,666 | 5,250 |
| SIVs, SIV-lites and CDPCs | | | 345 | | 54 | | | | 399 | 553 |
| Monoline Protection on CLO and Other | | | | | 1,641 | | | | 1,641 | 2,126 |
| Loan to Protium Finance LP | | | | | | 7,028 | | | 7,028 | 7,859 |
| **Total exposures** | **154** | **743** | **345** | **4,712** | **1,922** | **13,691** | **407** | **1,651** | **23,625** | 26,601 |

Note

a Undrawn commitments of £264m (2009: £257m) are off-balance sheet and therefore not included in the table above.

## Exposures to Selected Eurozone and Other Countries

The tables below show the Group s exposures to selected countries (Spain, Italy, Portugal and Ireland), representing Eurozone countries that have a credit rating of AA or below from Standard and Poor s and where the Group has an exposure of over £0.5bn.

The Group s exposure to Greece, which has a sovereign credit rating of BB+, was below £0.5bn. The Group s balance sheet exposure to Egypt was approximately £2bn, a significant proportion of which represented available for sale assets held in Treasury bills with a maturity less than one year. In addition, contingent liabilities and commitments included less than £1bn relating to Barclays Africa trade finance business in Egypt.

The balances included in the tables below represent the Group s exposure to retail customers and wholesale customers (comprising corporates and sovereigns) in each of the respective countries.

Assets are stated gross of any trading liability positions and before any risk mitigation but net of impairment allowances and of derivative counterparty netting and collateral held.

| Retail exposures | As at 31st December 2010 | | As at 30th June 2010 | |
|---|---|---|---|---|
| | Loans and advances at amortised cost | Contingent liabilities and commitments | Loans and advances at amortised cost | Contingent liabilities and commitments |
| | £m | £m | £m | £m |
| Spain | **19,053** | **1,306** | 18,124 | 1,805 |
| Italy | **16,324** | **1,004** | 14,239 | 945 |
| Portugal | **5,813** | **1,384** | 4,978 | 1,162 |
| Ireland | **77** | **9** | 142 | 19 |

Retail exposures mainly related to our domestic lending in Spain, Italy and Portugal, principally residential mortgages. The credit quality of our mortgage lending in Spain and Italy reflects low LTV lending, with average mark to market LTVs at 31st December 2010 in Spain of 58% and in Italy of 45%. Credit risk loan balances in Spain and Italy increased by 22% to £832m and 15% to £553m, respectively.

| Wholesale exposures | Loans and advances at amortised cost | | Assets held at fair value | | Contingent liabilities and commitments |
|---|---|---|---|---|---|
| | Total | Of which Government | Total | Of which Government | |
| | £m | £m | £m | £m | £m |
| **As at 31st December 2010** | | | | | |
| Spain | **6,574** | **86** | **8,625** | **6,665** | **2,550** |
| Italy | **3,180** | | **9,258** | **7,382** | **2,622** |
| Portugal | **2,706** | **7** | **2,495** | **1,207** | **1,739** |

| | | | | | |
|---|---|---|---|---|---|
| Ireland | **3,069** | | **3,320** | **452** | **1,422** |
| **As at 30th June 2010** | | | | | |
| Spain | 7,167 | 133 | 8,731 | 6,403 | 3,182 |
| Italy | 3,159 | | 10,466 | 8,606 | 1,546 |
| Portugal | 2,405 | 19 | 2,408 | 1,177 | 1,543 |
| Ireland | 3,324 | | 3,160 | 328 | 1,482 |

Wholesale exposures relating to Barclays Capital and Barclays Corporate activities in Spain, Italy, Portugal and Ireland cover a broad range of SME, corporate and investment banking activities, as well as Western Europe treasury operations holdings of sovereign and corporate bonds in those countries. Loans and advances include exposures at 31st December 2010 to the property and construction industry in Spain of £2,951m, in Portugal of £937m, in Ireland of £195m and in Italy of £71m.

Assets held at fair value primarily comprise trading portfolio assets, which are highly liquid in nature, available for sale positions in investment grade debt securities, and derivatives.

# Risk management

## Market risk management

All disclosures in this section (pages 118 to 125) are unaudited unless otherwise stated

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.

**Overview (audited)**

The main sources of risk are traded market risk, non-traded interest rate risk, translational foreign exchange risk and pension risk. Traded risk resides primarily in Barclays Capital while non-traded market risk resides mainly in Global Retail Banking, Barclays Corporate, Barclays Wealth and Group Treasury. Translational foreign exchange risk is managed by Group Treasury. Pension risk is managed centrally with the cost borne by respective businesses.

Barclays market risk objectives are to:

- understand and control market risk by robust measurement and the setting of limits;
- facilitate business growth within a controlled and transparent risk management framework;
- ensure traded market risk resides primarily in Barclays Capital; and
- minimise non-traded market risk.

**Organisation and structure**

The Board approves market risk appetite for trading and non-trading activities. The Group Market Risk Director is responsible for the Barclays Market Risk Control Framework and, under delegated authority from the Chief Risk Officer, sets a limit framework within the context of the approved market risk appetite. A daily market risk report summarises Barclays market risk exposures against agreed limits. This daily report is sent to the Chief Risk Officer, the Group Market Risk Director, the Group Finance Director and the appropriate Business Risk Directors.

Market Risk Committee approves, and makes recommendations concerning the market risk profile across Barclays. This includes approving Barclays Market Risk Control Framework and Group Policies; reviewing current and forward issues, limits and utilisation; and proposing risk appetite levels for the Board. The Committee is chaired by the Group Market Risk Director and attendees include the Chief Risk Officer, respective business risk managers and senior managers from Group Market Risk.

The head of each business, assisted by the business market risk management team, is accountable for all market risks associated with its activities. The head of each business market risk team is responsible for implementing the Barclays Market Risk Control Framework which sets out how market risk should be identified, measured, controlled, reported and reviewed. The Framework also outlines and references Group market risk policies.

Market risk oversight and challenge is provided by business committees, Group Committees including Market Risk Committee and the Group Market Risk team.

The chart below gives an overview of the business control structure.

## Traded market risk (audited)

Traded market risk is predominantly the result of client facilitation in wholesale markets. This involves market making, offering hedge solutions, pre-hedging and assisting clients to execute large trades. Not all client trades are hedged completely, giving rise to market risk. In Barclays Capital, trading risk is measured for the trading book, as defined for regulatory purposes, and certain banking books. Barclays policy is to concentrate trading activities in Barclays Capital.

### Risk measurement

Barclays uses a range of complementary technical approaches to measure and control traded market risk including: Daily Value at Risk (DVaR), Expected Shortfall, 3W, Primary and Secondary risk factor stress testing and Combined scenario stress testing.

DVaR is an estimate of the potential loss arising from unfavourable market movements, if the current positions were to be held unchanged for one business day. Barclays Capital uses the historical simulation methodology with a two-year equally weighted historical period, at the 95% confidence level.

The historical simulation methodology can be split into three parts:

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves;
- Sum all hypothetical profits or losses for day one across all positions, giving one total profit or loss. Repeat for all other days in the two-year history; and
- DVaR is the 95th percentile selected from the two-year history of daily hypothetical total profit or loss.

Market volatility in 2010 was impacted by concerns over future economic growth and the sovereign debt crisis, but remained below the high levels observed in 2008. During 2010, the high volatility observations of 2008 rolled out of the two year DVaR historical data set and were replaced in the data time series by less volatile 2010 observations.

Barclays Capital's DVaR model has been approved by the FSA to calculate regulatory capital for certain trading book portfolios. The approval covers general market risk in interest rate, foreign exchange, commodities and equity products, and issuer specific risk for the majority of single name and portfolio traded credit products. For internal management purposes DVaR is also calculated for certain banking books as well as all trading book portfolios.

The FSA categorises a DVaR model as green, amber or red. A green model is consistent with a good working DVaR model and is achieved for models that have four or less back-testing exceptions in a 12-month period. Back-testing counts the number of days when a loss (as defined by the FSA) exceeds the corresponding DVaR estimate, measured at the 99% confidence level. For Barclays Capital's DVaR model, green model status was maintained for 2010 and 2009.

The DVaR model is regularly assessed and reviewed internally by the Group Executive Models Committee and the Barclays Capital Model Committee.

When reviewing DVaR estimates, a number of considerations should be taken into account. These are:

Historical simulation uses the most recent two years of past data to generate possible future market moves but the past may not be a good indicator of the future;
The one-day time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within one day;

DVaR is based on positions as at close of business and consequently intra-day risk, the risk from a position bought and sold on the same day, is not captured; and

DVaR does not indicate the potential loss beyond the 95th percentile.

In part due to the points above, and in part due to the desire to measure risk beyond DVaR, Barclays uses additional metrics. These include Expected Shortfall, 3W, Primary risk factor stress testing, Secondary risk factor stress testing and Combined scenario stress testing.

Both Expected Shortfall and 3W metrics use the same two-year historical simulation data set as used to calculate DVaR. Expected Shortfall is the average of all one day hypothetical losses beyond the 95% confidence level DVaR while 3W is the average of the three largest one day estimated losses.

Stress testing provides an estimate of potential significant future losses that might arise from extreme market moves or scenarios. Primary stress testing applies stress moves to key liquid risk factors for each of the major trading asset classes including interest rate, credit spread, commodity, equity and foreign exchange. Secondary stress testing applies stress moves to less liquid risks such as option volatility skew. Combined scenario stress testing applies simultaneous shocks to several risk factors, reflecting a defined extraordinary, but plausible scenario e.g. what is the estimated impact on profits of a fixed exchange rate becoming floating. This is assessed by applying respective changes on foreign exchange rates, interest rates, credit spreads and equities to the portfolio.

**Risk control**

Market Risk is controlled through the use of limits, where appropriate, on the above risk measures. Limits are set at the total Barclays Capital level, risk factor level e.g. interest rate risk, and business line level e.g. Emerging Markets. Stress limits and many book limits, such as foreign exchange and interest rate sensitivity limits, are also in place.

The total DVaR limit, risk factor DVaR limits, and 3W limit are approved by the Board Risk Committee. Primary stress limits are approved by the Chief Risk Officer and are tabled for noting by the Board Risk Committee. Compliance with limits is monitored by Barclays Capital's Market Risk team with oversight provided by Group Market Risk.

In 2010, to further improve the application of the market risk control framework, Group Market Risk initiated an ongoing programme of conformance visits to Barclays Capital business areas. These visits review both the current market risk profile and potential market risk developments, as well as verifying conformance with Barclays Market Risk Control Framework.

The oversight and governance of Barclays Capital's market risk models was also improved in 2010. This included making the model committee more granular by having two distinct committees, one specifically for model methodology and the other specifically for data integrity and infrastructure. Group Market Risk is a member of both these committees.

**Risk reporting**

Barclays Capital Market Risk team produce a number of detailed and summary market risk reports daily, weekly, fortnightly and monthly. These include, new for 2010, the Executive Key Risk Report (daily) and the Senior Management Significant Risk Pack (monthly). These reports summarise the positions, risks and top stresses covering interest rate, credit spread, commodity, equity and foreign exchange. Barclays Capital market risk reports are sent to Group Market Risk for review and inclusion in the Group Daily Market Risk Report.

Table of Contents



# Risk management

## Market risk management continued

### Analysis of traded market risk exposures (audited)

The trading environment in 2010 was characterised by weak underlying economic growth as well as unclear market direction resulting in lower client activity. In this environment, Barclays Capital's market risk exposure, as measured by average total DVaR, decreased by 31% to £53m (2009: £77m). The reduction was due to a fall in exposures reflecting the lower client activity, increased diversification, and the rolling off of the 2008 highly volatile historical data points.

The two main risk factors with material DVaR were credit spread and interest rate. The average DVaR for each of these decreased by £10m (17%) and £11m (25%) respectively. Total DVaR as at 31st December 2010 was £48m (2009: £55m).

Expected Shortfall and 3W in 2010 averaged £78m and £144m respectively representing decreases of £43m (36%) and £65m (31%) compared to 2009.

As we enter 2011, the principal uncertainties which may impact Barclays market risk relate to volatility in interest rates, commodities, credit spreads, equity prices and foreign exchange rates. Price instability and higher volatility may arise as government policy targets future economic growth against a background of fiscal pressures, accommodatory monetary policy and exogenous economic events.

### Analysis of trading revenue (audited)

The histogram below shows the distribution of daily trading revenue for Barclays Capital in 2010 and 2009. Trading revenue reflects top-line income, excluding income from Private Equity and Principal Investments.

The average daily trading revenue in 2010 was £52m. This is £19m (27%) less than recorded for 2009 (£71m). There were 236 positive days, 15 negative days and two flat days in 2010 (2009: 247 positive, 5 negative, one flat).

| The daily average, maximum and minimum values of DVaR, Expected Shortfall and 3W (audited) | Year ended 31st December 2010 | | | Year ended 31st December 2009 | | |
|---|---|---|---|---|---|---|
| | Average | High[i] | Low[i] | Average | High[i] | Low[i] |
| DVaR (95%) | £m | £m | £m | £m | £m | £m |
| Interest rate risk | **33** | **50** | **21** | 44 | 83 | 23 |
| Credit Spread risk | **48** | **62** | **30** | 58 | 102 | 35 |
| Commodity risk | **16** | **25** | **9** | 14 | 20 | 11 |
| Equity risk | **14** | **29** | **6** | 13 | 27 | 5 |
| Foreign exchange risk | **6** | **15** | **2** | 8 | 15 | 3 |
| Diversification effect | **(64)** | **n/a** | **n/a** | (60) | n/a | n/a |
| Total DVaR | **53** | **75** | **36** | 77 | 119 | 50 |
| Expected Shortfall | **78** | **147** | **47** | 121 | 188 | 88 |
| 3W | **144** | **311** | **72** | 209 | 301 | 148 |

Notes

a Total DVaR peaked at £119m in March 2009.

b Before trending down due to a decrease in credit spread exposure and interest rate exposure, reaching £58m in August 2009.

c DVaR subsequently increased as markets began to recover and new traded credit positions were added to facilitate client trades.

d DVaR decreased towards 2009 year-end, driven by a reduction in equity exposure and an increase in diversification. Total DVaR as at 31st December 2009 was £55m.

e DVaR reduced to £38m, due to a reduction in credit and equity exposure assisted by an increase in diversification.

f DVaR reached the 2010 peak (£75m) as market sentiment improved. There were increased exposures for Credit Spread, Equity and Commodities.

g Total DVaR increased in August 2010 reaching £73m with increased exposure in Interest Rates, Credit Spread and Equity.

h DVaR increased towards the end of the year, mainly due to an increase in equity. Total as at 31st December 2010 was £48m.

i 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.

## Non-traded interest rate risk (audited)

Non-traded interest rate risk arises from the provision of retail and wholesale (non-traded) banking products and services, when the interest rate repricing date for loans (assets) is different to the repricing date for deposits (liabilities). This includes current accounts and equity balances which do not have a defined maturity date and an interest rate that does not move in line with the base rate. The risk resides mainly in Global Retail Banking, Barclays Corporate, Barclays Wealth and Group Treasury.

Barclays objective is to minimise non-traded interest rate risk and this is achieved by transferring interest rate risk from the business to a local treasury or Group Treasury, which in turn hedges the net exposure with the external market. Limits exist to ensure no material risk is retained within any business or product area.

### Risk measurement

The risk in each business is measured and controlled using both an income metric (Annual Earnings at Risk) and a present value metric (Economic Value of Equity, Economic Capital, Daily Value at Risk, risk factor stress testing, scenario stress testing).

Annual Earnings at Risk (AEaR) measures the sensitivity of net interest income over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 100 basis points increase or decrease in interest rates, subject to a minimum interest rate of 0%.

The main model assumptions are:

- The balance sheet is kept at the current level i.e. no growth is assumed

- Balances are adjusted for an assumed behavioural profile. This includes the treatment of fixed rate loans including mortgages

Economic Value of Equity (EVE) calculates the change in the present value of the banking book for a 100 basis point upward and downward rate

shock. This calculation is equivalent to that of AEaR except Economic Value of Equity is a present value sensitivity while AEaR is an income sensitivity.

Economic Capital (EC) consistent models are used to measure: recruitment risk, the risk from customers not taking up their fixed rate loan offer; and prepayment risk, the risk of a customer deciding not to carry on with their fixed rate loan. Behavioural profiles are also used when modelling the balance sheet.

Daily Value at Risk (DVaR) and risk factor stress testing methodologies are consistent with those used by Barclays Capital. DVaR and stress are used by Treasuries that operate within liquid currencies such as Sterling, US Dollar and Euros while for Treasuries that operate in less liquid currencies, stress risk is the only present value metric used.

### Risk control

Market Risk is controlled through the use of limits on the above risk measures. Limits are set at the total business level and then cascaded down. The total business level limits for AEaR, EVE, EC, DVaR and stress are agreed by Market Risk Committee. In 2010, a range of formal present value limits was extended to include stress and EVE limits. Compliance with limits is monitored by the respective business market risk team with oversight provided by Group Market Risk.

Market Risk is also controlled through an ongoing programme of conformance visits by both the business market risk departments and Group Market Risk. These visits review both the current market risk profile and potential market risk developments, as well as verifying conformance with Barclays policies and standards as detailed in the Barclays Market Risk Control Framework.

The interest rate risk for balances with no defined maturity date and an interest rate that is not linked to the base rate is managed by Group Treasury. A series of continuous equity and product structural hedges is used to mitigate the interest rate risk, as described below.

| **Net Interest Income Sensitivity (AEaR) by currency (audited)** | **31st December 2010** | | 31st December 2009 | |
|---|---|---|---|---|
| | **+100 basis points £m** | **-100 basis points £m** | +100 basis points £m | -100 basis points £m |
| GBP | **297** | **(377)** | 30 | (360) |
| USD | **(12)** | **(8)** | (43) | 14 |
| EUR | **(16)** | **12** | (34) | |
| ZAR | **13** | **(10)** | 29 | (27) |
| Others | | | (1) | 4 |
| **Total** | **282** | **(383)** | (19) | (369) |
| **As percentage of net interest income** | **2.25%** | **(3.06%)** | (0.16%) | (3.10%) |

| **Analysis of equity sensitivity (audited)** | **31st December 2010** | | 31st December 2009 | |
|---|---|---|---|---|
| | **+100 basis points £m** | **-100 basis points £m** | +100 basis points £m | -100 basis points £m |
| Net Interest Income | **282** | **(383)** | (19) | (369) |
| Taxation effects on the above | **(71)** | **96** | 4 | 86 |
| **Effect on profit for the year** | **211** | **(287)** | (15) | (283) |
| **As percentage of net profit after tax** | **4.64%** | **(6.31%)** | (0.15%) | (2.75%) |
| Effect on profit for the year (per above) | **211** | **(287)** | (15) | (283) |
| Available for sale reserve | **(2,051)** | **2,051** | (527) | 527 |
| Cash flow hedge reserve | **(1,298)** | **1,288** | (929) | 957 |
| Taxation effects on the above | **837** | **(835)** | 341 | (347) |
| **Effect on equity** | **(2,301)** | **2,217** | (1,130) | 854 |
| **As percentage of equity** | **(3.70%)** | **3.56%** | (1.93%) | 1.46% |

# Risk management

## Market risk management continued

### Risk reporting (audited)

Each business area is responsible for their respective market risk reports. A combination of daily and monthly risk reports are produced and used by the business. These are also sent to Group Market Risk for review and inclusion in the Group Daily Market Risk Report. A risk summary is also presented at Market Risk Committee and respective Asset and Liability Committees.

### Analysis of Net Interest Income sensitivity

The table above shows the pre-tax net interest income for the non-trading financial assets and financial liabilities held at 31st December 2010 and 31st December 2009. The sensitivity has been measured using the AEaR methodology as described above. The benchmark interest rate for each currency is set as at 31st December 2010. The figures include the effect of hedging instruments but exclude banking book exposures held or issued by Barclays Capital as these are measured and managed using DVaR.

Non-traded interest rate risk, as measured by AEaR, was £383m as at 31st December 2010, an increase of £14m compared to 31st December 2009. The 2010 and 2009 AEaR estimates both reflect the reduced spread generated on retail and commercial banking liabilities associated with a low interest rate environment. If the interest rate hedges had not been in place then the AEaR for 2010 would have been £601m (2009: £704m).

DVaR is also used to control market risk in Western Europe Retail Banking and in Group Treasury. The indicative average 2010 DVaRs were £1.6m (2009: £1,4m) for Western Europe and £0.7m (2009: £1.0m) for Group Treasury.

### Margins and balances

| Analysis of net interest income<br>For year ended 31 st December | 2010<br>£m | 2009<br>£m | 2008<br>£m |
|---|---|---|---|
| Net interest income pre product structural hedge | **9,038** | 8,654 | 8,845 |
| Net interest income from product structural hedge[a] | **1,403** | 1,364 | 44 |
| Share of benefit of interest income on Group equity (including equity structural hedge) | **932** | 799 | 712 |
| Total Global Retail Banking, | **11,373** | 10,817 | 9,601 |
| Absa, Barclays Corporate and | | | |

| | | | |
|---|---|---|---|
| Barclays Wealth | | | |
| Barclays Capital net interest income[b] | **1,121** | 1,598 | 1,724 |
| Other net interest income/ (expense) | **29** | (497) | 144 |
| **Group net interest income from continuing operations[c]** | **12,523** | 11,918 | 11,469 |

The current low interest rate environment substantially reduces the spread generated on retail and commercial banking assets, liabilities and the Group's equity. This impact is reduced, to an extent, by the Group's structural interest rate hedges, which are designed to minimise net interest margin volatility. Product structural hedges generated a gain of £1,403m (2009: gain £1,364m) converting short term interest margin volatility on product balances (such as non-interest bearing current accounts and managed rate deposits) into a more stable medium term rate. Hedges are built on a monthly basis to achieve a targeted maturity profile, referencing term rates, which protect against margin compression where short term interest rates are lower than historical averages.

Notes

a UK Retail Banking and Barclays Corporate were allocated £878m (2009: £837m) and £265m (2009: £266m) of this amount respectively.
b Including share of the interest income on Group equity which includes the equity structural hedge benefit.
c Total GRB net interest income was £7,191m (2009: £6,931m) and the GRB net interest margin was 2.27% (2009: 2.42%).

During the first half of 2010, Barclays began to extend the maturity profile of its liability product structural hedges. This increased expected revenue contribution for the year and reduced future earnings volatility. Based on the market curve as at the end of December 2010 and the on-going hedging strategy, fixed rate returns on liability structural hedges are expected to remain broadly similar over the next 2 years. Therefore, to the extent that the current low floating rates persist, the net contribution from these hedges will remain broadly stable. Any increases in short term interest rates will reduce the benefit of the hedges, although it is expected that this would be offset by enhanced product margins. The net contribution from these hedges is included in the net interest income of individual businesses.

Additionally, equity structural hedges are in place to manage the volatility in earnings on the Group's equity with the impact allocated to the businesses as part of the share of the interest income benefit on Group equity through net interest income. Equity structural hedges generated a gain of £1,788m in 2010 (2009: gain £1,162m), including net gains on disposal of gilts of approximately £500m. Due to concerns surrounding economic conditions and outlook, gilts purchased as part of the equity hedge duration extension were sold in Q3 and Q4. The duration extension process was resumed towards the end of Q4 2010 and, to date, the hedge position has been substantially rebuilt. Re-building at higher rates has limited the loss of future hedging income from the sales to approximately £140m, which will be realised over 10 years. The sale and rebuild is therefore not expected to materially impact fixed rate returns over the next 2 years.

Within the analysis of net interest income, the amount described as Other relates to the cost of subordinated debt and net funding on non- customer assets and liabilities, together with the residual benefit of interest income on Group equity, held within Head Office Functions and Other Operations. In 2009 there were additional costs of central funding activity, relating to money market dislocations, which did not reoccur in 2010.

## Net interest margin

The net interest margin for Global Retail Banking, Absa, Barclays Corporate and Barclays Wealth of 2.03% (2009: 2.11%) set out below is the net interest income expressed as a percentage of the sum of average customer assets and liabilities. In this way the net interest margin incorporates the impact of the margin earned on customer liabilities and therefore the reduced spread generated on retail and commercial banking liabilities in recent periods.

Total Global Retail Banking, Absa, Barclays Corporate and Barclays Wealth net interest income divided by their total average assets only results in an aggregate margin of 3.67% (2009: 3.68%).

| **Net interest margin** | **2010** | **2009** | **2008** |
|---|---|---|---|
| **For year ended 31 st December** | **%** | **%** | **%** |
| UK Retail Banking | **1.45** | 1.45 | 1.75 |
| Barclaycard | **9.77** | 9.69 | 7.58 |
| Western Europe Retail Banking | **1.16** | 1.66 | 1.65 |
| Barclays Africa | **5.07** | 4.60 | 3.95 |
| Absa | **2.56** | 2.61 | 2.68 |
| Barclays Corporate | **1.53** | 1.65 | 1.64 |
| Barclays Wealth | **1.22** | 1.02 | 1.04 |
| **Global Retail Banking, Absa, Barclays Corporate and Barclays Wealth** | **2.03** | 2.11 | 2.07 |

Net interest income is derived from the interest rate earned on average assets or paid on average liabilities relative to 1 month Libor plus the liquidity premium (the internal funding rate), local equivalents for international businesses or the rate managed by the bank using derivatives.

The following asset and liability margins for Global Retail Banking, Absa, Barclays Corporate and Barclays Wealth are provided as additional information on the underlying drivers of movements in interest margins.

| Asset and liability margins and customer balances | Margins | | | Average customer balances | | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | 2008 | **2010** | 2009 | 2008 |
| For year ended 31st December | % | % | % | £m | £m | £m |
| UK Retail Banking assets | **1.21** | 1.39 | 1.33 | **113,713** | 102,043 | 94,656 |
| UK Retail Banking liabilities | **1.57** | 1.38 | 2.03 | **104,508** | 93,619 | 90,453 |
| Barclaycard assets | **9.06** | 8.97 | 6.92 | **28,811** | 28,102 | 23,552 |
| Western Europe Retail Banking assets | **1.02** | 1.31 | 1.21 | **41,509** | 38,999 | 30,366 |
| Western Europe Retail Banking liabilities | **0.77** | 0.43 | 1.20 | **17,263** | 13,170 | 8,661 |
| Barclays Africa assets | **6.97** | 5.75 | 4.64 | **3,887** | 4,408 | 4,213 |
| Barclays Africa liabilities | **2.63** | 2.70 | 2.33 | **6,621** | 6,409 | 6,037 |
| Absa assets | **2.72** | 2.68 | 2.79 | **37,441** | 32,483 | 27,706 |
| Absa liabilities | **2.40** | 2.43 | 3.06 | **21,110** | 17,380 | 13,454 |
| Barclays Corporate assets | **1.43** | 1.65 | 1.54 | **69,831** | 75,703 | 71,498 |
| Barclays Corporate liabilities | **1.19** | 1.10 | 1.37 | **60,946** | 50,511 | 46,451 |
| Barclays Wealth assets | **0.81** | 1.01 | 1.04 | **14,529** | 12,268 | 9,725 |
| Barclays Wealth liabilities | **1.29** | 0.96 | 0.95 | **40,985** | 37,122 | 37,115 |
| **Total GRB, Absa, Barclays Corporate and Barclays Wealth assets** | **2.20** | 2.36 | 2.07 | **309,721** | 294,006 | 261,716 |
| **Total GRB, Absa, Barclays Corporate and Barclays Wealth liabilities** | **1.48** | 1.31 | 1.72 | **251,433** | 218,211 | 202,171 |

On 1st October 2009, the Group implemented a revised internal funds pricing mechanism, which prices intra-group funding and liquidity. The effect of the mechanism is to appropriately give credit to businesses with net surplus liquidity and to charge those businesses in need of wholesale funding at Barclays internal funding rate, which is driven by prevailing market rates and includes a term premium. The objective is to price internal funding for assets and liabilities in line with the cost of alternative sources of funding, which ensures there is consistency between retail and wholesale sources. The impact of the change in mechanism on net interest margins in 2010 for GRB, Absa, Barclays Corporate and Barclays Wealth, in aggregate, was not significant, with Barclays Wealth benefiting as a result of surplus term liquidity, broadly offsetting the term asset liquidity requirement of Barclaycard.

The change in the internal funds pricing mechanism has impacted the asset and liability margins of the businesses affected. In particular, the liability margins of UK Retail Banking, Western Europe Retail Banking, Barclays Corporate and Barclays Wealth (the main deposit gathering businesses affected) have benefited from the change in approach. Conversely the asset margins of those businesses and, to a more limited extent Barclaycard, have been negatively impacted by the mechanism.

Margins are also affected by hedging activity, which is executed to minimise the net interest margin volatility. As such, the hedges provide a more constant revenue stream on liabilities generated and a more constant cost of funding for fixed rate assets generated.

# Risk management

## Market risk management continued

### Foreign exchange risk (audited)

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 2010 or 2009. 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 2010 or 2009.

b) Translational foreign exchange exposure

The Group s translational foreign currency exposure arises from both its capital resources (including investments in subsidiaries and branches, intangible assets, non-controlling interests, deductions from capital and debt capital instruments) and risk weighted assets (RWAs) being denominated in foreign currencies. Changes in foreign exchange rates result in changes in the Sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group s regulatory capital ratios are sensitive to foreign exchange rate movements.

The Group s capital ratio hedge strategy is to minimise the volatility of the capital ratios caused by foreign exchange rate movements. To achieve this, the Group aims to maintain the ratio of foreign currency Core Tier 1, Tier 1 and Total Capital resources to foreign currency RWAs the same as the Group s capital ratios.

The Group s investments in foreign currency subsidiaries and branches create capital resources denominated in foreign currencies. Changes in the Sterling value of the investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in Core Tier 1 capital.

During 2010, structural currency exposures net of hedging instruments increased from £12.5bn to £15.3bn as a result of hedging decisions taken in accordance with the Group s capital ratio management strategy for foreign exchange rate movements.

To create foreign currency Tier 1 and Total Capital resources additional to the Core Tier 1 capital resources, the Group issues, where possible, debt capital in non-Sterling currencies. This is primarily achieved by the issuance of debt capital from Barclays Bank PLC, but can also be achieved by subsidiaries issuing capital in local currencies.

The economic hedges primarily 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. During the year 850m Reserves Capital Instruments were redeemed.

The impact of a change in the exchange rate between Sterling and any of the major currencies would be:

A higher or lower Sterling equivalent value of non-Sterling denominated capital resources and risk weighted assets. This includes a higher or lower currency translation reserve within equity, representing the retranslation of non-Sterling subsidiaries, branches and associated undertakings net of the impact of foreign exchange rate changes on derivatives and borrowings designated as hedges of net investments.

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 value of available for sale investments denominated in foreign currencies, impacting the available for sale reserve.

| Functional currency of operations (audited) | Foreign currency net investments £m | Borrowings which hedge the net investments £m | Derivatives which hedge the net investments £m | Structural currency exposures pre economic hedges £m | Economic hedges £m | Remaining structural currency exposures £m |
|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | |
| US Dollar | **22,646** | **7,406** | | **15,240** | **6,330** | **8,910** |
| Euro | **7,327** | **3,072** | **1,294** | **2,961** | **2,069** | **892** |
| Rand | **4,826** | | **1,626** | **3,200** | | **3,200** |
| Japanese Yen | **5,304** | **3,603** | **1,683** | **18** | | **18** |
| Swiss Franc | **152** | | **157** | **(5)** | | **(5)** |
| Other | **3,139** | | **824** | **2,315** | | **2,315** |
| Total | **43,394** | **14,081** | **5,584** | **23,729** | **8,399** | **15,330** |
| **As at 31st December 2009** | | | | | | |
| US Dollar | 16,677 | 3,205 | | 13,472 | 6,056 | 7,416 |
| Euro | 6,772 | 3,418 | | 3,354 | 2,902 | 452 |
| Rand | 4,055 | | 1,542 | 2,513 | 189 | 2,324 |
| Japanese Yen | 4,436 | 3,484 | 940 | 12 | | 12 |
| Swiss Franc | 2,840 | 2,734 | 92 | 14 | | 14 |
| Other | 2,983 | | 677 | 2,306 | | 2,306 |
| Total | 37,763 | 12,841 | 3,251 | 21,671 | 9,147 | 12,524 |

### 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 28.

*Asset management structural risk* arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. Asset management structural risk mainly resides in Barclays Wealth. It is Barclays policy that businesses monitor and report this risk against a defined risk appetite and regularly assess potential hedging strategies.

#### Disclosures about certain trading activities including non-exchange traded commodity contracts

The Group provides a fully integrated service to clients for base metals, precious metals, oil, power, natural gas, coal, freight, emission credits, structured products and other related commodities. This service offering continues to expand, as market conditions allow, through the addition of new products and markets.

The Group offers both over the counter (OTC) and exchange-traded derivatives, including swaps, options, forwards and futures and enters into physically settled contracts in base metals, power and gas, oil and related products. Physical commodity positions are held at fair value and reported in Note 12.

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 41.

Credit risk exposures relating to commodity contracts are actively managed by the Group. Refer to the Credit Risk section for more information on the Group s approach to credit risk management and the credit quality of derivative assets.

The tables below analyse the overall fair value of the OTC commodity derivative contracts by movement over time and contractual maturity. As at 31st December 2010 the fair value of the commodity derivative contracts reflects a gross positive fair value of £22,521m (2009: £27,134m) and a gross negative value of £22,884m (2009: £26,227m).

| **Movement in fair value of commodity derivative positions** | **2010 £m** | 2009 £m |
|---|---|---|
| Fair value of contracts outstanding as at 1st January | **907** | (936) |
| Contracts realised or otherwise settled during the period | **(3,124)** | 1,521 |
| Fair value of new contracts entered into during the period | **(1,068)** | (181) |
| Other changes in fair values | **2,922** | 503 |
| Fair value of contracts outstanding as at 31st December | **(363)** | 907 |

| **Maturity analysis of commodity derivative fair value** | **2010 £m** | 2009 £m |
|---|---|---|
| Not more than one year | **(1,859)** | (75) |
| Over one year but not more than five years | **977** | 620 |
| Over five years | **519** | 362 |
| **Total** | **(363)** | 907 |

# Risk management

## Capital risk management

All disclosures in this section (pages 126 to 130) are unaudited unless otherwise stated

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

- Meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources.
- Support its credit rating. A weaker credit rating would increase the Group s cost of funds.
- Support its growth and strategic options.

**Organisation and structure (audited)**

Barclays operates a centralised capital management model, considering both regulatory and economic capital. The Group s capital management objectives are to maintain sufficient capital resources to:

- ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set by the UK FSA and the US Federal Reserve;
- ensure locally regulated subsidiaries can meet their minimum regulatory capital requirements;
- support the Group s Risk Appetite and Economic Capital requirements; and
- support the Group s credit rating.

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

The Group Treasury Committee manages compliance with the Group s capital management objectives. The Committee reviews actual and forecast capital demand and resources on a monthly basis. The processes in place for delivering the Group s capital management objectives are to:

- establishment of internal targets for capital demand and ratios;
- manage capital ratio sensitivity to foreign exchange movement; and
- manage local entity regulatory capital adequacy.

In addition to the processes above, the Group Risk Oversight Committee and the Board Risk Committee annually review risk appetite and analyse the impacts of stress scenarios on the Group capital forecast (see pages 163 and 164) in order to understand and manage the Group s projected capital adequacy.

### Internal targets

To support its capital management objectives, the Group sets internal targets for its key capital ratios. Internal targets are reviewed regularly by Group Treasury Committee to take account of:

- changes in forecast demand for capital caused by accessing new business opportunities, including mergers and acquisitions;
- flexibility in debt capital issuance and securitisation plans;
- the possible impact of stress scenarios including:
  - changes in forecast demand for capital from unanticipated drawdown of committed facilities or as a result of deterioration in the credit quality of the Group s assets;
  - changes in forecast profits and other capital resources; and
  - changes to capital resources and forecast demand due to foreign exchange rate movements.

**Managing capital ratio sensitivity to foreign exchange rate movements**

The Group has capital resources and risk weighted assets denominated in foreign currencies. Changes in foreign exchange rates result in changes in the Sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group s regulatory capital ratios are sensitive to foreign currency movements.

The Group s capital ratio hedge strategy is to minimise the volatility of the capital ratios caused by foreign exchange rate movements. To achieve this, the Group aims to maintain the ratio of foreign currency Core Tier 1, Tier 1 and Total Capital resources to foreign currency RWAs the same as the Group s capital ratios.

The Group s foreign currency capital resources include investments in subsidiaries and branches, intangible assets, non-controlling interest, deductions from capital and debt capital instruments.

The Group s investments in foreign currency subsidiaries and branches create Core Tier 1 capital resources denominated in foreign currencies. Changes in the Sterling value of the investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in Core Tier 1 capital.

To create foreign currency Tier 1 and Total Capital resources additional to the Core Tier 1 capital resources, the Group issues, where possible, debt capital in non-Sterling currencies. This is primarily achieved by the issuance of debt capital from Barclays Bank PLC, but can also be achieved by subsidiaries issuing capital in local currencies.

In some circumstances, investments in foreign currency subsidiaries and branches are hedged. In these circumstances, foreign currency capital resources are not created. Hedging decisions take into account the impact on capital ratios, the strategic nature of the investment, the cost of hedging, the availability of a suitable foreign exchange market and prevailing foreign exchange rates. Depending on the value of foreign currency net investments, it is not always possible to maintain the ratio of Core Tier 1 capital to RWAs consistent with the Group s Core Tier 1 ratio in all currencies, leaving some capital ratio sensitivity to foreign currency movements.

The investment of proceeds from the issuance of equity accounted foreign currency preference shares also contributes to foreign currency capital resources. If a preference share issuance is redeemed, the cumulative movement from the date of issuance in the currency translation reserve will be offset by an equal and opposite movement in reserves reflecting the revaluation of the preference shares to prevailing foreign exchange rates. Issuance of a replacement Tier 1 instrument in the same currency will maintain the hedge of the Tier 1 ratio.

**Local entity regulatory capital adequacy**

The Group manages its capital resources to ensure that those Group entities that are subject to local capital adequacy regulation in individual jurisdictions meet their minimum capital requirements. Local management manages compliance with entities minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by The Treasury Committee, as required.

Injections of capital resources into Group entities are centrally controlled by the Group Treasury Committee, under authorities delegated from the Group Executive Committee. The Group s policy is for surplus capital held in Group entities to be repatriated to Barclays Bank PLC in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications.

Other than as indicated above, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group liabilities when due.

### Allocating capital in the Group s strategic medium-term plan

Capital adequacy and returns on regulatory and economic capital form a key part of the Group s annual strategic medium-term planning process. Amongst other strategic objectives, the Group seeks to optimise returns on economic and regulatory capital through the planning process. To achieve this, executive management consider returns on risk weighted assets and economic capital when setting limits for business capital demand. Executive management will also review the forecast capital ratios to ensure internal targets continue to be met over the medium-term plan.

The Treasury Committee reviews the limits on capital demand on a monthly basis taking into account actual performance.

### Capital resources

Core Tier 1 capital increased by £4.4bn during 2010. £3.6bn of this increase was a result of attributable profit. In addition £1.5bn of equity was issued following the exercise of warrants and £0.7bn additional Core Tier 1 was reflected in the currency translation reserve. These were offset by net losses on available for sale equity positions, of which BlackRock, Inc. was £0.9bn, and dividends paid of £0.5bn.

Total qualifying Tier 1 Capital increased by £3.9bn during 2010 as the increase in Core Tier 1 capital was offset by the redemption of Reserve Capital Instruments of £0.7bn.

| Total net capital resources | | Basel II | |
|---|---|---|---|
| | **2010** | 2009 | 2008 |
| | **£m** | £m | £m |
| Ordinary shareholders funds | **50,858** | 47,277 | 36,618 |
| Regulatory adjustments | | | |
| MCNs not yet converted | | | (3,652) |
| Available for sale reserve debt | **340** | 83 | 372 |
| Available for sale reserve equity | | 309 | (122) |
| Cash flow hedging reserve | **(152)** | (252) | (132) |
| Defined benefit pension scheme | **99** | 431 | 849 |
| Adjustments for scope of regulatory consolidation | **99** | 196 | 847 |
| Foreign exchange on RCIs and upper Tier 2 loan stock | **209** | 25 | (231) |
| Adjustment for own credit | **(621)** | (340) | (1,650) |
| Other adjustments | **(40)** | 144 | 305 |
| Equity non-controlling interests | **2,923** | 2,351 | 1,981 |
| Less: Intangible assets | **(8,326)** | (8,345) | (9,964) |
| Less: Net excess of expected loss over impairment at 50% | **(168)** | (25) | (159) |
| Less: Securitisation positions at 50% | **(2,360)** | (2,799) | (704) |
| Less: Non Core Tier 1 capital issues included in shareholders fund | | | |
| Core Tier 1 Capital | **42,861** | 38,437 | 24,358 |
| Preference shares | **6,317** | 6,256 | 6,191 |
| Reserve Capital Instruments | **6,098** | 6,724 | 5,743 |
| Tier One Notes[a] | **1,046** | 1,017 | 1,086 |
| Tax on the net excess of expected loss over impairment | **(100)** | 8 | 46 |
| Less: Material holdings in financial companies at 50% | **(2,676)** | (2,805) | (174) |
| Total qualifying Tier 1 capital | **53,546** | 49,637 | 37,250 |
| Revaluation reserves | **29** | 26 | 26 |
| Available for sale reserve equity | | 309 | 122 |

| | | | |
|---|---|---|---|
| Collectively assessed impairment allowances | **2,409** | 2,443 | 1,654 |
| Tier 2 non-controlling interests | **572** | 547 | 607 |
| Qualifying subordinated liabilities: | | | |
| Undated loan capital | **1,648** | 1,350 | 6,745 |
| Dated loan capital | **16,565** | 15,657 | 14,215 |
| Less: Net excess of expected loss over impairment at 50% | **(168)** | (25) | (158) |
| Less: Securitisation positions at 50% | **(2,360)** | 2,799 | (704) |
| Less: Material holdings in financial companies at 50% | **(2,676)** | 2,805 | (174) |
| Total qualifying Tier 2 capital | **16,019** | 14,703 | 22,333 |
| Less: Other regulatory deductions | **(2,250)** | 880 | (856) |
| Total net capital resources | **67,315** | (63,460) | 58,727 |
| Capital Ratios | **%** | % | % |
| Core Tier 1 ratio | **10.8%** | 10.0% | 5.6% |
| Tier 1 ratio | **13.5%** | 13.0% | 8.6% |
| Risk asset ratio | **16.9%** | 16.6% | 13.6% |

Note

a Tier One Notes are included in subordinated liabilities in the consolidated balance sheet.

# Risk management

## Capital risk management continued

Total net capital resources increased by £3.9bn during 2010 reflecting the growth in Tier 1 capital and an increase in total qualifying Tier 2 capital, primarily due to the net issuance of additional subordinated debt of £0.9bn. This was offset by an increase in other regulatory deductions for investments in non-consolidated subsidiaries and associates of £1,4bn.

As at 31st December 2010, on a Basel II basis, the Group s Core Tier 1 ratio was 10.8% (2009:10.0%) and the Tier 1 capital ratio was 13.5% (2009:13.0%).

### Risk weighted assets

Risk weighted assets increased 4% to £398bn in 2010. Year on year, there was a £22bn reduction in underlying risk weighted assets (predominantly in Barclays Capital) as a result of capital management efficiencies and reduced levels of risk and inventory. This was offset in part by both methodology and model changes, which increased risk weighted assets by approximately £28bn. Foreign exchange and other movements accounted for a further increase of £9bn.

### Adjusted gross leverage

The adjusted gross leverage was 20x as at 31st December 2010 (2009: 20x) principally as a result of a £3.9bn increase in Tier 1 Capital to £53.5bn offset by the impact of a £84.6bn increase in adjusted total tangible assets. At month ends during 2010 the ratio moved in a range from 20x to 24x, with fluctuations arising as a result of normal trading activities, primarily due to increases in reverse repurchase trading and changes in holdings of trading portfolio assets. Significant fluctuations on a monthly basis comprised:

- an increase from 20x at December 2009 to 22x at January 2010 driven by an increase in reverse repurchase trading, holdings of trading portfolio assets, the acquisition of Standard Life Bank, and increased cash balances;
- a step up from 21x to 23x in April resulting from an increase in reverse repurchase trading, holdings of trading portfolio assets, and a decrease in Tier 1 capital;
- a decrease in June from 24x to 20x driven by a reduction in reverse repurchase trading and holdings of trading portfolio assets;
- a step up in July from 20x to 23x arising from an increase in reverse repurchase trading;
- a fall in September from 24x to 21x driven by an increase in Tier 1 capital and a reduction in reverse repurchase trading;
- an increase from 21x to 23x in October as a result of increases in reverse repurchase trading and holdings of trading portfolio assets; and
- a steady decrease during November and December from 23x to 20x resulting from decreases in reverse repurchase trading and holdings of trading portfolio assets and an increase in Tier 1 capital, principally reflecting the impact of increases in available for sale reserves.

The ratio of total assets to total shareholders equity was 24x as at 31st December 2010 (2009: 24x). The ratio moved within a month end range of 24x to 29x, driven by the fluctuations noted above, as well as changes in gross interest rate derivatives and settlement balances. Significant drivers of fluctuations other than those noted above comprised:

| **Regulatory capital summary (audited)** | **Basel II** | | |
|---|---|---|---|
| | **2010** | 2009 | 2008 |
| | **£m** | £m | £m |
| Total qualifying Tier 1 Capital | **53,546** | 49,637 | 37,250 |
| Total qualifying Tier 2 Capital | **16,019** | 14,703 | 22,333 |
| Total Deductions | **(2,250)** | (880) | (856) |
| Total net Capital resources | **67,315** | 63,460 | 58,727 |

| **Risk weighted assets by risk** | **2010** | 2009 |
|---|---|---|
| | **£ m** | £m |
| Credit risk | **260,998** | 252,054 |
| Counterparty risk | **43,863** | 45,450 |
| Market risk | | |
| Modelled VaR | **9,209** | 10,623 |
| Modelled IDRC[a] and Non-VaR | **3,769** | 5,378 |
| Standardised | **48,073** | 38,525 |
| Operational risk | **32,119** | 30,623 |
| **Total risk weighted assets** | **398,031** | 382,653 |

| **Adjusted gross leverage** | **2010** | 2009 |
|---|---|---|
| | **£m** | £m |
| Total assets | **1,489,645** | 1,378,929 |
| Counterparty net/collateralised derivatives[5] | **(377,756)** | (374,099) |
| Assets held in respect of linked liabilities tocustomers under investment contracts | **(1,947)** | (1,679) |
| Net settlement balances and cash collateral | **(48,108)** | (25,825) |
| Goodwill and intangible assets | **(8,697)** | (8,795) |
| **Adjusted total tangible assets** | **1,053,137** | 968,531 |
| **Total qualifying Tier 1 capital** | **53,546** | 49,637 |
| **Adjusted gross leverage[0]** | **20** | 20 |
| **Ratio of total assets to shareholders equity** | **24** | 24 |

Notes

a IDRC - Incremental Default Risk Charge.

b Comprising counterparty netting of £340,467m (2009: £342,628m) and collateral held of £37,289m (2009: £31,471m) as disclosed on page 111.

| **Risk weighted assets by business** | **2010** | 2009 |
|---|---|---|
| | **£m** | £m |
| UK Retail Banking | **35,274** | 35,876 |
| Barclaycard | **31,913** | 30,566 |
| Western Europe Retail Banking | **17,269** | 16,811 |
| Barclays Africa | **8,003** | 7,649 |
| Barclays Capital | **191,275** | 181,117 |
| Barclays Corporate | **70,796** | 76,928 |
| Barclays Wealth | **12,398** | 11,353 |
| Investment Management | **74** | 73 |
| Absa | **30,398** | 21,410 |
| Head Office Functions and Other Operations | **631** | 870 |
| **Total risk weighted assets** | **398,031** | 382,653 |

c As at 31st December 2010 the Group has amended the calculation of adjusted gross leverage to reflect the deduction of £20,996m cash collateral on derivative liability contracts. Applying this approach to 2009 would result in an adjusted gross leverage of 19x.

the increase from 24x at December 2009 to 27x at January 2010 was also affected by increases in settlement balances;

a step up in August from 27x to 29x arose from an increase in gross derivatives balances; and

the decrease in December from 27x to 24x was affected by a decrease in gross derivatives and settlement balances in addition to those movements noted above. Group Treasury agrees adjusted tangible asset targets at a segment level to manage the Barclays balance sheet and leverage ratio. Barclays Capital s adjusted tangible assets are managed and reviewed monthly by the Barclays Capital Balance Sheet Steering Committee which includes members of Treasury, Finance and the businesses. The Steering Committee agrees limits with each business across Barclays Capital and monitors balance sheet usage against those limits. Businesses were required to manage the balance sheet to defined limits and were not permitted to exceed them without prior approval by nominated Steering Committee members. Barclays continues to operate within limits and targets for balance sheet usage as part of its balance sheet management activities.

The Basel Committee of Banking Supervisors (BCBS) issued final guidelines for Basel III: a global regulatory framework for more resilient banks and banking systems in December 2010. The guidelines include a proposed leverage metric, to be implemented by national supervisors in parallel run from 1st January 2013 (migrating to a Pillar 1 measure by 2018). Based on our interpretation of the current BCBS proposals the Group s Basel III leverage ratio as at 31st December 2010 would be within the proposed limit of 33x.

### Economic capital demand

Economic capital is an internal measure of the risk profile of the bank expressed as the estimated stress loss at a 99.98% confidence level. The total amount of equity and preference capital held by the Group takes into account Economic Capital Demand and is set at an appropriate level to ensure that the Group maintains it credit rating based upon its risk profile.

Barclays assesses capital requirements by measuring the Group s risk profile using both internally and externally developed models. The Group assigns economic capital primarily within the following risk categories: credit risk, market risk, operational risk, private equity and pension risk.

The Group regularly reviews its economic capital methodology and benchmarks outputs to external reference points. The framework uses default probabilities during average credit conditions, rather than those prevailing at the balance sheet date, thus seeking to remove cyclicality from the economic capital calculation. The economic capital framework takes into consideration time horizon, correlation of risks and risk concentrations.

Economic capital is allocated on a consistent basis across all of Barclays businesses and risk activities. A single cost of equity is applied to calculate the cost of risk.

The total average economic capital required by the Group is compared with the supply of economic capital to evaluate economic capital utilisation. The supply of economic capital is based on the available shareholders equity adjusted for certain items (e.g. retirement benefit liability, cash flow hedging reserve) and including preference shares.

Economic capital forms the basis of the Group s submission for the Basel II Internal Capital Adequacy Assessment Process (ICAAP).

Notes

a Calculated using an adjusted average over the year and rounded to the nearest £50m for presentation purposes,
b Total period end economic capital requirement as at 31st December 2010 stood at £41,550m (2009: £40,750m).
c Average EC charts exclude the EC calculated for pension risk (average pension risk for 2010 is £3,750m compared with £2,500m in 2009).

d Includes Transition Businesses and capital for central function risks.
e Includes credit risk loans.
f Includes investments in associates, private equity risk, insurance risk, residual value and business risk. Also includes BGI related exposures post-disposal, mainly the Group s investment in BlackRock, Inc.

Table of Contents



# Risk management

## Capital risk management continued

### Economic capital supply

The capital resources to support economic capital comprise adjusted shareholders equity including preference shares but excluding other non-controlling interests. Shareholders equity is adjusted for:

Net retirement benefits liability representing a non-cash reduction in shareholders equity;

Cash flow hedging reserve representing amounts that will be offset against the gains or losses on the hedged item when it is recognised in the income statement;

Available for sale reserve representing unrealised gains and losses on available for sale securities;

Cumulative gains on own credit representing cumulative gains arising on the fair value of changes in own credit; and

Preference shares are included in funds to support economic capital as preference shares have been issued to optimise the long term capital base of the group, but are excluded from shareholders equity for economic profit purposes as the cost of servicing preference shares is included in profit attributable to non-controlling interests.

### Economic Profit

Economic profit comprises profit after tax and non-controlling interests, less a capital charge (average shareholders equity excluding non-controlling interests multiplied by Barclays cost of capital). The Group cost of capital has been applied at a uniform rate of 12.5%. From 1st January 2011 the Group s cost of capital has changed from 12.5% to 11.5%.

Economic loss for the Group increased to £2,488m (2009: £1,890m) reflecting an increase of £916m profit for economic purposes more than offset by a £1,514m increase in the economic capital charge, due to a significant rise in average shareholders equity.

| The average supply of capital to support the economic capital framework[a] | Average 2010 £m | Average 2009 £m |
|---|---|---|
| Shareholders equity excluding non-controlling interests less goodwill[b] | **41,400** | 28,000 |
| Retirement benefits liability | **450** | 800 |
| Cash flow hedging reserve | **(700)** | (300) |
| Available for sale reserve | **150** | 600 |
| Cumulative gains on own credit | **(450)** | (1,150) |
| **Average shareholders equity for economic purposes excluding goodwill** | **40,850** | 27,950 |

| | | |
|---|---|---|
| Average historical goodwill and intangible assets | **10,200** | 11,000 |
| **Average shareholders equity for economic purposes including goodwill** | **51,050** | 38,950 |
| Preference shares | **5,850** | 5,850 |
| **Available funds for economic capital[c]** | **56,900** | 44,800 |

| **Economic Profit** | **2010 £m** | 2009 £m |
|---|---|---|
| Profit after tax and non-controlling interests | **3,564** | 2,628 |
| Addback of amortisation charged on acquired intangible assets | **328** | 348 |
| **Profit for economic profit purposes** | **3,892** | 2,976 |
| Capital charge at 12.5% of average shareholders equity for economic profit purposes | **(6,380)** | (4,866) |
| **Economic loss** | **2,488** | 1,890 |
| UK Retail Banking | **239** | (7) |
| Barclaycard | **76** | 18 |
| Western Europe Retail Banking | **(251)** | 13 |
| Barclays Africa | **15** | (53) |
| Absa | **19** | (15) |
| Barclays Capital | **1,729** | 195 |
| Barclays Corporate | **(1,262)** | (532) |
| Barclays Wealth | **66** | 46 |
| Investment Management | **(367)** | (113) |
| Head Office Functions and Other Operations | **(493)** | (58) |
| | **(229)** | (506) |
| Historical goodwill and intangibles arising on acquisition | **(1,277)** | (1,374) |
| Variance to average shareholders funds (excluding non-controlling interest) | **(982)** | (10) |
| **Economic loss** | **2,488** | (1,890) |

Notes

a Calculated using an adjusted average over the year and rounded to the nearest £50m for presentation purposes.
b Average goodwill relates to purchased goodwill and intangible assets from business acquisitions.
c Available funds for economic capital as at 31st December stood at £58,950m (2009: £54,600m).

# Risk management

## Liquidity risk management

All disclosures in this section (pages 131 to 136) are unaudited unless otherwise stated

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

### Organisation and structure (audited)

Barclays Treasury operates a centralised governance and control process that covers all of the Group s liquidity risk management activities. Businesses assist Barclays Treasury in policy formation and limit setting by providing relevant and expert input for their local markets and customers. Execution of the Group s liquidity risk management strategy is carried out at country level within agreed policies, controls and limits, with the Country Treasurer providing reports directly to Barclays Treasury to evidence conformance with the agreed risk profile. Liquidity risk is a standing agenda item at Country and Cluster Asset and Liability Committees and on a consolidated basis is reported to the Group s Treasury Committee.

The objective of the Group s liquidity risk management strategy is to ensure that the funding profile of individual businesses and the Group as a whole is appropriate to underlying market conditions and the profile of our business in each given country. Liquidity risk limits and controls are flexed to achieve that profile and are based on regular qualitative and quantitative assessments of conditions under both normal and stressed conditions. Businesses are only allowed to have funding exposure to wholesale markets where they can demonstrate that their market is sufficiently deep and liquid and then only relative to the size and complexity of their business.

Liquidity limits reflect both local regulatory requirements as well as the behavioural characteristics of their balance sheets. Breaches of limits are reported to Treasury Committee together with details of the requirements to return to compliance.

### Liquidity risk framework (audited)

Barclays has a comprehensive Liquidity Risk Management Framework (the Liquidity Framework) for managing the Group s liquidity risk. The objective of the Liquidity Framework is for the Group to have sufficient liquidity to continue to operate for at least the minimum period specified by the FSA in the event that the wholesale funding markets are neither open to Barclays nor to the market as a whole. Stress tests applied under the Liquidity Framework consider a range of possible wholesale and retail factors leading to loss of financing including:

- Maturing of wholesale liabilities;
- Loss of secured financing and widened haircuts on remaining book;
- Retail and commercial outflows from savings and deposit accounts;

Drawdown of loans and commitments;

Potential impact of a 2 notch ratings downgrade; and

Withdrawal of initial margin amounts by counterparties.

These stressed scenarios are used to assess the appropriate level for the Group s liquidity pool, which comprises unencumbered assets and central bank deposits. Barclays regularly uses these assets to access secured funding markets, thereby testing the liquidity assumptions underlying pool composition. The Group does not presume the availability of central bank borrowing facilities to monetise the liquidity pool in any of the stress scenarios under the Liquidity Framework.

**Liquidity pool (audited)**

The Group liquidity pool as at 31st December 2010 was £154bn gross (2009: £127bn) and comprised the following cash and unencumbered assets (of which £140bn are FSA eligible). The Group maintains additional liquid assets to support ongoing business requirements such as payment services. The cost of the Group liquidity pool for 2010 has been allocated on the basis of the projected stress outflows arising in each relevant business.

| Composition of the Group liquidity pool (audited) | Cash and deposits with central banks £bn | Governments guaranteed bonds £bn | Governments and supranational bonds £bn | Other available liquidity £bn | Total £bn |
|---|---|---|---|---|---|
| **As at 31st December 2010** | **96** | **1** | **46** | **11** | **154** |
| As at 31st December 2009 | 81 | 3 | 31 | 12 | 127 |

**Table of Contents**



# Risk management

## Liquidity risk management continued

### Liquidity regulation

Since June 2010, the Group has reported its liquidity position against backstop Individual Liquidity Guidance (ILG) provided by the FSA. Calibration of the Group s Liquidity Framework anticipated final FSA rules and is therefore broadly consistent with current FSA standards.

The Basel Committee of Banking Supervisors (BCBS) issued its final guidelines for liquidity risk management, standards and monitoring in December 2010. These guidelines include a short term liquidity stress metric (the Liquidity Coverage Ratio (LCR)) and a longer term liquidity metric (the Net Stable Funding Ratio (NSFR)). The BCBS guidelines have yet to be implemented into European and UK law and therefore remain subject to refinement and change.

However, the Group monitors compliance against these BCBS metrics and the FSA is expected to bring its ILG metrics into line with the Basel LCR over time. Applying the expected BCBS guidelines to the Group s liquidity position as at 31st December 2010, the relevant ratios were estimated at 80% of the LCR requirement and 94% of the NSFR requirement.

### Term financing (audited)

The Group continues to attract deposits in unsecured money markets and to raise additional secured and unsecured term funding in a variety of markets. As at 31st December 2009, the Group had £15bn of publicly issued term debt maturing during 2010. The corresponding figure for 2011 is £25bn. During 2010, the Group issued approximately £35bn of term funding, comprising:

- £8bn equivalent of public senior term funding;
- £4bn equivalent of public covered bonds/ABS;
- £2bn equivalent of public subordinated debt; and
- £21bn equivalent of structured notes.

This £35bn of term funding refinanced the 2010 requirement, both maturities and early repayments, as well as pre-financed some of the 2011 and 2012 maturities. Additional term funding raised in 2011 will support balance sheet growth, further extension of liability maturities and strengthening of our liquidity position.

The Group liquidity pool is sufficient to cover more than one year of wholesale maturities.

### Funding structure (audited)

Global Retail Banking, Barclays Corporate, Barclays Wealth and Head Office Functions are structured to be self-funded through customer deposits, Barclays equity and other long term funding. Barclays Capital and, in part, Absa are funded through the wholesale secured and unsecured funding markets.

The loan to deposit and long term funding ratio improved to 77% at 31st December 2010 (2009: 81%). The loan to deposit ratio also improved to 124% at 31st December 2010 (2009:130%).

**Global Retail Banking, Barclays Corporate, Barclays Wealth**

**and Head Office functions (audited)**

An important source of structural liquidity is provided by our core retail deposits in the UK, Europe and Africa; mainly current accounts and savings accounts. Although, contractually, current accounts are repayable on demand and savings accounts at short notice, the Group s broad base of customers numerically and by depositor type helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group s operations and liquidity needs.

The Global Retail Banking, Barclays Corporate, Barclays Wealth businesses, together with Head Office functions, do not rely on short term wholesale funding. Rather, these businesses are funded through a combination of customer deposits and long term debt and equity.

In order to assess the funding requirement for these businesses, the balance sheet is modelled to reflect behavioural experience in both assets and liabilities. The maturity profile, excluding Absa, resulting from this behavioural modelling is set out below. As at 31st December 2010, behavioural modelling showed that expected repayments on assets are larger than the roll off of liabilities resulting in cash inflows for each of the first five years. Maturities of net liabilities are, therefore, behaviourally expected to occur after 5 years.

Included within the Not More Than 1 yr time bucket in the below analysis are £18.9bn of Group liquidity pool assets. These assets have a contractual maturity of greater than 1 year. However, they could be used to generate short-term cash flows, either through the sale or secured funding and so the balance has been classified as generating cash flow inflows within 1 year.

**Barclays Capital (audited)**

Barclays Capital manages its liquidity to be primarily funded through wholesale markets, generating sufficient liquidity to ensure that potential cash outflows in a stressed environment are covered. Much of the short term funding is invested in highly liquid assets and central bank cash and therefore contributes towards the Group liquidity pool.

Barclays Capital undertakes secured funding in the repo markets based on liquidity characteristics. 66% (2009: 73%) of the inventory is funded on a secured basis. Limits are in place for each security asset class reflecting liquidity in the cash and financing markets for these assets. The percentage of secured funding using each asset class as collateral is set out below.

Unsecured wholesale funding for the Group (excluding Absa) is managed by Barclays Capital within specific term limits. Excluding short term deposits that are placed within the Group liquidity pool, the term of unsecured liabilities has been extended, with average life improving from at least 26 months at 31st December 2009 to at least 30 months at 31st December 2010.

**Absa (audited)**

Absa operates in a market with structural dependence on wholesale funding sources. This dependence is a function of customer behaviours in relation to savings in South Africa as a whole, where there is a higher concentration of cash in investment funds than in bank savings. This structural shortfall relating to bank savings is transparent and carefully monitored.

| Behavioural maturity profile of assets and liabilities (audited) | | Cash inflow/(outflow) | | | | | |
|---|---|---|---|---|---|---|---|
| | Funding surplus £bn | Not more than 1yr[a] £bn | Over 1yr but not more than 2yrs £bn | Over 2yrs but not more than 3yrs £bn | Over 3yrs but not more than 4yrs £bn | Over 4yrs but not more than 5yrs £bn | Over 5yrs £bn |
| **As at 31st December 2010** | **89.9** | **4.7** | **17.7** | **30.1** | **10.4** | **2.2** | **(155.0)** |
| As at 31st December 2009 | 94.5 | (10.2) | 17.8 | 21.2 | 7.8 | 1.8 | (132.9) |

| Secured funding by asset class (audited) | Govt % | Agency % | MBS % | ABS % | Corporate % | Equity % | Other % |
|---|---|---|---|---|---|---|---|
| **As at 31st December 2010** | **64** | **7** | **9** | **3** | **7** | **7** | **3** |
| As at 31st December 2009 | 59 | 7 | 7 | 6 | 10 | 8 | 3 |

Note

a Includes £18.9bn of Group liquidity pool assets that have a contractual maturity of greater than one year but can be used to generate short-term cash flows either through sale or secured lending.

**Table of Contents**



# Risk management

## Liquidity risk management continued

### Contractual maturity of financial assets and liabilities (audited)

Details of contractual maturities for assets and liabilities form an important source of information for the management of liquidity risk. Such information is used (amongst other things) as the basis for modelling a behavioural balance sheet, for input into the liquidity framework, as discussed above.

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 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.

**Contractual maturity of financial assets and liabilities (audited)**

| At 31st December 2010 | On demand £m | Not more than three months £m | Over three months but not more than six months £m | Over six months but not more than one year £m | Over one year but not more than three years £m | Over three years but not more than five years £m | Over five years but not more than ten years £m | Over ten years £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and balances at centralbanks | 96,842 | 788 | | | | | | | 97,630 |
| Items in the course of collection from other banks | 1,168 | 216 | | | | | | | 1,384 |
| Trading portfolio assets | 168,867 | | | | | | | | 168,867 |
| Financial assets designated at fair value | 789 | 5,678 | 1,110 | 2,773 | 7,411 | 3,745 | 2,461 | 16,089 | 40,056 |
| Derivative financial instruments | 418,587 | 114 | 20 | 96 | 488 | 444 | 396 | 174 | 420,319 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Loans and advances to banks | **5,698** | **26,462** | **1,858** | **946** | **2,260** | **5** | **111** | **459** | **37,799** |
| Loans and advances to customers | **48,222** | **60,908** | **9,553** | **16,079** | **53,374** | **44,324** | **65,809** | **129,673** | **427,942** |
| Reverse repurchase agreements and other similar secured lending | **114** | **192,423** | **7,366** | **5,089** | **390** | **124** | **238** | **28** | **205,772** |
| Available for sale financial investments | **297** | **7,589** | **2,979** | **5,851** | **15,053** | **9,677** | **12,127** | **11,537** | **65,110** |
| Other financial assets | | **2,040** | | | **784** | | | | **2,824** |
| **Total financial assets** | **740,584** | **296,218** | **22,886** | **30,834** | **79,760** | **58,319** | **81,142** | **157,960** | **1,467,703** |
| **Other assets** | | | | | | | | | **21,942** |
| **Total assets** | | | | | | | | | **1,489,645** |
| **Liabilities** | | | | | | | | | |
| Deposits from banks | **5,754** | **65,755** | **2,161** | **2,247** | **739** | **790** | **249** | **280** | **77,975** |
| Items in the course of collection due to other banks | **1,312** | **9** | | | | | | | **1,321** |
| Customer accounts | **230,880** | **77,607** | **13,959** | **11,423** | **5,211** | **3,539** | **2,263** | **906** | **345,788** |
| Repurchase agreements and other similar secured borrowing | **907** | **216,454** | **4,358** | **2,755** | **739** | **256** | **59** | **6** | **225,534** |
| Trading portfolio liabilities | **72,693** | | | | | | | | **72,693** |
| Financial liabilities designated at fair value | **1,237** | **17,866** | **6,191** | **6,963** | **21,453** | **18,446** | **13,553** | **10,073** | **95,782** |
| Derivative financial instruments | **403,163** | **303** | **72** | **101** | **390** | **927** | **286** | **274** | **405,516** |
| Debt securities in issue | **17** | **50,735** | **17,982** | **33,172** | **23,130** | **13,032** | **12,028** | **6,527** | **156,623** |
| Subordinated liabilities | | **835** | | **218** | **2,094** | **475** | **9,499** | **15,378** | **28,499** |
| Other financial liabilities | | **4,295** | | | **990** | | | | **5,285** |
| **Total financial liabilities** | **715,963** | **433,859** | **44,723** | **56,879** | **54,746** | **37,465** | **37,937** | **33,444** | **1,415,016** |
| **Other liabilities** | | | | | | | | | **12,367** |
| **Total liabilities** | | | | | | | | | **1,427,383** |
| **Cumulative liquidity gap** | **24,621** | **(113,020)** | **(134,857)** | **(160,902)** | **(135,888)** | **(115,034)** | **(71,829)** | **52,687** | **62,262** |

**Table of Contents**



**Contractual maturity of financial assets and liabilities (audited)**

| At 31st December 2009 | On demand £m | Not more than three months £m | Over three months but not more than six months £m | Over six months but not more than one year £m | Over one year but not more than three years £m | Over three years but not more than five years £m | Over five years but not more than ten years £m | Over ten years £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Cash and balances at central banks | 80,592 | 891 | | | | | | | 81,483 |
| Items in the course of collection from other banks | 1,243 | 350 | | | | | | | 1,593 |
| Trading portfolio assets | 151,344 | | | | | | | | 151,344 |
| Financial assets designated at fair value | 679 | 10,795 | 1,679 | 2,456 | 5,514 | 3,998 | 2,293 | 13,897 | 41,311 |
| Derivative financial instruments | 415,638 | 216 | 115 | 89 | 236 | 101 | 334 | 86 | 416,815 |
| Loans and advances to banks | 5,114 | 30,385 | 314 | 1,787 | 2,396 | 544 | 98 | 497 | 41,135 |
| Loans and advances to customers | 44,826 | 68,876 | 8,987 | 17,848 | 51,886 | 38,357 | 63,180 | 126,264 | 420,224 |
| Reverse repurchase agreements and other similar secured lending | 248 | 129,095 | 3,558 | 5,604 | 4,680 | 31 | 210 | 5 | 143,431 |
| Available for sale financial investments | 1,157 | 6,999 | 8,356 | 3,434 | 20,530 | 5,871 | 6,802 | 3,334 | 56,483 |
| Other financial assets | | 2,816 | | | 660 | | | | 3,476 |
| **Total financial assets** | 700,841 | 250,423 | 23,009 | 31,218 | 85,902 | 48,902 | 72,917 | 144,083 | 1,357,295 |
| **Other assets** | | | | | | | | | 21,634 |
| **Total assets** | | | | | | | | | 1,378,929 |
| **Liabilities** | | | | | | | | | |
| Deposits from banks | 3,861 | 50,020 | 4,850 | 15,558 | 1,325 | 200 | 420 | 212 | 76,446 |
| Items in the course of collection due to other banks | 1,373 | 93 | | | | | | | 1,466 |
| Customer accounts | 205,868 | 86,481 | 8,226 | 11,940 | 2,954 | 3,049 | 2,864 | 1,047 | 322,429 |
| Repurchase agreements and other similar secured borrowing | 502 | 189,843 | 5,446 | 2,525 | 326 | 108 | 29 | 2 | 198,781 |
| Trading portfolio liabilities | 51,252 | | | | | | | | 51,252 |
| Financial liabilities designated at fair value | 1,219 | 17,599 | 5,755 | 7,145 | 18,780 | 14,701 | 14,647 | 6,356 | 86,202 |
| Derivative financial instruments | 402,019 | 186 | 68 | 37 | 111 | 433 | 394 | 168 | 403,416 |
| Debt securities in issue | 64 | 43,390 | 17,761 | 19,408 | 29,904 | 11,607 | 7,838 | 5,930 | 135,902 |
| Subordinated liabilities | | 173 | 1 | 27 | 1,234 | 1,375 | 9,871 | 13,135 | 25,816 |
| Other financial liabilities | | 4,959 | | | | | | | |