BARCLAYS PLC
Form 20-F
March 21, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from ______________ to ______________

OR

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

Date of event requiring this shell company report ______________

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

BARCLAYS PLC

BARCLAYS BANK PLC

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

ENGLAND

(Jurisdiction of Incorporation or Organization)

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

(Address of Principal Executive Offices)

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

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

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

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

Barclays PLC

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

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ordinary shares

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

Barclays Bank PLC

Title of Each Class	Name of Each Exchange On Which Registered
Callable Floating Rate Notes 2035	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 2	New York Stock Exchange*
American Depository Shares, Series 2, each representing one Non-Cumulative Callable Dollar Preference Share, Series 2	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 3	New York Stock Exchange*
American Depository Shares, Series 3, each representing one Non-Cumulative Callable Dollar Preference Share, Series 3	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 4	New York Stock Exchange*
American Depository Shares, Series 4, each representing one Non-Cumulative Callable Dollar Preference Share, Series 4	New York Stock Exchange
Non-Cumulative Callable Dollar Preference Shares, Series 5	New York Stock Exchange*
American Depository Shares, Series 5, each representing one Non-Cumulative Callable Dollar Preference Share, Series 5	New York Stock Exchange
5.140% Lower Tier 2 Notes due October 2020	New York Stock Exchange
iPath® Dow Jones UBS Commodity Index Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Agriculture Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Aluminum Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Cocoa Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Coffee Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Copper Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Cotton Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Energy Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Grains Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Industrial Metals Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Lead Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Livestock Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Natural Gas Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones UBS Nickel Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Platinum Subindex Total Return℠	NYSE Arca

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ETN	
iPath® Dow Jones-UBS Precious Metals Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Softs Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Sugar Subindex Total Return℠ ETN	NYSE Arca
iPath® Dow Jones-UBS Tin Subindex Total Return℠ ETN	NYSE Arca
iPath® S&P GSCI® Total Return Index ETN	NYSE Arca
iPath® S&P GSCI® Crude Oil Total Return Index ETN	NYSE Arca
iPath® CBOE S&P 500 BuyWrite Index℠ ETN	NYSE Arca
iPath® MSCI India Index℠ ETN	NYSE Arca
iPath® EUR/USD Exchange Rate ETN	NYSE Arca
iPath® GBP/USD Exchange Rate ETN	NYSE Arca
iPath® JPY/USD Exchange Rate ETN	NYSE Arca
iPath® S&P 500 VIX Short-Term Futures™ ETN	NYSE Arca
iPath® S&P 500 VIX Mid-Term Futures™ ETN	NYSE Arca
iPath® Inverse S&P 500 VIX Short-Term Futures™ ETN	NYSE Arca
iPath® Inverse January 2021 S&P 500 VIX Short-Term Futures™ ETN	NYSE Arca
iPath® Long Enhanced S&P 500 VIX Mid-Term Futures℠ ETN	NYSE Arca
iPath® Long Extended Russell 1000® TR Index ETN	NYSE Arca
iPath® Short Extended Russell 1000® TR Index ETN	NYSE Arca
iPath® Long Extended Russell 2000® TR Index ETN	NYSE Arca
iPath® Short Extended Russell 2000® TR Index ETN	NYSE Arca
iPath® Long Enhanced MSCI EAFE® TR Index ETN	NYSE Arca
iPath® Short Enhanced MSCI EAFE® TR Index ETN	NYSE Arca
iPath® Long Enhanced MSCI Emerging Markets Index ETN	NYSE Arca
iPath® Short Enhanced MSCI Emerging Markets Index ETN	NYSE Arca
iPath® Long Extended S&P 500® TR Index ETN	NYSE Arca
iPath® Short Extended S&P 500® TR Index ETN	NYSE Arca
iPath® Global Carbon ETN	NYSE Arca
iPath® Optimized Currency Carry ETN	NYSE Arca
iPath® US Treasury Steepener ETN	NYSE Arca
iPath® US Treasury Flattener ETN	NYSE Arca
iPath® US Treasury 2-year Bull ETN	NYSE Arca
iPath® US Treasury 2-year Bear ETN	NYSE Arca
iPath® US Treasury 10-year Bull ETN	NYSE Arca
iPath® US Treasury 10-year Bear ETN	NYSE Arca

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iPath® US Treasury Long Bond Bull ETN	NYSE Arca
iPath® US Treasury Long Bond Bear ETN	NYSE Arca
Barclays GEMS Index™ ETN	NYSE Arca
Barclays GEMS Asia 8 ETN	NYSE Arca
Barclays Asian and Gulf Currency Revaluation ETN	NYSE Arca
Barclays ETN+ S&P 500® Dynamic VEQTOR ETN	NYSE Arca
Barclays ETN + Short C Leveraged Exchange Traded Notes Linked to the Inverse Performance of the S&P 500® Total Return Index℠	NYSE Arca
Barclays ETN + Short D Leveraged Exchange Traded Notes Linked to the Inverse Performance of the S&P 500® Total Return Index℠	NYSE Arca
Barclays ETN + Long B Leveraged Exchange Traded Notes Linked to the S&P 500® Total Return Index℠	NYSE Arca
Barclays ETN + Short B Leveraged Exchange Traded Notes Linked to the Inverse Performance of the S&P 500® Total Return Index℠	NYSE Arca
Barclays ETN + Long C Leveraged Exchange Traded Notes Linked to the S&P 500® Total Return Index℠	NYSE Arca

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

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

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

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

Barclays PLC	25p ordinary shares	12,181,940,871
Barclays Bank PLC	£1 ordinary shares	2,342,558,515
	£1 preference shares	1,000
	£100 preference shares	75,000
	100 preference shares	240,000
	$0.25 preference shares	237,000,000
	$100 preference shares	100,000

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

Yes þ No ¨

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

Yes ¨ No þ

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

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

Yes þ No ¨

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405

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of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes ¨ No ¨

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

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

Barclays PLC

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

Barclays Bank PLC

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

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

U.S. GAAP ¨

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

Other ¨

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

Item 17 ¨

Item 18 ¨

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

Yes ¨ No þ

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

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

Yes ¨ No ¨

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Certain non-IFRS measures

In this document certain non-IFRS (International Financial Reporting Standards) measures are reported. Barclays management believes that these non-IFRS measures provide valuable information to readers of its financial statements because they enable the reader to focus more directly on the underlying day-to-day performance of its businesses and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays management. However, any non-IFRS measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

Market and other data

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

Forward-looking statements

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

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

Certain terms

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

Unless otherwise stated, the income statement analyses compare the twelve months to 31st December 2010 to the corresponding twelve months of 2009 or the twelve months of 2009 to the corresponding twelve months of 2008, as applicable, 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 300 to 306.

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SEC Form 20-F Cross reference information

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

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02

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 09 08	10.8% 10.0% 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 09 08	20x 20x 28x
Adjusted gross leverage is a non-IFRS measure. More information on the ratio of total assets to total shareholders information is provided on page 104. The ratio of total assets to total shareholders equity as at 31st December 2010, 2009 and 2008 was 24x, 24x and 43x, respectively.	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 reserves.	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 its strategy and align interests of management and	RoE 10	 7.2%

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%
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%.

RoTE

10	8.7%
09	9.0%
08	21.3%

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Returns KPIs continued

Definition	Why it s important to the business and management	
Profit before tax		
Profit before tax is the primary profitability measure used to assess performance. Profit before tax represents total income less impairment charges and operating expenses.	Profit before tax is a key indicator of financial performance to many of our stakeholders.	Profit before tax 10 £6,065m 09 £4,585m 08 £5,136m
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.	10 64% 09 57% 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 indicator of the cost of granting credit. 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.	10 118 bps 09 156 bps 08 95 bps

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

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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.

10	£31,440m
09	£29,123m
08	£21,199m

Group total income increased 8% to £31.4 billion.

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 09 08	£43bn £35bn 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 09 08	£55.3m £54.9m £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 09 08	62,000 58,000 57,000

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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.		

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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

Listed in London and New York, Barclays is a major global and financial service provider engaged in retail and commercial banking, credit cards, investment banking, wealth management presence in Europe, United States, Africa and Asia. The following section analyses the Group s performance by business. For management reporting purposes during 2010, Barclays was organised into the following business groupings.

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. These include the following products and services: Fixed income, currency and commodities, which includes interest rate, foreign exchange, commodities, emerging markets, money markets, and credit; Equities, which include cash and equity derivatives and prime services; Investment Banking, which includes financial advisory, equity and debt underwriting; and Principal Investments. 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. Head office and central support functions include the following areas: Executive Management, Finance, Property, Treasury, Corporate Secretariat and Corporate Development, Tax, Investor Relations, Risk, Human Resources, Legal Corporate Affairs.

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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.

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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).

Total income net of insurance claims 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[a] at Barclays Capital, which excludes these items, declined 25% to £13,333m relative to the exceptionally strong levels seen in 2009. There was 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 operating 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 operating 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. Barclaycard and Western Europe Retail Banking also reported good income growth. The aggregate revenue performance of the Global Retail Banking businesses (which comprises our UK Retail Banking, Barclaycard, Western Europe Retail Banking and Barclays Africa 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[a] 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. 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%.

Note

a Top-line income is a non-IFRS measure that represents income before own credit gain/losses and credit market losses/income. This measure has been presented as it provides a consistent basis for comparing the business performance between financial periods. Credit market losses included within income at Barclays Capital for the year ended 31st December 2010 amounted to £124m (2009: £4,417m; 2008: £6,290m), and own credit gain for the year ended 31st December 2010 amounted to £391m (2009: loss of £1,820m; 2008: gain of £1,663m). Total income at Barclays Capital for the year ended 31st December 2010 was £13,600m (2009: £11,625m; 2008: £5,231m). For a reconciliation of top-line income to total income for Barclays Capital, see the Analysis of Total income table on page 32. For more information on credit market losses see page 88 and for more information on own credit gains / losses see Note 4 to the financial statements.

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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

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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 £m	2009 £m	2008 £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 £m	2009 £m	2008 £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

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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 £m	2009 £m	2008 £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

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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
Barclays 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.

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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

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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.

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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.

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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. 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.

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.

Adjusted gross leverage is a non-IFRS measure representing the multiple of adjusted total tangible assets over total qualifying Tier 1 capital. Adjusted total tangible assets are total assets adjusted to allow for derivative counterparty netting where the Group has a legally enforceable master netting agreement, assets under management on the balance sheet, settlement balances and cash collateral on derivative liabilities, goodwill and intangible assets. This measure has been presented as it provides for a metric used by management in assessing balance sheet leverage. Barclays management believes that this measure provides useful information to readers of Barclays financial statements as a key measure of stability, which is consistent with the views of regulators and investors. However, this measure is not a substitute for IFRS measures and readers should consider IFRS measures as well, such as the ratio of total assets to total shareholders equity as disclosed on page 104.

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). The metric is the ratio of exposure to Tier 1 capital calculated on a Basel III basis, with exposure representing total assets and certain off balance sheet items, the potential future exposure on derivative contracts, less netting permitted under applicable UK regulatory rules and those assets deducted from Tier 1 capital. The final implementation of Basel III may result in the future calculation of this ratio being on a different basis. 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 and the reasons for monthly fluctuations are provided on page 104.

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%. For details of the definition of Net Stable Funding Ratio and Liquidity Coverage Ratio see the glossary on page 300.

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.

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)

For further information on liquidity and funding see Risk Management Liquidity Risk Management .

Financial review

Analysis of results by business

Business performance

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 operating 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 operating 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 operating 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
		3	157	24	(3)			1	(1)	7

Profit/(loss) on disposal of subsidiaries, associates and joint ventures										
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[a], 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[a] of £8,811m declined 35%, reflecting lower contributions from Rates and Commodities. Equities and Prime Services top-line income[a] 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[a] of £2,243m increased 3%.

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 operating 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. The cost: net income ratio was 64% (2009: 73%) and compensation costs represented 42% of income (2009: 38%). Excluding the impact of own credit, the cost: net income ratio was 65% (2009: 61%) and compensation costs represented 43% of income (2009: 33%)[b].

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.

Note

a Top-line income is a non-IFRS measure that represents income before own credit gain/losses and credit market losses/income. This measure has been presented as it provides a consistent basis for comparing the business performance between financial periods. Credit market losses included within income at Barclays Capital for the year ended 31st December 2010 amounted to £124m (2009: £4,417m), and own credit gain for the year ended 31st December 2010 amounted to £391m (2009: loss of £1,820m). Total income at Barclays Capital for the year ended 31st December 2010 was £13,600m (2009: £11,625m). For a reconciliation of top-line income to total income for Barclays Capital, see the Analysis of Total income table on page 32. For more information on credit market losses see page 88 and for more information on own credit gains / losses see Note 4 to the financial statements.

b Cost: net income ratio (excluding own credit) and compensation: income ratio (excluding own credit) are non-IFRS measures as they exclude own credit. Own credit gain for the year ended 31st December 2010 amounted to £391m (2009: loss of £1,820m). These measures have been presented as they provide a consistent basis for comparing the business performance between financial periods. For more information on own credit gains / losses see Note 4 to the financial statements.

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Financial review

Analysis of results by business continued

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. 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 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 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 operating 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.

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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 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 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			
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%

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Financial review

Analysis of results by business continued

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. Both the asset margin and the net interest margin improved during the year.

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.

	2010	2009	2008
	£m	£m	£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 operating 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

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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.

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				
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%

Financial review

Analysis of results by business continued

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 resulting in a reduction in the net interest margin.

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.

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 operating 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

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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 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			
Loan loss rate (bps)	**71**	80	n/a
Cost: income ratio	**89%**	67%	70%

Cost: net income ratio	**122%**	91%	82%

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Financial review

Analysis of results by business continued

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.

Performance

2010

Barclays Africa profit before tax increased 81% to £188m (2009: £104m). 2010 included a 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 gain of £24m from the sale of shares in Barclays Bank of Botswana Limited. Excluding these 2010 and 2009 gains, 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) with an increase in the net interest margin. The asset margin improved primarily driven by a reduction in

funding costs and changes in business mix. The liability margin decreased 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.

	2010	2009	2008
	£m	£m	£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 operating 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

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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 mainly due to lower funding costs. The liabilities margin increased 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			
Loan loss rate (bps)	**186**	252	n/a
Cost: income ratio	**76%**	73%	65%
Cost: net income ratio	**85%**	87%	73%

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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.

Performance

2010

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 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 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 operating 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

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to £30.4bn (2009: £21.4bn), due to the impact of exchange rate movements, enhancements to the retail model and wholesale credit remediation plan.

2009

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 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 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.

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			
Loan loss rate (bps)	**112**	152	n/a
Cost: income ratio	**62%**	57%	59%
Cost: net income ratio	**75%**	73%	70%

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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 an own credit gain of £391m (2009: Loss of £1,820m), profit before tax, profit before tax increased 2% to £4,389m (2009: £4,284m). Top-line income[a] of £13,333m (2009: £17,862m) was down 25% on the very strong prior year performance, reflecting a more challenging market environment. Net operating income for 2010, excluding own credit, 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[a] 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[a] 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). 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 operating 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[b]	**£668.1bn**	£618.2bn	£681.0bn
Risk weighted assets	**£191.3bn**	£181.1bn	£227.4bn
Liquidity pool	**£154bn**	£127bn	£43bn

Note

a Top-line income is a non-IFRS measure that represents income before own credit gain/losses and credit market losses/income. This measure has been presented as it provides a consistent basis for comparing the business performance between financial periods. For a reconciliation of top-line income to total income for Barclays Capital, see the Analysis of Total income table on the following page 32. For more information on credit market losses see page 88 and for more information on own credit gains / losses see Note 4 to the financial statements.

b 31st December 2010 uses a revised definition.

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management efficiencies. 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[a] increased 81% to £17,862m (2008: £9,858m). Top-line income[a] in 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. Top-line income[a] in 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. 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			
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)[b]	**65%**	61%	n/a
Compensation: income ratio (excluding own credit)[b]	**43%**	33%	44%
Other Financial Measures			
Average DVaR (95%)	**£53m**	£77m	£53m

Note

a Top-line income is a non-IFRS measure that represents income before own credit gain/losses and credit market losses/income. This measure has been presented as it provides a consistent basis for comparing the business performance between financial periods. For a reconciliation of top-line income to total income for Barclays Capital, see the Analysis of Total income table on this page. For more information on credit market losses see page 88 and for more information on own credit gains / losses see Note 4 to the financial statements.

b Cost: net income ratio (excluding own credit) and compensation: income ratio (excluding own credit) are non-IFRS measures as they exclude own credit. Own credit gain for the year ended 31st December 2010 amounted to £391m (2009: loss of £1,820m). These measures have been presented as they provide a consistent basis for comparing the business performance between financial periods. For more information on own credit gains / losses see Note 4 to the financial statements.

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. This resulted in the net interest margin for Barclays Corporate decreasing.

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 £m	2009 £m	2008 £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 operating 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

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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. Deposit margin fell 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			
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)

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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 reflecting an increase in the liabilities margin offset by a reduction in the liabilities margin asset margin. 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 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.

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 operating 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

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Net interest income increased 4% to £503m (2008: £485m) reflecting growth in customer lending. Average lending grew 26% to £12.3bn (2008: £9.7bn). Average 2009 deposits were in line with the prior year (2008: £37.2bn) with a stable liabilities margin.

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 net new asset inflows of £3bn.

	2010	2009	2008
Performance Measures			
Loan loss rate (bps)	**29**	38	n/a
Cost: income ratio	**86%**	85%	70%

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

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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	**Supporting our communities**
Direct contribution, employment and economic value added	Supporting social infrastructure
Supporting growth today: customers and clients	Increasing access to financial services
Investing in tomorrow	Investing in the community
	Building a diverse workforce

Managing our environmental

footprint

The way we do business

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£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.

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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).

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 45), 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 144 and 145).

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. Monitor the operation of the controls and adherence to risk direction and limits. Provide early warning of control or appetite breaches. Ensure that risk management practices and conditions are appropriate for the business environment.
Report	Interpret and report on risk exposures, concentrations and risk-taking outcomes. Interpret and report on sensitivities and Key Risk Indicators. Communicate with external parties.
Manage and Challenge	Review and challenge all aspects of the Group s risk profile. Assess new risk-return opportunities. Advise on optimising the Group s risk profile. Review and challenge risk management practices.

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 141 to 143 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 120 to 122. 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.

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 50 to 57.

Note

a Reporting lines effective from January 2011, previously reported to the Group Finance Director.

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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 50 to 57, 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

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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 48.

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 107.

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 45 and definitions of the 13 Principal Risks are provided in the table below. The risk categories relevant to operational risk disclosed on pages 113 and 114 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 section on Supervision and Regulation (pages 115 to 119), 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.

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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 88 to 92.
		Sovereign Risk
	For further information see pages 64 to 70.	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 93.

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 75 to 80.

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. 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. Non-traded interest rate risk is hedged with the external market by a business treasury operation or Group Treasury. For further information see pages 94 to 101.	**Traded Market Risk Exposures** While the Group is exposed to continued market volatility, Barclays Capital s trading activities are principally a consequence of supporting customer activity. 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. Barclays Capital s 2010 market risk exposure, as measured by average total DVaR decreased to £53m (2009: £77m). For further information see pages 95 and 96. **Non-traded Interest Rate Risk** The Group is exposed to three main types of non-traded interest rate risk: - fixed rate loans and deposits that are not hedged or matched; - 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 - margin compression. 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 97 to 99.

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.

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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. 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. 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. For further information see pages 102 to 106.	**Increasing Capital Requirements** 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. Aligned to this, markets and credit rating agencies now expect equity capital levels significantly in excess of the current regulatory minimum. 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%). For further information see pages 103, 104 and 118.
5. Liquidity Risk		
Liquidity Risk is the risk that the Group is unable to meet its obligations as they fall due	The Group maintains a substantial liquidity buffer comprised of deposits with central banks and investments in highly liquid securities or deposits.	**Inability To Meet Obligations As They Fall Due,** **At Reasonable Cost**

resulting in: an inability to support normal business activity; failing to meet liquidity regulatory requirements; or rating agency concerns.

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.

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 107 to 112.

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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: Recruitment Pre-employment screening Employment agreements Performance management Reward Discipline, Capability and Grievance Health and Safety Exit management Employee feedback	**Compensation and People Retention Risk** During 2010, external regulatory developments in relation to remuneration continued to impact the People Principal Risk. 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. Barclays remuneration approach has been reviewed in detail and enhancements made as appropriate to ensure continued compliance with the FSA Code. 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.

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 147 to 163.

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 226) and the Competition and Regulatory Matters Note (see page 227).

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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. 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. Compliance risk and control issues are also included in quarterly reporting by the Legal and Compliance functions to the Executive Committee and the Board. 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** 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. **Anti-bribery and Corruption** 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. **Payment Protection Insurance (PPI)** 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 115 to 119 and 227.

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

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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. 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.	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.
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. Regular technology risk reporting is provided to the Group Operating Committee, the Governance and Control Committee and the Board Audit Committee.	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.

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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 204, 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 91 and 92.
		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 128 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. 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 206).
	Where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.	

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Risk management

Credit risk management

All disclosures in this section (pages 58-93) 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.

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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 71 to 84.
b Further analysis of debt securities and other bills is on page 85.
c Further analysis of derivatives is on page 86.
d Further analysis of reverse repurchase agreements is on page 87.

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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

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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 insti-tutions £m	Manu-facturing £m	Const-ruction and property £m	Govern-ment £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 72.

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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).

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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 197. 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 197. 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 47). 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.

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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.

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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	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							
Wholesale - customers (excluding loan to Protium)	197,431	4,969	192,462	11,716	5.9%	1,815	92
Wholesale - banks	37,847	48	37,799	35	0.1%	(18)	(5)

Total wholesale (excluding loan to Protium)	**235,278**	**5,017**	**230,261**	**11,751**	**5.0%**	**1,797**	**76**
Loan to Protium	**7,560**	**532**	**7,028**	**7,560**	**100.0%**	**532**	**704**
Total wholesale	**242,838**	**5,549**	**237,289**	**19,311**	**8.0%**	**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 (excluding loan to Protium)	470,613	11,900	458,713	24,322	5.2%	5,093	108
Loans and advances at amortised cost	**478,173**	**12,432**	**465,741**	**31,882**	**6.7%**	**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				

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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	2010	2009
As at 31st December	£ m	£ 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

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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 90.

Including the loan to Protium of £7,560m, the Credit Risk Loans (CRL) balance rose by 41% to £31,882m (2009: £22,542m) reflecting increases across the majority of businesses. In contrast the Group s Potential Problem Loans (PPLs) balance fell by 24% to £2,695m (2009: £3,523m) primarily reflecting lower balances in the wholesale sector. As a consequence of the increase in CRLs and fall in PPLs, the Group Potential Credit Risk Loan (PCRL) balances increased by 33% to £34,577m (2009: £26,065m). Impairment allowances, including an allowance of £532m held against Protium, rose by 15% to £12,432m (2009: £10,796m) reflecting increases in most businesses. As a result, both the CRL and PCRL coverage ratios fell in 2010, to 39.0% (2009: 47.9%) and 36.0% (2009: 41.4%), respectively. However, these falls reflected the inclusion of the relatively lowly covered (7%) Protium loan in 2010 as, excluding Protium, coverage ratios rose in both the retail and wholesale sectors.

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. The tables below show figures and ratios both including and excluding the effect of Protium.

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 90 for further information on Protium.

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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. The wholesale CRL coverage ratio was 28.7% (2009: 42.4%). 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							
	Gross loans and	Impairment	Loans and advances net of	Credit risk	CRLs %	Impairment charges £m	Loans loss

	advances £m	allowance £m	impairment £m	loans £m	of gross loans and advances %		rates bps
As at 31st December 2010							
UK Retail Banking	**3,889**	**77**	**3,812**	**345**	**8.9%**	**80**	**206**
Barclaycard[b]	**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 (excluding loan to Protium)	**145,151**	**2,504**	**142,647**	**5,370**	**3.7%**	**110**	**8**
Loan to Protium	**7,560**	**532**	**7,028**	**7,560**	**100.0%**	**532**	**704**
Barclays Capital	**152,711**	**3,036**	**149,675**	**12,930**	**8.5%**	**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 (excluding loan to Protium)	**235,278**	**5,017**	**230,261**	**11,751**	**5.0%**	**1,797**	**76**
Total	**242,838**	**5,549**	**237,289**	**19,311**	**8.0%**	**2,329**	**96**
As at 31st December 2009							
UK Retail Banking	4,002	56	3,946	247	6.2%	95	238
Barclaycard[b]	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 77.

b Barclaycard represents corporate credit and charge cards.

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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 £m	CRLs % of gross loans and advances %	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 (excluding loan to Protium)	**18,750**	**113**	**18,637**	**315**	**1.7%**	**(20)**	**(11)**
Loan to Protium	**7,560**	**532**	**7,028**	**7,560**	**100.0%**	**532**	**704**
Other wholesale lending	**26,310**	**645**	**25,665**	**7,875**	**29.9%**	**512**	**195**
Cash collateral and settlement balances	**42,428**		**42,428**		**0.0%**		
Total (excluding loan to Protium)	**145,151**	**2,504**	**142,647**	**5,370**	**3.7%**	**110**	**8**
Total	**152,711**	**3,036**	**149,675**	**12,930**	**8.5%**	**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

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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.

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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.

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.

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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).

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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			
	Strong	Satisfactory	Higher risk	Total	Strong	Satisfactory	Higher risk	Total
As at 31st December	£m	£m	£m	£m	£m	£m	£m	£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.

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) As at 31st December	2010 Carrying amount	2009 Carrying 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.

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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	**2010**	**2009**	**2008**
	Book value	**Book value**	**Book value**
As at 31st December	**£m**	**£m**	**£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 212.

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 212.

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.

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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		
	2010 $m	2009 $m	2010 £m	2009 £m	Fair value (losses)/ gains £m	Impairment (charge)/ release £m	Total (losses)/ gains £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).

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	
	Amount	Marks	Amount	Marks
As at 31st December	£m	%	£m	%
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
	US	Germany	Other Europe	UK	Asia	Total	Total
As at 31st December	£m	£m	£m	£m	£m	£m	£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.

Risk management

Credit risk management continued

C. Other Credit Market

C1. Leveraged Finance

Leveraged finance loans, by region As at 31st December	2010 £m	2009 £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 £m	Fair value of underlying asset £m	Fair value exposure £m	Credit valuation adjustment £m	Net exposure £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 255 to 259. The valuations have been subject to Barclays valuation control framework, which is described on page 262.

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 Quoted market prices (Level 1)	2010 Observable inputs (Level 2) £m	2010 Significant unobservable inputs (Level 3)	2010 Total £m	2009 Quoted market prices (Level 1)	2009 Observable inputs (Level 2) £m	2009 Significant unobservable inputs (Level 3)	2009 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

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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		
	Total assets	Favourable changes	Unfavourable changes	Total assets	Favourable changes	Unfavourable changes
As at 31st December	£m	£m	£m	£m	£m	£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 260 to 262 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.

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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.

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Risk management

Market risk management

All disclosures in this section (pages 94 to 105) 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.

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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[j], 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.
- j Top-line income is a non-IFRS measure that represents income before own credit gain/losses and credit market losses/income. This measure has been presented as it provides a consistent basis for comparing the business performance between financial periods. Credit market losses included within income at Barclays Capital for the year ended 31st December 2010 amounted to £124m (2009: £4,417m), and own credit gain for the year ended 31st December 2010 amounted to £391m (2009: loss of £1,820m). Total income at Barclays Capital for the year ended 31st December 2010 was £13,600m (2009: £11,625m). For a reconciliation of top-line income to total income for Barclays Capital, see the Analysis of Total income table on page 32. For more information on credit market losses see page 88 and for more information on own credit gains / losses see Note 4 to the financial statements.

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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	**-100 basis points**	+100 basis points	-100 basis points
	£m	**£m**	£m	£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	**-100 basis points**	+100 basis points	-100 basis points
	£m	**£m**	£m	£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

Analysis of net interest income For year ended 31 st December	2010 £m	2009 £m	2008 £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, Absa, Barclays Corporate and	**11,373**	10,817	9,601

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.

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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.

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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

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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

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Risk management

Capital risk management

All disclosures in this section (pages 102 to 106) 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 144 and 145) 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.

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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		Basel II 2009		Basel II 2008	
	Barclays PLC Group	Barclay Bank PLC Group	Barclays PLC Group	Barclay Bank PLC Group	Barclays PLC Group	Barclay Bank PLC Group
	£m	£m	£m	£m	£m	£m
Ordinary shareholders funds	**50,858**	**59,174**	47,277	55,925	36,618	41,202
Regulatory adjustments:	-	-	-	-	-	-
MCNs not yet converted	-	-	-	-	(3,652)	-
Available for sale reserve - debt	**340**	**340**	83	83	372	372
Available for sale reserve - equity	-	-	(309)	(335)	(122)	(63)
Cash flow hedging reserve	**(152)**	**(152)**	(252)	(252)	(132)	(132)
Defined benefit pension scheme	**99**	**99**	431	431	849	849
Adjustments for scope of regulatory consolidation	**99**	**99**	196	196	847	847
Foreign exchange on RCIs and upper Tier 2 loan stock	**209**	**209**	25	25	(231)	(231)
Adjustment for own credit	**(621)**	**(621)**	(340)	(340)	(1,650)	(1,650)
Other adjustments	**(40)**	**(40)**	144	144	305	304
Equity non-controlling interests	**2,923**	**2,923**	2,351	2,351	1,981	1,981
Less: Intangible assets	**(8,326)**	**(8,326)**	(8,345)	(8,345)	(9,964)	(9,964)
Less: Net excess of expected loss over impairment at 50%	**(168)**	**(168)**	(25)	(25)	(159)	(159)
Less: Securitisation positions at 50%	**(2,360)**	**(2,360)**	(2,799)	(2,799)	(704)	(704)
Less: Non Core Tier 1 capital issues included in shareholders funds	-	**(7,937)**	-	(8,427)	-	(8,421)
Core Tier 1 Capital	**42,861**	**43,240**	38,437	38,632	24,358	24,231
Preference shares	**6,317**	**6,317**	6,256	6,256	6,191	6,191
Reserve Capital Instruments	**6,098**	**6,098**	6,724	6,724	5,743	5,721
Tier One Notes[a]	**1,046**	**1,046**	1,017	1,017	1,086	1,086

Tax on the net excess of expected loss over impairment	**(100)**	**(100)**	8	8	46	46
Less: Material holdings in financial companies at 50%	**(2,676)**	**(2,872)**	(2,805)	(2,915)	(174)	(174)
Total qualifying Tier 1 capital	**53,546**	**53,729**	49,637	49,722	37,250	37,101
Revaluation reserves	**29**	**29**	26	26	26	26
Available for sale reserve - equity	-	-	309	335	122	122
Collectively assessed impairment allowances	**2,409**	**2,409**	2,443	2,443	1,654	1,654
Tier 2 non-controlling interests	**572**	**572**	547	547	607	607
Qualifying subordinated liabilities	-	-	-	-	-	-
Undated loan capital	**1,648**	**1,648**	1,350	1,350	6,745	6,768
Dated loan capital	**16,565**	**16,565**	15,657	15,658	14,215	14,215
Less: Net excess of expected loss over impairment at 50%	**(168)**	**(168)**	(25)	(25)	(158)	(158)
Less: Securitisation positions at 50%	**(2,360)**	**(2,360)**	(2,799)	(2,799)	(704)	(704)
Less: Material holdings in financial companies at 50%	**(2,676)**	**(2,872)**	(2,805)	(2,915)	(174)	(174)
Total qualifying Tier 2 capital	**16,019**	**15,823**	14,703	14,620	22,333	22,356
Less: Other regulatory deductions	**(2,250)**	**(2,250)**	(880)	(880)	(856)	(964)
Total net capital resources	**67,315**	**67,302**	63,460	63,462	58,727	58,493
Capital Ratios	**%**	**%**	%	%	%	%
Core Tier 1 ratio	**10.8%**	**10.9%**	10.0%	10.1%	5.6%	5.6%
Tier 1 ratio	**13.5%**	**13.5%**	13.0%	13.0%	8.6%	8.6%
Risk asset ratio	**16.9%**	**16.9%**	16.6%	16.6%	13.6%	13.5%

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

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

Adjusted gross leverage is a non-IFRS measure representing the multiple of adjusted total tangible assets over total qualifying Tier 1 capital. Adjusted total tangible assets are total assets adjusted to allow for derivative counterparty netting where the Group has a legally enforceable master netting agreement, assets under management on the balance sheet, settlement balances and cash collateral on derivative liabilities, goodwill and intangible assets. This measure has been presented as it provides for a metric used by management in assessing balance sheet leverage. Barclays management believes that this measure provides useful information to readers of Barclays financial statements as a key measure of stability, which is consistent with the views of regulators and investors. However, this measure is not a substitute for IFRS measures and readers should consider IFRS measures as well, such as the ratio of total assets to total shareholders equity as disclosed below.

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:

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). The metric is the ratio of exposure to Tier 1 capital calculated on a Basel III basis, with exposure representing total assets and certain off balance sheet items, the potential future exposure on derivative contracts, less netting permitted under applicable UK regulatory rules and those assets deducted from Tier 1 capital. The final implementation of Basel III may result in the future calculation of this ratio being on a different basis. 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.

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 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 to customers 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 87.

Risk weighted assets by business	**2010 £m**	2009 £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.

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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.

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.

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

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 107 to 112) 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

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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.

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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.

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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**

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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			1,135				6,094
Total financial liabilities	666,158	392,744	42,107	56,640	55,769	31,473	36,063	26,850	1,307,804
Other liabilities									12,647
Total liabilities									1,320,451
Cumulative liquidity gap	34,683	(107,638)	(126,736)	(152,158)	(122,025)	(104,596)	(67,742)	49,491	58,478

Expected maturity dates do not differ significantly from the contract dates, except for:

trading portfolio assets and liabilities and derivative financial instruments, which may not be held to maturity as part of the Group s trading strategies. For these instruments, which are mostly held by Barclays Capital, liquidity and repricing risk is managed through the Daily Value at Risk (DVaR) methodology;

retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the Group s operations and liquidity needs because of the broad base of customers both numerically and by depositor type; and

financial assets designated at fair value held in respect of linked liabilities, which are managed with the associated liabilities.

Risk management

Liquidity risk management continued

Contractual maturity of financial liabilities on an undiscounted basis (audited)

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values); whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows.

The balances in the below table do not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments.

Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

Financial liabilities designated at fair value in respect of linked liabilities under investment contracts have been excluded from this analysis as the Group is not exposed to liquidity risk arising from them.

Contractual maturity of financial liabilities undiscounted (audited)	On demand £m	Within one year £ m	Over one but not more than five years £m	Over five years £m	Total £ m
At 31st December 2010					
Deposits from banks	**5,754**	**70,197**	**1,636**	**613**	**78,200**
Items in the course of collection due to other banks	**1,312**	**9**			**1,321**
Customer accounts	**230,880**	**103,119**	**9,169**	**3,446**	**346,614**
Repurchase agreements and other similar secured borrowing	**907**	**223,589**	**1,099**	**71**	**225,666**
Trading portfolio liabilities	**72,693**				**72,693**
Financial liabilities designated at fair value	**1,237**	**32,408**	**45,573**	**34,745**	**113,963**
Derivative financial instruments	**403,163**	**509**	**1,478**	**1,131**	**406,281**
Debt securities in issue	**17**	**103,437**	**39,519**	**26,304**	**169,277**
Subordinated liabilities		**1,934**	**5,645**	**26,785**	**34,364**
Other financial liabilities		**4,295**	**990**		**5,285**
Total financial liabilities	**715,963**	**539,497**	**105,109**	**93,095**	**1,453,664**
Off-balance sheet items					
Loan commitments	**188,958**	**17,755**	**5,912**	**10,416**	**223,041**
Other commitments	**227**	**806**	**183**		**1,216**
Total off-balance sheet items	**189,185**	**18,561**	**6,095**	**10,416**	**224,257**
Total financial liabilities and off-balance sheet items	**905,148**	**558,058**	**111,204**	**103,511**	**1,677,921**
At 31st December 2009					
Deposits from banks	3,861	70,645	1,607	773	76,886
Items in the course of collection due to other banks	1,373	93			1,466
Customer accounts	205,868	106,991	6,898	5,488	325,245
Repurchase agreements and other similar secured borrowing	502	197,864	450	37	198,853
Trading portfolio liabilities	51,252				51,252
Financial liabilities designated at fair value	1,219	31,030	35,733	34,206	102,188

Derivative financial instruments	402,019	311	627	998	403,955
Debt securities in issue	64	82,215	46,055	22,243	150,577
Subordinated liabilities		2,101	6,295	26,842	35,238
Other financial liabilities		4,959	1,135		6,094
Total financial liabilities	666,158	496,209	98,800	90,587	1,351,754
Off-balance sheet items					
Loan commitments	127,540	74,111	4,181	861	206,693
Other commitments	386	384	19		789
Total off-balance sheet items	127,926	74,495	4,200	861	207,482
Total financial liabilities and off-balance sheet items	794,084	570,704	103,000	91,448	1,559,236

Risk management

Operational risk management

All disclosures in this section (pages 137 and 138) are unaudited

Operational Risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Group s business activities and are typical of any large enterprise. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Losses from operational risks of small significance are expected to occur and are accepted as part of the normal course of business. Those of material significance are rare and the Group seeks to reduce the likelihood of these in accordance with its Risk Appetite.

Overview

The management of Operational Risk has two key objectives:

- To minimise the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (or unexpected) loss.

- To improve the effective management of the Barclays Group and strengthen its brand and external reputation.

Barclays is committed to the management and measurement of operational risk and was granted a waiver to operate an Advanced Measurement Approach (AMA) for Operational Risk under Basel II, which commenced in January 2008. The majority of the Group calculates regulatory capital using AMA, however in specific areas we apply the Standardised approach or Basic Indicator approach. In certain joint ventures and associates, Barclays may not be able to apply the AMA.

Areas where the roll-out of AMA is still continuing and the Standardised approach is currently applied are Barclays Bank Mozambique, National Bank of Commerce (Tanzania), and the portfolio of assets purchased from Woolworths Financial Services in South Africa, Citi Cards and Standard Life Bank, while these are integrated into our infrastructure.

Areas where the Group is working towards the rollout of AMA and the Basic Indicator approach is applied are Barclays Bank PLC Pakistan, Barclays Bank LLC Russia, Barclays Investment and Loans India Limited, the ABSA Africa businesses and the new-to-bank business activities acquired from Lehman Brothers.

Barclays works to benchmark its internal operational risk practices with peer banks and to drive the development of advanced operational risk techniques across the industry.

Structure and governance

The Operational Risk framework comprises a number of elements which allow Barclays to manage and measure its Operational Risk profile and to calculate the amount of Operational Risk capital that Barclays needs to hold to absorb potential losses. The minimum, mandatory requirements for each of these elements are set out in the Group Operational Risk policies. This framework is implemented: vertically, through the organisational structure with all Business Units required to implement and operate an operational risk framework that meets, as a minimum, the requirements detailed in these operational risk policies; and laterally, with Group Principal Risk Owners required to ensure that the Group Operational Risk policies are reflected in the Control Framework for their Principal Risk.

Barclays operates within a robust system of internal control that enables business to be transacted and risk taken without exposure to unacceptable potential losses or reputational damage. To this end, Barclays has implemented the Group Internal Control and Assurance Framework (GICAF) which is aligned with the internationally recognised Committee of Sponsoring Organisations of the Treadway Commission Framework (COSO).

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. Front line risk managers are widely distributed throughout the Group. They service and support these areas, assisting line managers in managing their risks.

The Operational Risk Director (or equivalent) for each Business Unit is responsible for ensuring the implementation of and compliance with Group Operational Risk policies.

The Group Operational Risk Director is responsible for establishing, owning and maintaining an appropriate Group wide Operational Risk Framework and for overseeing the portfolio of Operational Risk across the Group.

The Group Operational Risk Executive Committee (GOREC) assists with the oversight of Operational Risk. GOREC is a sub-committee of the Group Risk Oversight Committee (GROC), which presents to the Board Risk Committee (BRC).

In addition, Governance and Control Committees (G&CCs) in each business monitor control effectiveness. The Group G&CC receives reports from these committees and considers Group-significant control issues and their remediation. The Group G&CC presents to the Board Audit Committee (BAC).

Business units are required to report their Operational Risks on both a regular and an event-driven basis. The reports include a profile of the material risks to their business objectives and the effectiveness of key controls, control issues of Group-level significance, operational risk events and a review of scenarios and capital. Specific reports are prepared on a regular basis for GOREC, GROC, BRC and BAC.

The Internal Audit function provides further independent review and challenge of the Group s operational risk management controls, processes and systems and reports to the Board and senior management.

Risk management

Operational risk management continued

Operational risk management

The Barclays Operational Risk Framework is a key component of GICAF and has been designed to meet a number of external governance requirements, including Basel II and Turnbull. It also supports the Sarbanes-Oxley requirements.

The Operational Risk framework includes the following elements.

Risk Assessments

Barclays identifies and assesses all material risks within each business unit and evaluates the key controls in place to mitigate those risks.

Managers in the business units use self-assessment techniques to identify risks, evaluate the effectiveness of controls in place and assess whether the risks are effectively managed to within business risk appetite. The businesses are then able to make decisions on what, if any, action is required to reduce the level of risk to Barclays. These risk assessments are monitored on a regular basis to ensure that each business continually understands the risks it faces.

Risk Events

An operational risk event is any circumstance where, through the lack or failure of a control, Barclays has actually, or could have, made a loss. The definition includes situations in which Barclays could have made a loss, but in fact made a gain, as well as incidents resulting in reputational damage or regulatory impact only.

A standard threshold is used across the Group for reporting risk events and as part of our analysis we seek to identify where improvements are needed to processes or controls, to reduce the recurrence and/or magnitude of risk events.

Barclays also uses a database of external risk events which are publicly available and is a member of the Operational Risk data exchange (ORX), a not-for-profit association of international banks formed to share anonymous loss data information. Barclays uses this external loss information to support and inform risk identification, assessment and measurement.

Key indicators

Key Indicators (KIs) are metrics which allow Barclays to monitor its operational risk profile. KIs include measurable thresholds that reflect the risk appetite of the business. KIs are monitored to alert management when risk levels exceed acceptable ranges or risk appetite levels and drive timely decision making and actions.

Key Risk Scenarios

By combining data from risk events, risk assessments and key indicators with that from audit findings, expert management judgement and other internal data sources, Barclays is able to generate Key Risk Scenarios (KRSs). These scenarios identify the most significant operational risks

across the Group. The KRSs are validated at business unit and Group level to ensure that they appropriately reflect the level of operational risk the business faces.

Insurance

As part of its risk management approach, the Group also uses insurance to mitigate the impact of some operational risks.

Reporting

The ongoing monitoring and reporting of Operational Risk is a key component of an effective Operational Risk Framework. Reports are used by the Operational Risk function and by business management to understand, monitor, manage and control operational risks and losses.

Operational risk measurement

The Operational Risk capital model uses the outputs of the risk management tools to measure Barclays operational risk exposure. KRSs are the main input to the model, which also uses the frequency and severity of operational risk losses to provide a distribution of potential losses over a year for Barclays as a whole. This process takes into account the possibility of correlations i.e. the likelihood of two key risks occurring within the same year. The model generates a regulatory capital requirement, which is determined to a level of 99.9% confidence. Once the overall level of regulatory capital for the Group has been established it is allocated, on a risk sensitive basis, to business units. This provides an incentive for the business to manage its risks within appetite levels.

Operational risk profile

A high proportion of Barclays operational risk events have a low associated financial cost and a very small proportion of operational risk events have a material impact. In 2010, 75.0% of operational losses had a value of £50,000 or less (2009: 73.3%) but accounted for 3.7% of the overall impact (2009: 3.4%). In contrast, 2.5% of the operational risk events had a value of £1 m or greater (2009: 3.9%) but accounted for 86.5% of the overall impact (2009: 87.1%).

The Group monitors trends in operational risk events by size, business unit and internal risk categories (including Principal Risk). For comparative purposes, the analysis below presents Barclays operational risk events by Basel II category. In 2010, the highest frequency of events occurred in External Fraud (42.7%) and Execution, Delivery and Process Management (39.2%). Clients, Products and Business Practices accounted for the highest proportion of losses by value, with 67.9% (2009: 8.5%). The growth in impact for this category was driven by the settlement reached with US authorities as a result of their investigation into compliance with US sanctions and US dollar payment practices. The impact of Execution, Delivery and Process Management (21.6%) and External Fraud (6.1%) reduced this year, due to one off events occurring in 2009 which were not repeated in 2010. The impact of External Fraud also reduced due to improvements made to fraud controls.

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Risk management

Supervision and regulation

All disclosures in this section (pages 115 to 119) are unaudited

The Group s operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business, constrain business operations and affect financial returns. These include reserve and reporting requirements and conduct of business regulations. These requirements are imposed by the relevant central banks and regulatory authorities that supervise the Group in the jurisdictions in which it operates. The requirements reflect global standards developed by, among others, the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. They also reflect requirements derived from EU directives.

In the UK, the Financial Services Authority (FSA) remains, pending the reorganisation of the UK regulatory regime (see below), the independent body responsible for the regulation and supervision of deposit taking, life insurance, home mortgages, general insurance and investment business. Barclays Bank PLC is authorised by the FSA under the Financial Services and Markets Act 2000 to carry on a range of regulated activities within the UK and is subject to consolidated supervision by the FSA. In its role as supervisor, the FSA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The FSA s continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The FSA adopts a risk-based approach to supervision. The starting point for supervision of all financial institutions is a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogeneous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment are used by the FSA to develop a risk mitigation programme for a firm. This is supplemented with a rolling programme of continuous engagement on prudential and conduct matters with high impact firms, such as Barclays. The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy, limits on large exposures to individual entities and groups of closely connected entities, liquidity and rules of business conduct.

The Banking Act 2009 (the Banking Act) provides a permanent regime to allow the FSA, the UK Treasury and the Bank of England to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers, including (a) the power to issue share transfer orders pursuant to which all or some of the securities issued by a bank may be transferred to a commercial purchaser or Bank of England entity; and (b) the power to transfer all or some of the property, rights and liabilities of the UK bank to a purchaser or Bank of England entity. A share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including Barclays Bank PLC) or

its holding company (Barclays PLC) and warrants for such shares and bonds. The Banking Act powers apply regardless of any contractual restrictions and compensation may be payable in the context of both share transfer orders and property appropriation.

The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank or its holding company and its former group undertakings for reasonable consideration, in order to enable any transferee or successor bank of the UK bank to operate effectively. There is also power for the Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect. In addition, the Banking Act gives the Bank of England statutory responsibility for financial stability in the UK and for the oversight of payment systems.

The Financial Services Act 2010, among other things, requires the FSA to make rules about remuneration and to require regulated firms to have a remuneration policy that is consistent with both effective risk management and the standards issued by the Financial Stability Board. The FSA is mandated to make rules that require authorised firms (or a sub-set of authorised firms) to draw up recovery and resolution plans and to consult with the Treasury and the Bank of England on the adequacy of firms plans. This Act also allows the FSA to make rules requiring firms to operate a collective consumer redress scheme to deal with cases of widespread failure by regulated firms to meet regulatory requirements that may have created consumer detriment.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme FSCS) where an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in Sterling or other EEA currencies (including the Euro) are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC. In the event that the FSCS raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group s results. Further details can be found in Note 25 (Contingent liabilities and commitments) on page 225.

Risk management

Supervision and regulation continued

Outside the UK, the Group has operations (and main regulators) located in continental Europe, in particular France, Germany, Spain, Switzerland, Portugal and Italy (local central banks and other regulatory authorities); Asia Pacific (various regulatory authorities including the Hong Kong Monetary Authority, the Financial Services Agency of Japan, the Australian Securities and Investments Commission, the Monetary Authority of Singapore, the China Banking Regulatory Commission and the Reserve Bank of India); Africa and the Middle East (various regulatory authorities including the South African Reserve Bank and the Financial Services Board and the regulatory authorities of the United Arab Emirates) and the United States of America (including the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC) and the Securities and Exchange Commission (SEC)).

The UK regulatory agenda is considerably shaped and influenced by the directives emanating from the EU. These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays operations in Europe are authorised and regulated by a combination of both home (the FSA) and host regulators.

Barclays operations in South Africa, including Absa Group Limited, are supervised and regulated by the South African Reserve Bank (SARB) and the Financial Services Board (FSB). SARB oversees the banking industry and follows a risk-based approach to supervision whilst the FSB oversees the non-banking financial services industry and focuses on enhancing consumer protection and regulating market conduct.

In the United States, Barclays PLC, Barclays Bank PLC and Barclays US banking subsidiaries are subject to a comprehensive regulatory structure involving numerous statutes, rules and regulations. Barclays Bank PLC s branches in New York and Florida are licensed by, and subject to regulation and examination by, their respective licensing authorities, the New York State Banking Department and the Florida Office of Financial Regulation. Barclays Bank PLC also operates a federal agency in California that is licensed by and subject to regulation and examination by the OCC. Barclays Bank Delaware is a Delaware-chartered commercial bank subject to regulation and examination by the Federal Deposit Insurance Corporation and the Delaware State Banking Commissioner. In addition, the FRB is the primary US federal regulator for the New York and Florida branches and also exercises umbrella regulatory authority over Barclays other US operations. The regulation of Barclays and its US banking subsidiaries imposes restrictions on the activities of Barclays, including its US banking subsidiaries and Barclays Bank PLC s US branches and agency, as well as prudential restrictions, such as limits on extensions of credit by Barclays Bank PLC s US branches and agency and the US banking subsidiaries to a single borrower and to Barclays subsidiaries and affiliates.

The licensing authority of each US branch has the authority, in certain circumstances, to take possession of the business and property of Barclays Bank PLC located in the state of the office it licenses. Such circumstances generally include violations of law, unsafe business practices and insolvency. As long as Barclays Bank PLC maintains one or more federal branches or agencies, the OCC also has the authority to take possession of the US operations of Barclays Bank PLC under similar circumstances, and this federal power may pre-empt the state insolvency regimes that would otherwise be applicable to Barclays Bank PLC s state licensed branches. As a result, if the OCC exercised its authority over the US agency of Barclays Bank PLC pursuant to federal law in the event of a Barclays Bank PLC insolvency, all of Barclays Bank PLC s US assets would most likely be applied first to satisfy creditors of its US branches and agencies as a group, and then made available for application pursuant to any UK insolvency proceeding.

In addition to the direct regulation of Barclays US banking offices, Barclays US operations subject Barclays to regulation by the FRB under various laws, including the International Banking Act of 1978 and the Bank Holding Company Act of 1956 (BHC Act). Barclays PLC and Barclays Bank PLC are bank holding companies registered with the FRB. Following the transfer of ownership of Barclays Bank Delaware from Barclays Group US Inc. to Barclays Delaware Holdings, LLC, a wholly-owned subsidiary of Barclays Bank PLC, Barclays Group US Inc. is no longer a bank holding company. Barclays PLC and Barclays Bank PLC have each elected to be treated as a financial holding company under the BHC Act. Financial holding companies may engage in a broader range of financial and related activities than are permitted to registered bank holding companies that do not maintain financial holding company status, including underwriting and dealing in all types of securities. To maintain financial holding company status, each of Barclays PLC and Barclays Bank PLC is required to meet or exceed certain capital ratios and to be deemed to be well managed , and Barclays Bank Delaware must meet certain capital requirements, be deemed to be well managed and must have at least a satisfactory rating under the Community Reinvestment Act of 1977.

Barclays is required to obtain the prior approval of the FRB before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting securities of any US bank or bank holding company. Under current FRB policy, Barclays is required to act as a source of financial strength for Barclays Bank Delaware. This policy could, among other things, require Barclays to inject capital into Barclays Bank Delaware if it becomes undercapitalised.

A major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. Regulations applicable to US operations of Barclays Bank PLC and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution. See Note 27 to the financial statements for further discussion of regulatory matters.

Barclays investment banking operations are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers funds and securities, capital structure, record-keeping, the financing of customers purchases, procedures for compliance with US securities law, and the conduct of directors, officers and employees.

Barclays Capital Inc. and the other subsidiaries that conduct these operations are regulated by a number of different government agencies and self-regulatory organizations, including the SEC and the Financial Industry Regulatory Authority (FINRA). Depending upon the specific nature of a broker-dealer s business, it may also be regulated by some or all of the New York Stock Exchange (NYSE), the Municipal Securities Rulemaking Board, the US Department of the Treasury, the Commodity Futures Trading Commission and other exchanges of which it may be a member. In addition, the US states, provinces and territories have local securities commissions that regulate and monitor activities in the interest of investor protection. These regulators have available a variety of sanctions, including the authority to conduct administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of the entity or its directors, officers or employees.

Barclays Bank PLC and Barclays Capital Energy, Inc. are authorised by the U.S. Federal Energy Regulatory Commission (FERC) to sell wholesale physical power at market-based rates. As FERC authorised power marketers and as buyers and sellers of natural gas, Barclays Bank PLC and Barclays Capital Energy, Inc. are subject to regulation under the U.S. Federal Power Act, the U.S. Natural Gas Act and the U.S. Energy Policy Act of 2005 and applicable FERC orders, rules and regulations thereunder.

The credit card-related activities of the Group in the US are subject to the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD Act) which was enacted by Congress in May 2009 to prohibit certain credit card pricing and marketing practices for consumer credit card accounts. Among the numerous provisions, which came into effect at various times through August 2010, are those that prohibit increasing rates on existing balances and over limit fees in most instances, restrict increasing fees and rates prospectively, restrict what penalty fees can be assessed, regulate how payments are to be allocated to different balances and how the billing process is to work, and revises all communications to cardholders.

Regulatory Developments

In the wake of the financial crisis there has been regulatory change that, when fully implemented, will have a substantial impact on all financial institutions, including the Group. Regulatory change is being pursued at a number of levels, globally notably through the G20, Financial Stability Board (FSB) and Basel Committee on Banking Supervision, regionally through the European Union and nationally, especially in the UK and US. It is of importance to the Group and to the banking industry generally that the various bodies work harmoniously and that a globally consistent approach is taken to banking regulation.

Global

While some of the uncertainty surrounding the nature of the future regulation of banks has been resolved, the full extent of the impact of regulatory change is not yet fully clear. Nevertheless, the programme of reform of the global regulatory framework that was agreed by G20 Heads of Government in April 2009 has advanced substantially during 2010, notably through the issue of final guidelines on Basel III capital and liquidity standards in December 2010. The requirements of Basel III will be applicable from 1st January 2013 with a number of transitional provisions that run to the end of 2018. An initial assessment of the likely impact of the Basel III capital and liquidity requirements can be found on page 108 and of the leverage requirements on page 104.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme. It is continuing to work on developing additional regulation as well as guidelines for the supervision of systemically significant institutions. A key element of the global reform programme is that systemic institutions, including globally systemic financial institutions (G-SIFIs) should be capable of being resolved without recourse to taxpayer support. The details of the future regime for systemic banks remains one of the areas of uncertainty, although the FSB has made it clear that systemically significant institutions will be required to maintain loss absorbency that is greater than the standards that are implied by Basel III. This additional loss absorbency may take the form of some combination of capital surcharge, requirements to hold contingent capital instruments and bail-in debt. Systemically significant banks will be subject to enhanced supervision and a comprehensive crisis management framework within supervisory colleges. The concept of bail-in debt may, if pursued, affect the rights of senior unsecured creditors subject to any bail-in in the event of a resolution of a failing bank. Further proposals including the identification of G-SIFIs will be developed during the first half of 2011. Barclays is likely to be considered a systemically significant institution.

The FSB is also working on approaches to the resolution of systemically significant institutions that will include the preparation of Recovery and Resolution Plans, sometimes called living wills . Further detail is awaited from the FSB and

Risk management

Supervision and regulation continued

from national regulatory bodies including the FSA, although the FSA has undertaken a pilot project with a group of large UK banks including Barclays.

While the Basel Committee on Banking Supervision has largely completed the process of setting new standards for capital and liquidity, a number of workstreams remain active that will affect the Group. These include a fundamental review of the trading book in addition to the enhanced capital requirements for trading book exposures that were implemented on 1st January 2011. The Basel Committee is also understood to be examining a regime for large exposures.

European Union

The Basel Committee s proposals will be implemented in the EU by amendment to the Capital Requirements Directive (CRD). Formal proposals to amend the CRD are expected in the summer of 2011 which will help address some of the remaining uncertainties. In addition, other amendments are being made to the EU framework of directives, including to the Directive on Deposit Guarantee Schemes. This may affect the amounts to which the Group may be liable to fund the compensation of depositors of failed banks. The proposal also envisages that national schemes should be pre-funded. This would be a significant change for UK banks where levies are currently raised as needed after failure. The financial impact on the Group is not yet clear.

Further amendments to EU regulatory requirements are likely as the EU develops its response to the financial crisis, including the structure of the regulatory system in the EU. On 1st January 2011, a number of new bodies came into being, including a European Systemic Risk Board to monitor the financial system and advise on macroprudential actions and a European Banking Authority charged with the development of a single rulebook for banks in the EU and with enhancing co-operation between national supervisory authorities, especially in the context of the supervision of banks that operate across borders within the EU. The European Banking Authority will have the power to mediate between and override national authorities under certain circumstances. National authorities, however, remain responsible for the day-to-day supervision of financial institutions.

Other EU developments include consideration of European arrangements in respect of crisis management and the resolution of financial institutions. The European Commission issued a discussion paper in January 2011, and proposals for legislation are expected in 2011. These are likely to have an impact on the rights of shareholders and creditors of failing institutions. Proposals are also expected in relation to corporate governance, and to amend the Markets in Financial Instruments Directive which will affect many of the investment markets in which the Group operates and the instruments in which it trades.

United Kingdom

The Government is reforming the structure of regulation to replace the FSA and the tripartite system that also involved the Bank of England and HM Treasury. It proposes that a Financial Policy Committee should be established in the Bank of England with responsibility for the monitoring and control of systemic risk, including the deployment of macro-prudential tools of supervision. Responsibility for prudential regulation will pass to a Prudential Regulation Authority to be established as a subsidiary of the Bank of England, while a Financial Conduct Authority (FCA) will be responsible for issues of business and market conduct and market regulation. The FCA will also be the UK listing authority. These reforms will require primary legislation to be passed by Parliament. This process is not expected to be complete before late 2012. In anticipation of the new regulatory structure, an interim Financial Policy Committee has been created and the FSA will reorganise itself into separate Prudential and Consumer and Markets business units on 4th April 2011. The Government is also considering the creation of an Economic Crime Agency to deal with serious financial crime.

On 16th June 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking (ICB). The ICB has been asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the Government by the end of September 2011. The ICB intends to publish an interim report in April, to be followed by a further round of consultation. Although the ICB has yet to make recommendations, and it is not possible to predict what the Government s disposition to any recommendations that are made will be, there is a possibility that the Commission could recommend change to the structure of UK banks.

The FSA continues to develop its more intrusive and assertive approach to supervision and its policy of credible deterrence in relation to enforcement that has seen significant growth in the size of regulatory fines. In anticipation of international agreement, the FSA has established and implemented capital and liquidity requirements that are substantially increased from pre-crisis levels. The Retail Distribution Review and the Mortgage Market Review will affect the economics of investment advice and home finance provision respectively. The FSA has also launched a consultation on its intention to adopt a more interventionist approach to the design of financial products and to the governance processes around the design of new products. The Government has stated that these increasingly interventionist regulatory and supervisory policies will be carried through into the FCA when it is established.

United States

The Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) was signed into law in July 2010. The Act provides for a new Financial Stability Oversight Council (FSOC), governmental resolution authority for failing non-depository financial institutions (including bank holding companies) under the aegis of the Federal Deposit Insurance Corporation, reorganisation of several of the bank supervisory agencies, a new Consumer Financial Protection Bureau (CPFB) and a federal Insurance Office. It also imposes harsher capital, liquidity and leverage requirements, as well as wide-ranging new requirements including for derivatives, hedge funds, private equity funds, credit rating agencies, debit card interchange fees and corporate governance. The full scale of the DFA s impact on the Group remains unclear because the rules required to implement many of the provisions of DFA have, in most cases, not been implemented and, in several important areas, have yet to be proposed by the responsible agencies. Nonetheless, certain provisions of the DFA are particularly likely to have an effect on the Group. These include:

The ability of the FSOC to make recommendations to the Federal Reserve regarding the establishment of heightened supervisory requirements and prudential standards applicable to systematically important entities and activities and work with all primary financial regulatory agencies to establish regulations, as necessary, to address financial stability concerns. It is not yet clear what regard the FSOC or the other agencies will have to the home country prudential regulators of non-US organisations such as the FSA, in the case of the Group;

The so-called Volcker Rule, which will, once effective, significantly restrict the ability of US bank holding companies and their affiliates, and the US branches of foreign banks, to conduct proprietary trading in securities and derivatives as well as certain activities related to hedge funds and private equity funds. The Volcker Rule is likely to have a significant impact on some of the Group s US operations. The DFA states that the Rule does not affect activities conducted solely outside the United States by non-US organisations, but the Federal Reserve has not indicated how it intends to interpret this exclusion in practice;

Significant changes to the trading and regulation of derivatives and participants in the derivatives markets. Among the changes mandated by the DFA are that many types of derivatives now traded in the over-the-counter markets be traded on an exchange or swap execution facility and centrally cleared. In addition, many participants in these markets will be required to register with the US Commodity Futures Trading Commission (CFTC) as swap dealers or major swap participants and/or with the US SEC as securities swap dealers or major securities swap dealers and be subject to CFTC and SEC regulation and oversight. Barclays Bank PLC and one or more of its US subsidiaries may be subjected to these requirements;

In addition to the ability of the FSOC to recommend heightened prudential standards for specific institutions the DFA, separate and apart from Basel III, also imposes higher capital, liquidity and leverage requirements on US banks and bank holding companies generally; and

The ability of the CPFB to regulate the credit card industry, including the terms of credit card agreements with consumers, disclosures, and fees. Actions by the CPFB in this area are likely to impact the Group s US credit card business.

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Board and executive committee

	Marcus Agius (64)	**Bob Diamond** (59)	**Sir Richard Broadbent** (57)	**David Booth** (56)
	Group Chairman	Chief Executive, Executive Director	Deputy Chairman and 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 [a]	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.

Note

a For a description of how the Board determines independence, see page 135

Board and executive committee 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.

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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.

Board and executive committee

Bob Diamond (59)

Chief Executive,

Executive Director

Chris Lucas (50)

Group Finance Director,

Executive Director

See pages 120 and 122 for full biographies.

Robert Le Blanc

Chief Risk Officer

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 Harding

Group General Counsel

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 Jenkins

Chief Executive of

Global Retail Banking

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.

Thomas L Kalaris

Chief Executive of Barclays Wealth

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).

Jerry del Missier

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

Maria Ramos

Group Chief Executive of Absa

Rich Ricci

Co-Chief Executive of Barclays Capital and Co-Chief Executive of

Cathy Turner

Barclays Human Resources Director

Banking

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.

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.

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

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

Directors report

Profit Attributable

The profit attributable to equity shareholders of Barclays PLC for the year amounted to £3,564m, compared with £2,628m from continuing operations and £6,765m from discontinued operations in 2009.

Dividends

The final dividend for the year ended 31st December 2010 of 2.5p per ordinary share of 25p each has been agreed by the Directors. The final dividend was announced on 15th February 2011 for payment on 18th March 2011 in respect of the ordinary shares registered at the close of business on 25th February 2011. With the interim dividends totalling 3.0p per ordinary share, paid in June, September and December 2010, the total distribution for 2010 is 5.5p (2009: 2.5p) per ordinary share. The interim and final dividends for 2010 amounted to £653m (2009: £289m).

Share Capital

The Company has ordinary shares in issue. The Company s Articles of Association provide for Sterling, Dollar, Euro and Yen preference shares (preference shares). No preference shares have been issued as at 4th March 2011 (the latest practicable date for inclusion in this report).

The Company did not repurchase any ordinary shares of 25p each during 2010 (2009: None). As at 4th March 2011, the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 1,203,988,028 ordinary shares.

The issued ordinary share capital was increased by 770 million ordinary shares during 2010. In addition to those issued in connection with the Sharepurchase, Sharesave and executive share option schemes during the year, 627 million ordinary shares were issued on 17th February 2010 and 131 million ordinary shares were issued on 11th October 2010 following the exercise of warrants to subscribe for ordinary shares.

As at 31st December 2010, the issued ordinary share capital totalled 12,181,940,871 shares. Ordinary shares represent 100% of the total issued share capital as at 31st December 2010. Since 31st December 2010 1.49 million ordinary shares have been issued in connection with the Sharepurchase, Sharesave and executive share option schemes. As at 4th March 2011, issued ordinary share capital was 12,183,435,348.

The Company s Articles of Association, a summary of which can be found in the Shareholder Information section on pages 290 to 292, contain the following details, which are incorporated into this report by reference:

- The structure of the Company s capital, including the rights and obligations attaching to each class of shares;
- Restrictions on the transfer of securities in the Company, including limitations on the holding of securities and requirements to obtain approvals for a transfer of securities;
- Restrictions on voting rights;
- The powers of the Directors, including in relation to issuing or buying back shares in accordance with the Companies Act 2006. It will be proposed at the 2011 AGM that the Directors be granted new authorities to allot and buy-back shares under the Companies Act 2006; and

Rules that the Company has about the appointment and removal of Directors or amendments to the Company s Articles of Association.

Employee Benefit Trusts (EBTs) operate in connection with certain of the Group s Employee Share Plans (Plans). The trustees of the EBTs may exercise all rights attached to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The trustees of the EBTs have informed the Company that their normal policy is to abstain from voting in respect of the Barclays shares held in trust. The trustees of the Global and UK Sharepurchase EBTs may vote in respect of Barclays shares held in the Sharepurchase EBT, but only as instructed in those Plans in respect of their Partnership shares and (when vested) Matching and Dividend shares. The trustees will not otherwise vote in respect of shares held in the Sharepurchase EBT.

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Directors report

continued

Warrants

On 31st October 2008, Barclays PLC issued, in conjunction with a simultaneous issue of Reserve Capital Instruments issued by Barclays Bank PLC, warrants to subscribe for up to 1,516.9 million new ordinary shares at a price of £1.97775 to Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan. As at 31st December 2010 there were unexercised warrants to subscribe for 379.2 million ordinary shares. These warrants may be exercised at any time up to close of business on 31st October 2013.

If there is a change of control of Barclays PLC following a takeover bid, Barclays PLC must (so far as legally possible) use all reasonable endeavours to cause the corporation which then controls Barclays PLC to execute a deed poll providing that the holders of the warrants shall have the right (during the period in which the warrants are exercisable) to exercise the warrants into the class and amount of shares and other securities and property receivable upon such a takeover by the holders of the number of ordinary shares as would have been issued on exercise of the warrants had such warrants been exercised immediately prior to the completion of such takeover.

The warrants contain provisions for the adjustment of the gross number of ordinary shares in the event of the occurrence of certain dilutive events including, amongst others, extraordinary dividends, bonus issues, alterations to the nominal value of ordinary shares and rights issues.

Substantial Shareholdings

Substantial shareholders do not have different voting rights from those of other shareholders. As at 4th March 2011, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the FSA of the following holdings of voting rights in its shares:

2010

Holder	Number of Barclays Shares	% of total voting rights attaching to issued share capital	Number of warrants	% of total voting rights attaching to issued share capital [a]
BlackRock, Inc. [b]	805,969,166	7.06		
Qatar Holding LLC	813,964,552	6.76	379,218,809	3.15
Nexus Capital Investing Ltd	758,437,618	6.30		
Legal & General Group Plc	480,805,132	3.99		

As at 5th March 2010, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the FSA of the following holdings of voting rights in its shares:

2009

Holder	Number of Barclays Shares	% of total voting rights attaching to issued share capital	Number of warrants	% of total voting rights attaching to issued share capital [a]
BlackRock, Inc. [b]	805,969,166	7.06		
Qatar Holding LLC	813,964,552	6.76	379,218,809	3.15
Nexus Capital Investing Ltd	626,835,443	5.49	131,602,175	1.15
Legal & General Group Plc	483,625,057	4.01		
Appleby Trust (Jersey) Limited [c]	353,373,992	3.1		

Board Membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical and biographical details of the Board members are set out on pages 120 to 122. Dambisa Moyo and Alison Carnwath were appointed as non-executive Directors with effect from 1st May 2010 and 1st August 2010 respectively. Leigh Clifford and John Varley left the Board on 30th September 2010 and 31st December 2010 respectively.

Notes

a The percentages of voting rights detailed above have been calculated without including the new shares to be issued when the warrants are exercised. This results in the percentage figures being artificially high.
b The number of Barclays shares includes 8,003,236 contracts for difference to which voting rights are attached.
c The number of Barclays shares includes 192,860,970 Total Return Swap shares to which voting rights are attached.

Retirement and Re-election of Directors

In accordance with its Articles of Association, one-third (rounded down) of the Directors of Barclays PLC are required to retire by rotation at each Annual General Meeting (AGM), together with Directors appointed by the Board since the last AGM. The retiring Directors are eligible to stand for re-election. In addition, the UK Corporate Governance Code (the Code), recommends that all Directors of FTSE 350 companies should be subject to annual re-election.

At the 2010 AGM, the Group Chairman, Deputy Chairman and Chairmen of each principal Board Committee stood for re-election, together with those Directors required to retire by rotation. Going forward, all members of the Board will offer themselves for annual re-election, in accordance with the Code, unless the Board determines that there may be a conflict of interest between the long-term interests of Barclays and the short-term uncertainty of voting.

Directors Interests

Directors interests in the shares of the Group on 31st December 2010 are shown on pages 157 and 158.

Directors Emoluments

Information on emoluments of Directors of Barclays PLC, in accordance with the Companies Act 2006 and the Listing Rules of the United Kingdom Listing Authority, is given in the Remuneration report on pages 147 to 163 and in Note 40 to the accounts.

Directors Indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31st December 2010 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Activities and likely Future Developments

The Group is a major global financial services provider engaged in retail banking, credit cards, corporate and investment banking and wealth management. The Group operates through branches, offices and subsidiaries in the UK and overseas.

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Community Involvement

Barclays has an extensive community investment programme covering many countries around the world. The Group provides funding and support to over 8,000 charities and voluntary organisations, ranging from small, local charities like The Passage, supporting homeless people in London, to international organisations like Unicef. We also have a very successful employee programme which in 2010 saw more than 62,000 employees and pensioners worldwide taking part in Barclays-supported volunteering, giving and fundraising activities. Further information on our community involvement is given on pages 39 to 41. The total commitment for 2010 was £55.3m (2009: £54.9m). The Group committed £28.6m in support of the community in the UK (2009: £27.4m) and £26.7m was committed in international support (2009: £27.5m). The UK commitment includes £22.9m of charitable donations (2009: £19.3m).

Political Donations

The Group did not give any money for political purposes in the UK or the rest of the EU nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. Absa Group Limited, in which the Group acquired a majority stake in 2005, made donations totalling £123,295 in 2010 (2009: £213,982) in accordance with its policy of making political donations to the major South African political parties as part of their Democracy Support Programme. Donations are made to parties with more than three seats in the National Parliament as confirmed by the Independent Electoral Commission. Support for the deepening of democracy in South Africa remains paramount for the government. The Group made no other political donations in 2010.

At the AGM in 2010, shareholders gave a limited authority for Barclays PLC and its subsidiaries to make political donations and incur political expenditure, within an agreed limit, as a precautionary measure in light of the wide definitions in the Companies Act 2006. This was similar to an authority given by shareholders in 2009. This authority, which has not been used, expires at the conclusion of the AGM held this year, or, if earlier, 30th June 2011. The risk of inadvertently breaching the Companies Act 2006 remains and the Directors consider it prudent to seek a similar authority from shareholders. A resolution to authorise Barclays PLC and its subsidiaries to make EU political donations and incur EU political expenditure up to a maximum aggregate sum of £125,000 is therefore being proposed at the Barclays PLC 2011 AGM.

Employee Involvement

Barclays is committed to ensuring that employees share in the success of the Group. Staff are encouraged to participate in share option and share purchase schemes and have a substantial sum invested in Barclays shares. Employees are kept informed of matters of concern to them in a variety of ways, including business unit news magazines, intranets, briefings and mobile phone SMS messaging. These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of Barclays. Barclays is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. Employee Opinion Surveys are undertaken periodically across the Group with results being reported to the Board, all employees and to our European Works Council, Africa Forum, Unite (Amicus section), our recognised union in the UK and other recognised unions worldwide. Roadshows and employee forums also take place. In addition, Barclays undertakes regular and formal consultations with our recognised trade unions and work councils internationally.

Diversity and Inclusion

The diversity agenda at Barclays seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people, regardless of (but not limited to) race, religion, age, gender, sexual orientation or disability. We strive to ensure our workforce reflects the communities in which we operate and the international nature of the organisation. We recognise that diversity is a key part of responsible business strategy in support of our increasingly global business. In the UK, Barclays is committed to providing additional support to employees with disabilities and making it easier for them to inform us of their specific requirements, including the introduction of a dedicated intranet site and disability helpline. Through our UK Reasonable Adjustments Scheme, appropriate assistance can be given, including physical workplace adjustments, and relevant training and access to trained mentors is also provided for disabled employees. A wide range of recruitment initiatives have been taken to increase the number of people with disabilities working in Barclays.

Directors report

continued

Health and Safety

We are committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. Barclays regards legislative compliance as a minimum and, where appropriate, we seek to implement higher standards. Barclays also recognises its responsibilities towards all persons on its premises, such as contractors, visitors and members of the public, and ensures, so far as is reasonably practicable, that they are not exposed to significant risks to their health and safety. Barclays regularly reviews its Statement of Health and Safety Commitment, issued with the authority of the Board and which applies to all business areas in which Barclays has operational control. In this statement Barclays commits to:

- demonstrate personal leadership that is consistent with this commitment;
- provide the appropriate resources to fulfil this commitment;
- carry out risk assessments and take appropriate actions to mitigate the risks identified;
- consult with our employees on matters affecting their health and safety;
- ensure that appropriate information, instruction, training and supervision are provided;
- appoint competent persons to provide specialist advice; and
- review Barclays Health and Safety Group Process and the Statement of Commitment, at regular intervals.

Barclays monitors its health and safety performance using a variety of measurements on a monthly basis and the Board Remuneration Committee receives annual reports on health and safety performance from Barclays Human Resources Director. In 2010, a Health and Safety Steering Committee was established to ensure decisions are taken relating to the Health and Safety Global Standard and to oversee the operation of a coordinated Health and Safety control framework. The Committee meets on a quarterly basis and produces a quarterly report for the HR Risk Committee. As part of its Partnership Agreement with Unite (Amicus section), Barclays currently funds full time Health and Safety Representatives.

Creditors Payment Policy

Barclays values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses, in a timely manner. Barclays policy follows the Department for Business, Innovation & Skills Prompt Payment Code, copies of which can be obtained from the Prompt Payment Code website at www.promptpaymentcode.org.uk.

The trade creditor payment days for Barclays Bank PLC for 2010 were 27 days (2009: 27 days). This is an arithmetical calculation based on the Companies Act regulations and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

Essential Business Contracts

There are no persons with whom the Group has contractual or other arrangements that are considered essential to the business of the Group.

Contracts of Significance

Under the terms of a stock purchase agreement dated 16th June 2009 which was entered into by and among Barclays Bank PLC, Barclays PLC and BlackRock, Inc. (BlackRock), Barclays agreed to sell Barclays Global Investors (BGI) to BlackRock. The sale completed on 1st December 2009 following the receipt of all necessary shareholder and regulatory approvals and satisfaction of other closing conditions. The consideration at completion was US$15.2bn (£9.5bn), including 37.567 million new BlackRock shares, giving Barclays an economic interest of 19.9% of the enlarged BlackRock group. Barclays has provided BlackRock with customary warranties and indemnities in connection with the sale. Barclays will also continue to provide support in respect of certain BGI cash funds until December 2013 and indemnities in respect of certain of BGI s fully collateralised securities lending activities until 30th November 2012.

Research and development

In the ordinary course of business the Group develops new products and services in each of its business units.

Financial Instruments

The Group s financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out on pages 42 to 112 under the headings, Barclays risk management strategy , Credit risk management , Market risk management and Liquidity risk management .

Events after the Balance Sheet Date

Events after the balance sheet date are noted on page 269.

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group s use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. More details on this can be found on page 207.

PricewaterhouseCoopers LLP have been the Company s auditors for many years. Having reviewed the independence and effectiveness of the external auditors, the Committee has not considered it necessary to date to require them to tender for the audit work but will keep this issue under review. The external auditors are required to rotate the audit partners responsible for the Group and subsidiary audits every five years. Our previous lead audit partner, who had been in place for five years, was replaced for the 2010 year end. There are no contractual obligations restricting the Company s choice of external auditor. The Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed.

PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2011 AGM. So far as each of the Directors are aware, there is no relevant audit information of which the Company s auditors are unaware. Each of

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the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company s auditors are aware of that information. For these purposes, relevant audit information means information needed by the Company s auditors in connection with preparing their report.

The Annual General Meeting

The Barclays PLC AGM will be held at the Royal Festival Hall on Wednesday 27th April 2011. The Notice of Annual General Meeting is included in a separate document sent to shareholders with this report. A summary of the resolutions being proposed at the 2011 AGM is set out below.

Ordinary Resolutions

To receive the Directors and Auditors Reports and the audited accounts for the year ended 31st December 2010;

To approve the Directors Remuneration Report for the year ended 31st December 2010;

To re-elect each of the Directors of the Company;

To reappoint PricewaterhouseCoopers LLP as auditors of the Company;

To authorise the Directors to set the remuneration of the auditors;

To authorise Barclays PLC and its subsidiaries to make political donations and incur political expenditure;

To renew the authority given to Directors to allot securities;

To approve and adopt the rules of the new Barclays Long Term Incentive Plan; and

To approve and adopt the rules of the Barclays Share Value Plan.

Special Resolutions

To renew the authority given to the Directors to allot securities for cash other than on a pro-rata basis to shareholders and to sell treasury shares;

To renew the Company s authority to purchase its own shares; and

To permit General Meetings to continue to be called on 14 clear days notice.

This is only a summary of the business to be transacted at the meeting and you should refer to the Notice of Annual General Meeting for full details.

Going concern

The Group s business activities and financial position; the factors likely to affect its future development and performance; and its objectives and policies in managing the financial risks to which it is exposed and its capital are discussed in the Business Review.

The Directors have assessed, in the light of current and anticipated economic conditions, the Group s ability to continue as a going concern. The Directors confirm they are satisfied that the Company and the Group

have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing accounts.

Internal control

The Directors have responsibility for ensuring that management maintain an effective system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Throughout the year ended 31st December 2010, and to date, the Group has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance Internal Control: Revised Guidance for Directors on the Combined Code published by the Financial Reporting Council. The Board regularly reviews these processes through its principal Board Committees.

The Directors review the effectiveness of the system of internal control semi-annually. An internal control compliance certification process is conducted throughout the Group in support of this review. The effectiveness of controls is periodically reviewed within the business areas. Regular reports are made to the Board Audit Committee by management, Internal Audit and the finance, compliance and legal functions covering particularly financial controls, compliance and operational controls. The Board Audit Committee monitors resolution of any identified control issues of Group level significance through to a satisfactory conclusion.

The Group Internal Control and Assurance Framework (GICAF) describes the Group s approach to internal control and details Group policies and processes. The GICAF is reviewed and approved on behalf of the Chief Executive by the Group Governance and Control Committee.

Regular risk reports are made to the Board covering risks of Group significance including credit risk, market risk, operational risk and legal risk. Reports covering credit, market and operational risk, key risks, risk measurement methodologies and risk appetite are made to the Board Risk Committee. Further details of risk management procedures are given in the Risk management section on pages 42 to 119.

Management s report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the International Accounting Standards Board (IASB).

Director s report

continued

Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorisations of Management and the Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material affect on the financial statements.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of internal control over financial reporting as of 31st December 2010. In making its assessment, Management has utilised the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission in Internal Control Integrated Framework. Management concluded that, based on its assessment, the internal control over financial reporting was effective as of 31st December 2010.

Our independent registered public accounting firm has issued a report on Barclays PLC internal control over financial reporting which is set out on page 185.

The system of internal financial and operational controls is also subject to regulatory oversight in the United Kingdom and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk Management section on pages 115 to 119.

Changes in internal control over financial reporting

There have been no changes in the Group s internal control over financial reporting that occurred during the period covered by this report which have materially affected or are reasonably likely to materially affect internal control over financial reporting.

Statement of Directors responsibilities for accounts

The following statement, which should be read in conjunction with the report of the independent registered public accounting firm report set out on page 185, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare accounts for each financial year and, with regards to Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared individual accounts in accordance with IFRS as adopted by the European Union. The accounts are required by law and IFRS to present fairly the financial position of the Company and the Group and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that, in preparing the accounts on pages 186 to 269, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Disclosure controls and procedures

The Chief Executive, Bob Diamond, and the Group Finance Director, Chris Lucas, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group s disclosure controls and procedures as at 31st December 2010, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within the time periods specified in the US Securities and Exchange Commission s rules and forms. As of the date of the evaluation, the Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective.

The Directors confirm to the best of their knowledge that:

(a) The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Barclays PLC and the undertakings included in the consolidation taken as a whole; and

(b) The management report, which is incorporated into the Directors Report on pages 124 to 129, includes a fair review of the development and performance of the business and the position of Barclays PLC and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board

Marcus Agius
Group Chairman

10th March 2011
Registered in England. Company No. 48839

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Corporate governance

Corporate governance report

The corporate governance report is my opportunity, as Group Chairman, to explain how our Company has been managed during the year; how the Board has performed and how our systems of governance and control have operated.

What shaped the Board s agenda in 2010? First, as the world economy started to recover from the most significant shock it has experienced in generations, the focus of the Board has perceptibly shifted from dealing with the immediacy of events to formulating and developing a long-term strategy for the post-crisis world and, also, to identifying how we will meet the challenges brought about by the new regulatory landscape. Under the former, the critical issue is to improve the return on equity of the Group and much work is being carried out in this regard. Under the latter, Board discussions this year have been dominated by the regulatory environment: how that regulatory environment is changing or is likely to change in the future and the implications for our strategy and business model. Tying these two themes together, discussions have focussed on how the Group should respond to the uncertain regulatory environment and, in the light of the substantial increase in the level of capital being held, how the Group could improve its return on equity and, in particular, achieve returns above the cost of equity. This focus will continue into 2011. The myriad of different regulatory developments which have occurred in the UK, in Europe and in the USA in recent years have generated a substantial volume of work for Barclays and, to an extent, for its Board. We recognise and support the need for a better system of regulation to emerge from this process although shareholders should recognise the strain which is imposed on Barclays, in common with other financial institutions, as the multi-faceted, international debate takes place.

Second, the Board this year had the important job of identifying and appointing a new Chief Executive to succeed John Varley, a task that resulted in the appointment of Bob Diamond. The succession process, which was led by me with the full involvement and support of both the Board Corporate Governance & Nominations Committee and all the non-executive Directors, was critical in ensuring that we have the right leadership in place to deliver our strategy in the new regulatory environment. I report in more detail on page 140 on how we managed this succession process in 2010.

Away from the boardroom, corporate governance regimes themselves were subject to much scrutiny in 2010 and we made a significant contribution to the debate by ensuring that we responded to relevant consultations during the year. It is important, in our view, that corporate governance frameworks are structured in such a way that recognises that there is no one size fits all solution and that there is a degree of flexibility, within broadly agreed principles, that allows boards to operate in a way that suits the particular needs and challenges faced by their Company. During the year, we contributed to the Financial Reporting Council s review of the Combined Code, which culminated in the new UK Corporate Governance Code, and the associated review of the Higgs Guidance. We also made a submission in response to the EU s Green Paper on Corporate Governance in Financial Institutions and contributed our views on the Basel Committee s Corporate Governance Guidelines.

There has been much debate this year on the subject of board diversity, notably on the subject of gender and the representation of women on the boards of companies. We were pleased to sponsor this year s Cranfield FTSE Female Report and we support the recommendation in the new UK Corporate Governance Code that boards should consider the benefits of diversity, including gender, when making board appointments. For us, however, diversity is much more than the issue of gender: it is about ensuring that there is an appropriate range and balance of skills, experience and background on the Board. Achieving this balance is a key determinant of any new Board appointments we make. In 2010 we were fortunate to be joined on the Board by Dambisa Moyo and Alison Carnwath, who were appointed with effect from 1st May 2010 and 1st August 2010 respectively. They both bring relevant, financial and other experience to the Board and these appointments have widened the range of perspectives brought to our Board deliberations.

2010 again saw us hold a number of additional Board and Board Committee meetings over and above our regular, scheduled meetings. Non-executive Directors have continued to make themselves available, often at short notice, and each of them has been unstinting in the time they are prepared to commit to Barclays. The work of our principal Board Committees continued to provide valuable oversight of key issues affecting the Group: 2010 saw significant debate and regulatory action with respect to remuneration in the banking sector and Sir Richard Broadbent, Chairman of the Board Remuneration Committee, reports to you on page 147 on the work of the Committee in 2010. Furthermore, capital and liquidity and, in particular, the ability and capacity of banks to withstand systemic shocks or stresses, were again in focus in 2010. Sir Michael Rake, Chairman of the Board Audit Committee and David Booth, Chairman of the Board Risk Committee, describe in more detail later in this report on the work of those Committees in 2010 in this regard.

We are committed to reporting on our corporate governance framework in an open and transparent way. We were pleased, therefore, that our 2009 report was nominated in the ICSA-Hermes Transparency in Governance Awards in the categories of Best Board Disclosure and Best Audit Disclosure , where we won the award for the latter. I trust that we are maintaining that standard with the report that follows.

Corporate governance

Corporate governance report continued

Statements of Compliance

UK Combined Code on Corporate Governance

As Barclays is listed on the London Stock Exchange, we comply with the UK Combined Code on Corporate Governance (the Code). For the year ended 31st December 2010, we have complied with the relevant provisions set out in section 1 of the Code and applied the principles of the Code as described in this report. In May 2010, the Financial Reporting Council issued a new edition of the Code, which is now called The UK Corporate Governance Code and applies to Barclays with effect from 1st January 2011. We intend to comply with The UK Corporate Governance Code.

NYSE Corporate Governance Rules

As our main listing is on the London Stock Exchange, we follow the Code. However, Barclays has American Depositary Receipts listed on the New York Stock Exchange (NYSE), and is also subject to the NYSE s Corporate Governance rules (NYSE Rules). We are exempt from most of the NYSE Rules, which domestic US companies must follow, because we are a non-US company listed on the NYSE. However, we are required to provide an Annual Written Affirmation to the NYSE of our compliance with the applicable NYSE Rules and must also disclose any significant differences between our corporate governance practices and those followed by domestic US companies listed on the NYSE. Key differences between the Code and NYSE Rules are set out later in this report.

(1) Leadership

The Board

The Board s principal duty is to create and deliver sustainable shareholder value through setting Group strategy and overseeing its implementation by Management. In doing so, we pay due regard to matters that will affect the future of Barclays, such as the effect the Board s decisions may have on our employees, the environment, our community and relationships with suppliers, as well as the need to act fairly between shareholders. The Board also ensures that Management achieves the right balance between promoting long-term growth and delivering short-term objectives.

We are also responsible for maintaining an effective system of internal control that provides assurance of efficient operations and for ensuring that Management maintain an effective risk management and oversight process across the Group.

In order to ensure that we meet our responsibilities, we have reserved specific key decisions for approval by the Board. I have set out a summary of these on the opposite page. More information on the role of the Board can be found in Corporate Governance in Barclays , which is available on our website: *www.barclays.com/corporategovernance*. Certain responsibilities are delegated to Board Committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management. The Chairman of each Board Committee reports to the Board on the matters discussed at Committee meetings.

Directors

Under UK company law, Directors must promote the success of the Company by exercising independent judgement with reasonable care, skill and diligence, while having regard to the long term consequences of their decisions.

The executive Directors, Bob Diamond, Chief Executive, and Chris Lucas, Group Finance Director, are full time employees of the Group and form part of the senior management of Barclays. They are responsible for the day to day management of our businesses, supported by the Group Executive Committee, which Bob chairs. The non-executive Directors are independent from Management. They are primarily responsible for constructively challenging Management and monitoring the success of Management in delivering the agreed strategy within the Risk Appetite approved by the Board.

The role profiles and key competencies and behaviours we expect of our Directors, together with the key indicators of high performance, can be found in our Charter of Expectations , which is available on our website at *www.barclays.com/corporategovernance*. Their primary roles are summarised on the opposite page.

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Summary of Matters Reserved to the Board

Strategy

Approval of the Group s strategy Medium-Term and Short-Term Plans

Monitoring delivery of the strategy and performance against plan

Major acquisitions, mergers or disposals

Major capital investments and projects

Risk Appetite, Capital & Liquidity

Changes relating to capital structure or status as a PLC

Approval of annual Capital Plan

Approval of Risk Appetite and Liquidity Risk Appetite

Financial Results and Dividends

Governance

Authorisation for Directors conflicts or possible conflicts of interest

Remuneration of auditors and recommendations for appointment or removal of auditors

Approval of all circulars, prospectuses and significant press releases

Principal regulatory filings with stock exchanges

Approval of allotment of shares

Rules and procedures for dealing in Barclays securities

Terms of reference and membership of Board Committees

Approval of Board and Board Committees performance evaluation process

Approval of interim and final financial statements, dividends and any significant change in accounting policies or practices	Determination of independence of non-executive Directors
Any share dividend alternative	Approval of Corporate Governance framework
Board Membership	Approval of division of responsibilities between the Group Chairman and Chief Executive
Board appointments and removals	Appointment (or removal) of Company Secretary and Chief Risk Officer
Succession planning for key positions on the Board	
Role profiles of key positions on the Board	
Remuneration	
Approval of the framework for determining the policy and specific remuneration of executive Directors	
Approval of Chairman and non-executive Director remuneration	
Major changes in employee share schemes	

Primary role of Directors:

Common to all Directors

Provide entrepreneurial leadership of the Company, within a framework of prudent and effective controls enabling risk to be assessed and managed.

Approve the Company s strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance.

Set the Company s values and standards and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Executive Director	Non-executive Director
Effectively lead Barclays towards the achievement of its strategic objectives and implement the strategic decisions taken by the Board	Provide constructive challenge to the executive Directors and senior management

Help ensure that the Board receives relevant, accurate, clear and timely information and presentations necessary for it to fulfil its duties	Help develop proposals on strategy and then fully empower and support the executive Directors to implement the strategy
Report on the performance of the Group and its individual businesses	Scrutinise the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance, ensuring that individual business decisions conform to agreed strategies and policies
Use their specialist knowledge and experience, both of their own business and financial services generally, to assist the Board in consideration of strategic issues and to ensure that decisions taken are in the Group s best interests	Apply their judgement to the business of the Board, leveraging on their knowledge of the business and bringing to bear a different range of knowledge, experience and insight from other industries
Put the interests of the Group before those of their specific area of responsibility and manage any conflicts of interest between their role as a Board member and as an executive	Satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible
	Determine appropriate levels of remuneration of executive Directors and senior management, take the prime role in appointing and removing executive Directors and plan for succession of executive Directors

Corporate governance

Corporate governance report continued

The Board usually meets eight times each year, but we meet more frequently should we need to. During 2010, three additional meetings were held, which were arranged at short notice. Directors are expected to attend all meetings unless circumstances prevent them from doing so, such as illness or prior commitments. Each Director makes every effort to attend each meeting, whether it is in person, by telephone or by video conference. I can confirm that each Director committed an appropriate amount of time to their Barclays duties in 2010. Details of Board meeting attendance in 2010 can be found in the table below.

Group Chairman

My role as Group Chairman is to provide leadership to the Board, ensuring that it satisfies its legal and regulatory responsibilities. I set the annual Board agenda in advance in consultation with the Chief Executive and Company Secretary, ensuring that adequate time is available for discussion of all agenda items, including strategy. This forward agenda is a living document that is updated periodically to take account of changing priorities and internal and external developments. After each Board meeting, I meet with the Company Secretary to discuss how the meeting went and to agree any follow up actions or changes required to the Board s conduct and forward agenda.

I hold meetings with the non-executive Directors before each of the eight scheduled Board meetings, providing them with an opportunity to discuss any specific issues they would like to raise about the business of the meeting. This enables me to ensure that any particular points are brought up in the meetings as appropriate. Constructive challenge is actively encouraged within the Boardroom and, where appropriate, informal meetings are arranged to enable thorough preparation for Board discussions, for example, the evening before Board meetings. Along with Lawrence Dickinson, our Company Secretary, I am available to the

non-executive Directors outside of formal Board situations should they have any questions or concerns. I make a point of holding one-to-one meetings with each non-executive Director at least twice a year. Directors may on request also take independent professional advice at the Company s expense.

I chair the Board Corporate Governance and Nominations Committee in addition to the Board and I am a member of the Board Remuneration Committee. I attend other Board Committee meetings on an ad hoc basis: during 2010 I attended two Board Audit Committee meetings and three Board Risk Committee meetings. I am also Chairman of the Group s Brand & Reputation Committee.

My responsibilities also include ensuring effective communication with shareholders, particularly in making sure that the Board is aware of any significant matters raised by shareholders. I discuss this in more detail in the section on Relations with Shareholders on page 146. I also act as an ambassador for the Group, meeting clients, customers and other stakeholders, undertaking a programme of visits to the Group s operations worldwide.

I was independent on appointment and I spend whatever time is necessary to fulfil my duties, which in a normal year is expected to be a minimum of 60% of a full time position, although in practice over the last few years my time commitment has been significantly greater. Details of my experience and my other commitments can be found in my biography on page 120.

While I am responsible for the smooth operation of the Board, the Chief Executive is responsible for running our businesses. The table opposite highlights our respective key responsibilities:

Board Attendance

	Independent	Scheduled Meetings eligible	Scheduled Meetings attended	Additional Meetings eligible	Additional meetings attended

		to attend		to attended	
Group Chairman					
Marcus Agius	OA	8	8	3	3
Executive Directors					
Robert E Diamond[a]	ED	8	8	3	2
Chris Lucas[a]	ED	8	8	3	2
John Varley[a] (to 31st December 2010)	ED	8	8	3	2
Non-executive Directors					
David Booth	I	8	8	3	2
Sir Richard Broadbent	I	8	7	3	3
Alison Carnwath (from 1st August 2010)	I	4	3	2	2
Leigh Clifford (to 30th September 2010)	I	6	4	2	1
Fulvio Conti	I	8	7	3	2
Simon Fraser	I	8	8	3	3
Reuben Jeffery	I	8	8	3	3
Sir Andrew Likierman	I	8	8	3	3
Dambisa Moyo (from 1st May 2010)	I	5	5	2	1
Sir Michael Rake	I	8	8	3	3
Sir John Sunderland	I	8	8	3	3

Secretary
Lawrence Dickinson
Key

OA on appointment

ED executive Director

I independent non-executive Director

Note

a Although eligible to attend, the executive Directors did not attend the additional meeting held to consider and approve the appointment of a new Chief Executive.

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Senior Independent Director and Deputy Chairman

Sir Richard Broadbent is our Senior Independent Director and Deputy Chairman. As Senior Independent Director, Sir Richard s role includes maintaining contact with large shareholders to understand their issues and concerns, as well as making himself available to individual shareholders, if necessary, where they have concerns they cannot resolve elsewhere. Sir Richard also acts as a sounding board for me and is available to the other non-executive Directors, if needed. He led the Board s evaluation of my performance for 2010, meeting with the non-executive Directors in January 2011 to review and discuss my performance for the year. As Deputy Chairman, Sir Richard s key area of focus is to act as an ambassador for Barclays. He also assists me in managing the business of the Board and ensuring it operates effectively in driving forward the Group s strategic objectives. In order to fulfil these roles and his Board Committee commitments, Sir Richard is required to commit over 50 days per annum, although in practice spends significantly more time on his Barclays duties.

Company Secretary

The Company Secretary, Lawrence Dickinson, supports me and the Board Committee Chairmen in all stages of managing our meetings, from setting the annual meeting agenda through to ensuring that agreed actions are completed. Lawrence also assists me in ensuring that there are timely and appropriate information flows within and to the Board, the Board Committees and between the non-executive Directors and senior management. He provides support to me in designing and facilitating induction programmes for new non-executive Directors and in putting together the development programme for Directors. He is also our principal corporate governance adviser.

(2) Effectiveness

Board Size, Composition and Qualification

The Board is currently comprised of 13 members: Group Chairman, two executive Directors and ten independent non-executive Directors. The balance of the Board is illustrated below. Board size has reduced from a peak of 18 Directors in 2007. We believe that the optimum Board size for Barclays is 12-15 members, which provides for the broad range of skills and experience required to effectively govern a global banking business, while being small enough to enable constructive group discussion and opportunity for full participation by all Directors. It also enables us to ensure that the principal Board Committees are appropriately resourced without placing an undue burden on any individual non-executive Director.

Key responsibilities

Group Chairman	Chief Executive
Lead the Board and manage the business of the Board through setting its agenda and taking full account of the issues and concerns of Board members	Lead the development of short, medium and long term business strategy for approval by the Board and oversee successful delivery of the Group strategy
Ensure that Board members receive accurate, timely and clear information, in particular about the Group s performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the Company	Lead the executive Directors and Group Executive Committee in making and implementing operational decisions and running the Group s business on a day to day basis

Keep under review, with the Board, the general progress and long-term development of the Group	Ensure the Board is provided with accurate, concise and timely information
Ensure effective communication with shareholders and ensure that members of the Board develop and maintain an understanding of the views of major investors and other key stakeholders	Chair the Group Executive Committee
Chair the Board Corporate Governance and Nominations Committee	Assist the Board Corporate Governance and Nominations Committee in executive succession planning
Establish a close relationship with the Chief Executive, providing support and advice while respecting his executive responsibilities	Establish a close relationship with the Group Chairman, providing support hile respecting his governance responsibilities

Corporate governance

Corporate governance report continued

Director Independence

The Board considers non-executive Director independence on an annual basis, as part of each Director s performance evaluation. The Board Corporate Governance and Nominations Committee and the Board reviewed the independence of each non-executive Director in early 2011 and concluded that each of them continues to demonstrate those behaviours that the Board considers to be essential indicators of independence and which are set out in our Charter of Expectations . These criteria are:

- provides objective and constructive challenge to Management:
- is prepared to challenge others assumptions, beliefs or viewpoints as necessary for the good of the organisation;
- questions intelligently, debates constructively, challenges rigorously and decides dispassionately;
- is willing to stand up and defend their own beliefs and viewpoints in order to support the ultimate good of the organisation; and
- has a good understanding of the organisation s business and affairs to enable them to properly evaluate the information and responses provided by Management.

Director Re-election

In accordance with the new UK Corporate Governance Code, the Board has agreed that all Directors will submit themselves for re-election at the Company s Annual General Meeting (AGM) to be held on 27th April 2011. Biographical details of each of the Directors may be found on pages 120 to 122.

Succession Planning and Board Appointments

The Board Corporate Governance and Nominations Committee is responsible for both executive and non-executive Director succession planning and recommends new appointments to the Board. More detail on the role of the Board Corporate Governance and Nominations Committee is given on pages 139 and 140. When making Board appointments, we seek to ensure that we have a diverse range of skills, background and experience, including industry and geographical experience. We also consider length of tenure: we recognise that continued tenure brings Company specific knowledge and understanding while new faces bring fresh ideas and perspective. The length of tenure of the current non-executive Directors and their geographical experience and industry background is illustrated below. We are comfortable that our Board includes sufficient diversity to optimise its performance.

Non-executive Director Terms of Appointment

Non-executive Directors each have a letter of appointment that sets out the terms and conditions of their directorship, including the fees payable and the expected time commitment. Non-executive Director time commitment is set at a minimum of 20 days per annum, with additional time commitment required to fulfil their roles as Board Committee members and/or Board Committee chairmen, as applicable. The average time commitment of non-executive Directors is in the range of 30-36 days per annum. Details of non-executive Directors remuneration can be found in the Remuneration Report on page 147. In order to ensure alignment between non-executive Directors interests and those of our shareholders, the first £20,000 of their basic fee is invested in Barclays shares, which are held on their behalf until such time as they leave the Board.

Our Charter of Expectations sets out the expectations that the Board of Barclays demands of its Directors. This includes a detailed role profile and key performance indicators for each of the key positions on the Board.

Note

a Individual Directors may fall into one or more categories.

Directors' Conflicts of Interest

Directors have a duty under UK company law to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Directors. Our articles of association allow the Board to authorise such potential conflicts, taking into account all the circumstances. This includes potential conflicts that may arise when a Director takes up a position with another company. Where Directors wish to take up an external appointment, they are under an obligation to obtain authorisation before doing so. Each appointment is considered by the Board on its individual merits, taking into account the expected time commitment and any relationships with Barclays. Directors must also notify the Board if circumstances regarding external appointments change and I make myself available to all non-executive Directors should they wish to discuss any possible, actual or perceived conflicts.

Reuben Jeffery's appointment in 2010 as Chief Executive Officer of Rockefeller & Co., Inc., a privately-owned US investment and wealth management firm, was considered by the Board during the year. I discussed the potential conflict with Tom Kalaris, Chief Executive of Barclays Wealth, as well as John Varley, Bob Diamond and other key senior executives before the matter was discussed by the Board. Professional advice was also sought on the extent of the potential conflict. The Board is happy that the Barclays Wealth business overlap with Rockefeller & Co., Inc. is extremely small in a Group context and that, as a result, the likelihood of a conflict of interest arising in practice is remote. We have agreed, however, that if there is a potential conflict, Reuben Jeffery will excuse himself from specific Board discussions.

All potential conflicts approved by the Board are recorded in a Conflicts Register, which the Board Corporate Governance and Nominations Committee reviews annually to confirm that any potential conflicts have been dealt with appropriately. Having reviewed the Conflicts Register in early 2011, it was concluded that potential conflicts have been considered appropriately and that the authorisation process is operating effectively.

The decision to undertake external activities is a matter for individual Directors to decide, bearing in mind their responsibilities to Barclays, including the time commitment we expect of them. We believe that Directors' external appointments benefit Barclays by providing them with a wider range of skills, experience and knowledge that will be relevant to their role at Barclays, although executive Directors may take up only one FTSE 100 non-executive directorship. Where an executive Director takes up such an appointment they may retain any fees they receive. Details of any such fees received by executive Directors can be found in the Remuneration Report on page 147.

Board Induction and Professional Development

On joining Barclays all non-executive Directors are provided with a bespoke induction programme, which includes sessions with each of the executive Directors, members of the Group Executive Committee and meetings with the senior executives responsible for each of Barclays business areas and central functions: these sessions focus on the challenges, opportunities and risks that are faced by each business. Meetings are also held with the Group's lead auditor. An outline of the Board induction programme is set out below:

Board Induction Programme
Group Overview
Duties and Responsibilities of Directors' of authorised institutions
Group Overview

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Corporate governance

Corporate governance report continued

We also provide non-executive Directors with a personalised induction when they join a Board Committee. Board Committee induction programmes typically involve meeting with our Company Secretary for an overview of the Board Committee s responsibilities and activities before meeting with key executives who present to the Board Committee, as well as with the Board Committee Chairman. An outline of the induction programme for new members of the Board Risk Committee is provided below by way of an example.

We believe that induction and professional development are critical to ensure that Directors can perform effectively and seek to make sure that all Directors have appropriate knowledge of the Company and access to its operations and staff. Accordingly, we arrange regular briefings for existing non-executive Directors on matters affecting Barclays and they also have the opportunity to attend management conferences held by our businesses. During 2010, the non-executive Directors attended briefing sessions on:

- Treating Customers Fairly
- Barclays Capital
- Derivatives
- Risk based pricing

The briefing sessions, which were interactive, were led by executives from the relevant business units, using material that was circulated in advance.

Directors were asked for feedback at the end of their induction programmes and following each briefing session. Additionally, the Board Corporate Governance and Nominations Committee undertakes an annual review of the induction and development programmes to ensure that they are appropriate and fit for purpose. The feedback gathered is used to improve the structure and content of non-executive Director induction programmes and to tailor the development programme for the year ahead. I discuss with each non-executive Director any specific development requirements as part of the annual Board Effectiveness Review.

Board Activity

As I mentioned above, our agenda in 2010 was driven largely by the impact of potential changes in the regulatory environment, which is expected to remain uncertain until the Independent Commission on Banking produces its report. During the year, as part of our overall review of Group strategy,

Board Risk Committee Induction

The induction programme begins with an overview of the Committee s role and responsibilities with the Company Secretary and a meeting with the Committee Chairman. The Chief Risk Officer also provides an overview of risk management in Barclays. This is followed by a series of briefing sessions with senior executives in the Risk, Treasury and Taxation teams on the following topics:

- Capital and Liquidity

Economic Capital and Stress Testing

External Audit

Market Risk

Operational Risk

Retail Credit Risk

Tax Risk

Wholesale Credit Risk

we had a number of discussions on the strategic challenges and opportunities presented by regulatory developments and the potential impact for our business model, culminating in a review of the Group s business portfolio at our strategy away-day in November. The purpose of this review was to assess which businesses are either producing returns on equity above the cost of capital in the new regulatory environment, or are capable of producing such returns in the future.

We received updates in 2010 from the majority of our principal businesses on the execution of their business strategy, including an update on the overall strategy for the GRB businesses following the restructuring in late 2009. The Chief Executives of the businesses attended Board meetings to present to the Board. One of our meetings in 2010 was held in Doha, where we received an update on our business operations in the Middle East. We also received updates on Brand & Marketing strategy, Investor Relations strategy, Sustainability and Franchise Health (covering customer and employee satisfaction measures). It is important that we understand the views of our investors and in 2010 we held a specific discussion on analysts views of our current and future performance and our current market valuation. We continued to receive regular updates on capital and liquidity during the year. The Chief Risk Officer reported to each meeting in 2010 and we also considered and approved Risk Appetite for 2011. We also considered the Group s Individual Liquidity Adequacy Assessment, which is required by the FSA.

Information flows to the Board were timely and appropriate and we made some enhancements to the format of regular reports in 2010 to present more granular information on individual business performance.

The chart below illustrates how the Board allocated its time during 2010.

Evaluation of Board Performance

Each year the Board undertakes an effectiveness review to assess its performance as a Board. Our Board Effectiveness Review is a genuine, formal, rigorous process that has been externally facilitated since 2004. The Board Corporate Governance and Nominations Committee is responsible for overseeing the process and annually benchmarks our approach against the practices of other companies in the FTSE 20 to ensure that we remain at the forefront of best practice. My evaluation statement for 2010 is set out on pages 138 and 139.

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Evaluation Statement

Before I describe the 2010 evaluation process and its general outcomes, I provide below a summary of the Board s progress against its 2009 action plan:

Key themes	**Actions**
Board size and diversity	The Board has reduced in size and is more diverse.
Holding additional Board meetings overseas, particularly given the increased size of our US operations	The Board held one meeting overseas in 2010 and plans to hold two meetings overseas in 2011.
Increasing visibility of senior executives below Board and Group Executive Committee level	Directors have had more opportunities to interact with senior executives below Board level via briefing sessions, attendance at management conferences and post-Board meeting lunches. The remit of the Board Corporate Governance and Nominations Committee is being extended to cover succession planning at business unit level.
Improving the format of strategy presentations to the Board	The form and content of strategy presentations has been revised to include enhanced financial and risk information. In addition to the regular monthly management accounts, the Board receives more detailed financial information on a quarterly basis.

For the 2010 evaluation process, the Board Corporate Governance and Nominations Committee decided again that it was appropriate for the evaluation to be independently facilitated, given the significant strategic issues under consideration and the pending appointment of a new Chief Executive. Having reviewed the facilitators available in the market, Egon Zehnder International was re-engaged to facilitate the 2010 Board Effectiveness Review. Although we will continue to monitor the market, the Board is comfortable that Egon Zehnder International provides an impartial and objective service irrespective of its position as one of Barclays executive search consultants.

The results of the evaluation were presented to the Board in December 2010 and confirmed that Barclays Board continues to operate at a very high level of effectiveness. One of the advantages of undertaking an annual evaluation is that we can monitor trends in responses to questions, as shown below.

The key themes arising from the 2010 evaluation and which will form the basis of the action plan for 2011 are:

The 2010 evaluation process again took the form of questionnaires completed by Directors and key executives, followed by structured interviews with representatives from Egon Zehnder International. We feel that the interviews, which provide colour and context to questionnaire responses, are an essential part of the process. All participants were asked to complete the Board evaluation questionnaire, with separate Board Committee questionnaires completed by Board Committee members. The Board evaluation questionnaire covered the following areas:

Group Performance;

Strategy and performance of objectives, including involvement of the non-executive Directors;

Reporting to shareholders and stakeholders;

Structure, people and succession planning;

Decision making processes, including the culture for effective challenge;

Information flows and presentations;

Board structure and composition, including the experience and knowledge of non-executive Directors;

Board roles and responsibilities;

Board and Management relationships, including the relationship between the Chairman and the Chief Executive; and

Board Meetings and Board Committees.

Ensuring that Board dynamics remain effective following recent membership changes, including the appointment of the new Chief Executive;

Ensuring that a wide range of skills, experience, background and diversity on the Board is maintained;

Continuing the focus on strategic decision making in light of the evolving regulatory environment; and

Revising the format of Board meetings to allow the Board to devote more time to discussion of key strategic issues, including discussions the evening before Board meetings.

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Corporate governance

Corporate governance report continued

Evaluation Statement continued

In addition to evaluating the performance of the Board and Board Committees, we also evaluate the performance of individual Directors. Evaluation reporting lines are summarised below:

Position	Evaluated by
Group Chairman	Senior Independent Director, who meets with non-executive Directors without the Group Chairman present in order to obtain their feedback
Chief Executive	Group Chairman
Senior Independent Director	Group Chairman
Executive Directors	Chief Executive
Non-executive Directors	Group Chairman, who holds private meetings with each non-executive Director

In respect of individual non-executive Director performance, in early 2011 I held private meetings with each non executive Director to talk through the evaluation results and agree individual development plans with each of them for the year ahead.

Board Corporate Governance and Nominations Committee Chairman s Report

Member	Independent	Meetings eligible to attend	Meetings attended
Marcus Agius (Chairman)	OA	4	4
David Booth (from 1st January 2010)	I	4	4
Sir Richard Broadbent	I	4	3
Sir Michael Rake	I	4	3
Sir John Sunderland	I	4	4

Secretary
Lawrence Dickinson

Key

OA on appointment

I independent

What is our role?

The Committee is responsible for reviewing the composition of the Board and Board Committees and for recommending to the Board the appointment of new Directors. We also consider succession plans for the Group Chairman, Chief Executive and other key positions, such as roles on the Group Executive Committee. The Committee monitors corporate governance issues and the annual Board Effectiveness Review. The Committee's full terms of reference are available from the corporate governance section of our website at: *www.barclays.com/ corporategovernance*

Who are the Committee?

The membership of the Committee is set out above, together with attendance at meetings in 2010. Committee members include the Chairmen of each of the principal Board Committees. The Chief Executive also attends each meeting, although he is not involved in decisions relating to his own succession.

What did we do in 2010?

We met four times in 2010 and the chart on page 140 shows how we allocated our time at our meetings. We dealt with a number of significant issues in 2010, primarily the succession planning for the appointment of a new Chief Executive, the process for which I describe on page 140. Our role in the annual review of Board effectiveness is described in my evaluation statement, which is set out on pages 138 and 139.

During the year, we reviewed the composition of the Board and the principal Board Committees at each of our meetings, looking at the balance of skills and experience on the Board and planning ahead for any retirements. We recommended two new non-executive Director appointments to the Board during the year: Dambisa Moyo and Alison Carnwath. In seeking new non-executive Directors, we looked at the existing range of skills, experience, background and diversity on the Board in the context of the strategic direction of the Company, before putting together a specification for the type of candidate we sought. In particular, we wanted candidates with a background in investment banking and finance and also sought experience of emerging markets and economies. The selection process was carried out with the assistance of external search consultants, who provided us with a range of candidates for consideration. Dambisa and Alison both met with me, the Chief Executive and with at least two other members of the Committee before their appointments were recommended to the Board.

We also considered and recommended changes to Board Committee composition during the year. Following Leigh Clifford's retirement from the Board on 30th September 2010, we were keen to ensure that the Board Remuneration Committee remained properly resourced, given the increasingly heavy workload it faces in the new regulatory environment. We recommended the appointment of Alison Carnwath to this Committee, where her investment banking experience will be particularly helpful. Alison also joined the Board Audit Committee. Dambisa Moyo

Board Corporate Governance and Nominations Committee Chairman s report continued

joined the Board Risk Committee, where her background in financial services and as a global economist will bring a valuable insight to that Committee s deliberations of macro-economic risks.

We made some minor changes to our terms of reference during the year to clarify that when considering new appointments we would look at an individual s ability to meet the required time commitment. We also made clear our role in ensuring that induction and development programmes for non-executive Directors are appropriate and during the year we reviewed the programmes that had taken place in 2010, making some suggestions as to how they could be enhanced.

The results of the annual Committee effectiveness review undertaken in late 2010 demonstrated that the Committee felt it had operated effectively. However, during our discussions on succession planning, we agreed that the Board would benefit from having even greater visibility of the senior executives below Board and Group Executive Committee level, to increase the Board s awareness of those senior executives within the Group who have the potential to become future leaders of the organisation. As a result, we have reviewed our terms of reference so that, from 2011, we will consider the overall succession planning process for key senior executive positions and, in particular, will look at the succession plans that are in place for the heads of our principal business units.

Appointing a new Chief Executive

We began our search for a successor to John Varley by drawing up the role requirements for the Chief Executive position, covering both the general background/experience required and the desired attributes across a range of key competencies. Essential, of course, was that the next Chief Executive should have financial services experience and, given the size of our investment banking business following the Lehmans acquisition, we felt that knowledge and experience of investment banking would be essential. The attributes we sought included a proven track record in strategic thinking, in business leadership and execution of strategy, in leading and developing people and building capability. We also sought candidates who could lead and manage change, who could work with and influence multiple stakeholders and who had a strong awareness of and commitment to risk management, control and governance.

It was evident to us from an early stage that Bob Diamond was a strong internal candidate to succeed John. Nonetheless, it was important that we tested the market and we conducted a benchmarking exercise against potential external candidates, who were identified with the assistance of a search consultant, before coming to a recommendation. We also felt that, if possible, the exercise should be carried out discreetly in order to minimise any risk of disruption to the business. Having fully tested the market and assessed all candidates against the role requirements, we agreed to recommend to the Board the appointment of Bob Diamond as the next Chief Executive. The recommendation followed meetings between Bob and all the non-executive Directors in order that he could set out his vision and strategic priorities for the Group and respond to questions and challenge.

We announced on 7th September 2010 that Bob would succeed John on 1st April 2011 following a transition and handover period. I am pleased to say that the transition period went smoothly and we were able to bring forward the handover date to 1st January 2011, which we announced on 17th December 2010.

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Corporate governance report continued

(3) Accountability

Sir Michael Rake, Chairman of the Board Audit Committee, now reports on the Board Audit Committee s activities during 2010.

Board Audit Committee Chairman s report

Member	Independent	Meetings eligible to attend	Meetings attended
Sir Michael Rake (Chairman)	I	11	11
Alison Carnwath (from 1st October 2010)	I	3	3
Fulvio Conti	I	11	9
Simon Fraser	I	11	11
Sir Andrew Likierman	I	11	11

Secretary
Lawrence Dickinson
Key

OA on appointment

I independent

2010 was my first full year as Chairman of the Board Audit Committee and one which saw us appoint a new lead audit partner, Andrew Ratcliffe, who succeeded Phil Rivett. I am pleased to report that the handover to the new lead audit partner went smoothly and the transition was properly and effectively managed. My report on the Committee s work during 2010 is set out below.

What is our role?

We are responsible for reviewing accounting policies and the contents of financial reports to ensure that we are satisfied with the integrity of the financial statements and particularly the key financial judgements within them. We also monitor the Group s disclosure controls and procedures and the internal control environment. We consider the adequacy and scope of the external and internal audit and we oversee the relationship with our external auditors. The Committee s full terms of reference are available from the corporate governance section of our website at: *www.barclays.com/corporategovernance*

Who are the Committee?

The membership of the Committee and attendance at meetings held in 2010 is set out above. The Board has determined that Sir Andrew Likierman and I are the designated financial experts for the purposes of the US Sarbanes-Oxley Act of 2002. Sir Andrew Likierman has recent and relevant financial experience , as recommended by the Combined Code, as a result of his accountancy background, his career with HM Treasury and his appointment as Chairman of the National Audit Office.

I have an accountancy background, having worked at KPMG for over thirty years, latterly as Chairman of KPMG International. Sir Andrew Likierman and I also serve on the Board Risk Committee, ensuring there is appropriate overlap between the two committees.

The Group Finance Director, Chief Risk Officer, Group General Counsel and Chief Internal Auditor attend each Committee meeting, as does the lead audit partner from our external auditor. Before each Committee meeting, I hold a private session with Committee members to take soundings on the matters to be discussed at the meeting. Committee members also meet privately with the Chief Internal Auditor and the external auditor after the majority of our meetings, without Management present, to follow up on any particular matters.

Outside of our formal meetings I am in regular contact with Management, including the Group Finance Director, the Chief Risk Officer, the Chief Internal Auditor (who may raise with me any issues of concern) and the lead audit partner of our external auditors. During the year, I also visited the Group s businesses in Spain, USA, Kenya and South Africa, attending meetings of the local Governance and Control or Subsidiary Audit Committees. I also held one-to-one meetings with management in London, New York and Dubai.

What did we do in 2010?

We met eleven times in 2010 and the chart on page 143 shows how we allocated our time at our meetings. The work of the Committee principally falls under three main areas: financial statements and accounting policies, internal control and oversight of internal and external audit.

Financial Statements and Accounting Policies

Reviewing the financial statements and accounting policies requires us to make certain judgements and I set out below some of the key issues we discussed in 2010 in conjunction with the external auditors.

We continued to review closely the fair value of our credit market exposures and the form and content of our disclosures. We reviewed marks by asset category, movements in exposures and the underlying collateral by vintage and rating. We received an update at both the half-year and full-year and also ahead of each Interim Management Statement and discussed the valuations with Management.

Impairment testing of the goodwill held on the Group s balance sheet was conducted in 2010. We reviewed the results of the impairment testing and agreed with Management s assessment that the goodwill associated with our businesses in Russia should be written off in full. We were content that other goodwill held on the balance sheet remains appropriate.

We received regular reports on current and forecast impairment, which set out the trends in both retail and wholesale credit risk by business unit and the level of potential credit risk loans and the level of impairment held against them. We specifically reviewed the impairment charge in the interim and preliminary results announcements and were satisfied that the charge was appropriate. In particular, we reviewed the accounting treatment and performance of the Protium loan. We agreed that it was appropriate to impair the loan in order to reduce the carrying value of the loan to the fair value of the underlying assets, given Management s intention to restructure or seek earlier repayment of the loan. During 2010, a considerable amount of work was carried out to understand the impairment situation in Spain, where increased impairment in H1 2010 was driven largely by the deteriorating Spanish economy and further falls in property values.

Board Audit Committee Chairman s report continued

The Group s investment in BlackRock, Inc declined in value during 2010. As it is held as an Available For Sale (AFS) investment, the decline in value is recorded in the AFS reserve and deducted from capital and is not recognised in the income statement. We discussed whether the decline in value should be recognised in the income statement. We concluded that the decline in value was not significant or prolonged in the light of the increase in share price through the second half of the year and the continuing price volatility. Our judgement, therefore, was that the decline in value did not need to be recognised in the income statement.

We reviewed outstanding litigation matters, including the litigation with the Lehman trustee in bankruptcy. The Committee discussed the court opinion in respect of the Lehman acquisition that was issued in February 2011. It concluded, having carefully considered the matter and reviewed independent advice, that the valuation of the asset remains appropriate.

In reviewing the financial statements, we receive input from the Disclosure Committee and PwC. The former is chaired by the Group Finance Director and considers the content, accuracy and tone of the financial statements and other public disclosures prior to their release and reports to us on its conclusions. PwC reported to the Committee on their review of the half-year interim results and on their audit of the year-end financial statements.

Internal Control

2010 saw some restructuring/re-segmentation of our businesses and our focus was on ensuring that there was no impact on controls during and after the reorganisation. In October, we held an additional meeting specifically to review the overall control environment and the trends in key control indicators. During the year, we reviewed the control environment in each of Absa, Barclays Capital, Barclays Corporate, Barclays Wealth, Barclays Africa, UK Retail Banking and Western Europe Retail Banking in detail, with the Chief Executives of those businesses presenting to the Committee.

The Committee also spent time this year reviewing the control environment at Barclays Capital, given the increased size of the business following the Lehman acquisition. In particular, we reviewed controls in the areas of product valuation, the trading businesses and client assets segregation. In terms of product valuation, a significant amount of activity has taken place to strengthen further the valuation framework and control and governance processes. A specific project was also initiated in 2010, at Management s behest, to review Barclays Capital s controls following the Lehman acquisition and taking into account the new regulatory environment to ensure they are best in class. We received reports on the progress of the project, its findings and the actions that are being taken.

Technology controls and governance was also an area of focus in 2010 and we received several reports on the control environment in this area, where we had previously identified the potential to enhance controls. Much progress has been made in improving the control environment and we will continue to monitor progress into 2011.

We received regular reports during 2010 on the Group s arrangements whereby employees can raise concerns and details of any action being taken to follow up specific reports.

Looking ahead to 2011, a programme is under way to ensure the Group is in compliance with the UK Bribery Act which was due to become effective in April 2011, but which has been delayed. We will receive further progress reports in 2011. During 2011, we will also track the Group s

compliance with the Deferred Prosecution Agreements entered into as part of the settlement reached with US authorities following an investigation into the Group s compliance with US sanctions and US Dollar payment practices.

In reviewing internal controls, we are supported by the Group Governance and Control Committee, chaired by the Group General Counsel, which considers control environment reports in advance of their presentation to the Committee.

Further details of the Group Internal Control Framework, including the main features of our internal control and risk management systems in relation to the financial reporting process, can be found in the Directors Report on pages 128 and 129.

Oversight of Internal Audit and External Audit

We are responsible for overseeing the work of the internal audit function and also for managing the relationship with the Group s external auditors. We review the performance of the internal and external auditors annually to ensure that they are effective and recommend to the Board whether the external auditors should be reappointed.

Internal Audit

At each meeting we receive a report from the Chief Internal Auditor on the control environment and the key trends and indicators, including the key control environment areas identified for attention and monitoring. We also review and, if appropriate, approve any adjustments to be made to the audit plan.

We received the results of the internal audit function s self-assessment of performance in late 2010, along with an update on the actions being taken following the external assessment carried out in 2009: the majority of those actions are complete and all will be closed out by June 2011. The internal audit function generally conforms to the standards set by the Institute of Internal Auditors.

We have again been particularly keen to ensure that the internal audit function is properly resourced to enable it to fulfil the audit plan. We closely monitored resources during the year. Furthermore, this year we have had greater visibility of the senior management in the internal audit function in addition to the Chief Internal Auditor.

External Audit

To safeguard the objectivity and independence of the external auditor, we have in place a policy that governs the type of services they may provide. I describe the policy in more detail below. We also have in place a policy that sets out guidelines for the employment of ex-employees of the external auditor and receive a report twice-yearly on any such appointments. In addition, we seek specific assurance from the external auditor on the arrangements they have in place to safeguard their independence.

We discussed and agreed with PwC the audit plan for 2010 to ensure that key areas of judgement in the Group s financial statements were appropriately covered.

To evaluate the performance and effectiveness of the external auditor, we sought feedback from key stakeholders across the Group via a questionnaire. The responses were analysed and presented to the Committee for review and discussion in early 2011. The Committee is fully satisfied with the performance of PwC and has recommended to the Board and to shareholders that PwC should be re-appointed as the Group s auditors at the AGM on 27th April 2011.

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Board Audit Committee Chairman s report continued

External auditor objectivity and independence: Non-Audit Services

We take very seriously our responsibility to put in place safeguards to auditor objectivity and independence. The question of auditor objectivity and independence came under increasing scrutiny in 2010, and was subject to a consultation by the Auditing Practices Board, to which Barclays made a submission. While we believe that the policy and framework we have in place, as described below, is robust and effective, we asked management to ensure that all proposals to use the Group s external auditor for non-audit services are robustly justified and, where appropriate, tendered. In my capacity as Chairman of the Committee, I closely review, and question where appropriate, any requests for such approval submitted to me. Furthermore, we keep the use of the auditor for any taxation-related services under close review and have approved very little in the way of tax advisory services and then only where there was a robust case for using the external auditor rather than another supplier. A breakdown of the fees paid to the auditor for non-audit work may be found in Note 8 on page 207.

Our policy on the provision of services by the Group s external auditor sets out the circumstances in which the auditor may be permitted to undertake non-audit work for the Group. We oversee compliance with the policy and consider and, if appropriate, approve requests to use the auditor for non-audit work. Allowable services are pre approved up to £100,000 or £25,000 in the case of certain taxation services. The Company Secretary and his team deal with day to day administration of the policy, facilitating requests for approval. During the year, enhancements were made to the way in which requests for approval are reviewed and recorded, with all requests being submitted via an online portal. This new system facilitates the production of management information and we receive a report at each meeting on the non-audit services provided by the auditor. We review the policy annually to ensure that it is fit for purpose and up to date.

Details of the services that are prohibited and allowed are set out below.

Services that are prohibited include:

- bookkeeping
- design and implementation of financial information systems
- appraisal or valuation services
- actuarial services
- internal audit outsourcing
- management and Human Resources functions
- broker or dealer, investment advisor or investment banking services
- legal, expert and tax services involving advocacy

Allowable services that we will consider for approval include:

statutory and regulatory audit services and regulatory non-audit services

other attest and assurance services

accountancy advice and training

risk management and controls advice

transaction support

taxation services

business support and recoveries

translation services

We conducted our annual review of our performance as part of the annual Board Effectiveness Review process and concluded that we continue to operate effectively. We will focus in 2011 on ensuring that there is sufficient time at meetings for challenge and debate given the Committee s heavy agenda. Furthermore, while we receive timely and appropriate information from Management, we will continue to work at ensuring that papers presented to the Committee are concise and distil the key issues effectively.

Sir Michael Rake

Chairman, Board Audit Committee

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David Booth, who became Chairman of the Board Risk Committee on 1st January 2010, now reports on that Committee s activities during 2010.

Board Risk Committee Chairman s report

Member	Independent	Meetings eligible to attend	Meetings attended
David Booth (Chairman)	I	7	7
Sir Richard Broadbent (to 30th September 2010)	I	3	3
Reuben Jeffery (from 1st January 2010)	I	7	7
Sir Andrew Likierman	I	7	6
Dambisa Moyo (from 1st October 2010)	I	4	2
Sir Michael Rake	I	7	6

Secretary
Lawrence Dickinson
Key

OA on appointment

I independent

I succeeded Sir Richard Broadbent as Chairman of the Board Risk Committee in January 2010. I am grateful to Sir Richard for his work in leading the Committee during the difficult period of the financial crisis and for his continuing support until he left the Committee at the end of September 2010. My report on the Committee s work during 2010 is set out below.

What is our role?

As a bank, Barclays is in the business of taking risk: taking appropriate levels of credit, market, capital and liquidity risk is how we generate profits. The Board Risk Committee is responsible for recommending to the Board the total level of risk the Group is prepared to take (risk appetite). We monitor risk appetite, setting limits for individual types of risk, e.g., credit risk and market risk, and we monitor the Group s risk profile. We obtain assurance from management that principal risks have been properly identified and are being appropriately managed. Following the publication in late 2009 of the Walker Report into Corporate Governance in Banks and other Financial Institutions (the Walker Report), our remit has expanded to include ensuring that risk is taken into account during the due diligence phase of any strategic transaction and we also provide input from a risk perspective into the deliberations of the Board Remuneration Committee. The Committee s full terms of reference are available from the corporate governance section of our website at: *www.barclays.com/corporategovernance*. More information on risk management and the internal control framework can be found in the Risk management report on pages 42 to 119.

Who are the Committee?

The table above sets out the membership of the Committee and their attendance at meetings held in 2010. Both Sir Andrew Likierman and Sir Michael Rake also serve on the Board Audit Committee, which provides a useful insight into the work of that Committee to ensure there is no under- or overlap in the work of the respective committees. The Group Finance Director, Chief Risk Officer, Group General Counsel and Chief Internal Auditor attend each Committee meeting, as does the lead audit partner from our external auditor. Senior executives from each of our principal businesses attend meetings at our request and senior members of the Group Risk team attend frequently to present on specific matters.

What did we do in 2010?

We met seven times in 2010 and the chart on page 145 shows how we allocated our time at our meetings. Two of the meetings were arranged at short notice and it was not possible for all members to attend, although they had the opportunity to review the meeting papers and raise any points with the Group Risk team or with me as Chairman.

Since becoming Chairman, I have been keen to ensure that the Committee remains at the forefront of best practice. While the Committee has been in place since 1999, well before the recommendations of the Walker Report, the working practices of the Committee continue to evolve. In late 2009, we asked PwC to carry out a review of how the Committee had operated during the period of the financial crisis, to assess whether the Committee had operated effectively and whether there is anything it could do differently. The outputs of the review were shared with the full Board in early 2010. The review concluded that there had been no major failings in the operation of the Committee and that it had identified the issues on a timely basis. Some suggestions for improvements were put forward, including developing a more systematic process for agreeing what risks should be reviewed in greater detail by the Committee and a more formal process for escalating issues raised at the various management risk committees. Robert Le Blanc, the Chief Risk Officer, has a dotted reporting line to me as Chairman of the Committee and I met with Robert regularly during the year to discuss matters to be considered at Committee meetings and to get his views on the issues on which the Committee should focus its time.

During the year we implemented a number of the recommendations arising from the Walker Report. Early in 2010, we appointed a panel of retained advisers, who we can call on for an independent view of matters, should we feel it appropriate to do so. During the year, we used an external consultant to carry out an independent review of risk in remuneration, with a particular focus on the remuneration framework, the risk metrics used to assess financial performance and the role of the Group Risk Function in the remuneration process. The review demonstrated that we have a good, comprehensive set of risk metrics, particularly quantitative metrics, and that the proposals for 2010 for risk adjustments to assess financial performance and the role of the risk function in remuneration decisions are in line with regulatory requirements. Suggested areas for improvement included strengthening our qualitative risk metrics and increasing communication and awareness of the role of risk metrics in remuneration.

Corporate governance

Corporate governance report continued

Board Risk Committee Chairman s report continued

We continued our focus on capital and liquidity in 2010 and the Barclays Treasurer reported to the Committee regularly on the Group s capital and liquidity position, including the individual liquidity adequacy assessment, required by the FSA. We review economic and regulatory capital demand and supply and the level of losses that could be experienced before minimum regulatory capital ratios are breached. We also reviewed the Group s liquidity profile to ensure that sufficient liquidity is held to cover both market-wide and Barclays specific stress scenarios. Stress testing, which is an exercise carried out to ensure that the Group would remain adequately capitalised and liquid even under severe stress, continued to receive our attention in 2010, as we considered various scenarios to be modelled. In addition to Barclays own annual stress testing exercise and the annual stress testing exercise conducted by the FSA, in the first quarter of 2010 a stress testing exercise was set for all European banks by the Committee of European Banking Supervisors. The results of that exercise were published in July 2010. Each of these stress tests showed that Barclays was adequately capitalised.

During the year we received the first of what we intend to be an annual presentation on macro prudential and macro-economic risk and the impact this may have on the Group s business going forward.

In 2009, we asked Management for a report on the lessons learnt from the sub-prime crisis and in 2010, Management reported back on how the lessons learnt are being institutionalised in the business and what is being done differently in terms of controls and in the way we conduct our business. We were particularly interested in establishing what cultural change there has been as a result of the sub-prime experience and in understanding how that cultural change has been embedded.

In view of the difficulties of some countries in the Eurozone, we spent some time in 2010 reviewing country and sovereign risk, in particular, in specific European countries (Spain, Portugal, Italy, Ireland and Greece) and in sub-investment grade countries. The review covered the extent of our exposures and the caps that are in place to limit concentrations. We also reviewed the Group s position in the commercial property sector including risk appetite, exposures and controls in our four key geographies: UK, US, Spain and South Africa. In late 2010, we received a report on the lessons learned from the impairment suffered by our Corporate business in Spain, which has been shared with the full Board. A series of actions have been identified and are being implemented, not just in relation to Spain but also in terms of how overall risk and returns across each business in the Group are analysed.

As usual, we considered risk appetite for 2011 although this year we also reviewed risk appetite methodology and enhancements that have been made to the process. A set of financial volatility parameters, such as Profit Before Tax and Loan Loss Rate are agreed. Based upon the Medium Term Plan, the Group s performance in a 1 in 7 and 1 in 25 scenario is then assessed. The performance of the agreed parameters in such scenarios is then assessed to identify any potential constraints, for example, we would not wish to see the Loan Loss Rate rise above certain pre-agreed levels in these scenarios. As a result of the review, we agreed to recommend the risk appetite to the Board.

We conducted our annual review of the Committee s performance as part of the annual Board Effectiveness Review process and concluded that we continue to operate effectively. We continue to receive appropriate and timely information from Management and have provided additional guidance to Management on what we expect their reports to cover and how they should present to the Committee to ensure that we make optimum use of our meetings. The majority of the reports we see are first considered by the Group Risk Oversight Committee or the Group Executive Committee, which greatly assists the Committee s understanding of the issues faced by Management.

David Booth

Chairman, Board Risk Committee

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(4) Remuneration

Sir Richard Broadbent, Chairman of the Board Remuneration Committee, reports on the Board Remuneration Committee s activities during 2010 in the Remuneration Report, which may be found on pages 147 to 163.

(5) Relations with Shareholders

We are supportive of the UK Stewardship Code s aims of improving dialogue between investors and companies. Our interaction with shareholders falls into three main areas: institutional shareholders, private shareholders and the ACM.

Institutional Shareholders

We have a comprehensive investor relations programme, which facilitates regular access for investors and buy-side and sell-side analysts to senior management, so that they can interact directly on key topics. During 2010, over 400 separate meetings were held between Management and investors, with meetings held in London, Scotland, USA, Canada, Germany, Ireland, Italy, Scandinavia, the Netherlands and Spain, reflecting the international nature of our investor register. Senior management from across the business also hosted investor and analyst meetings during 2010. In addition to direct meetings, Barclays also participates in investor conferences intended to provide wider access to investors and analysts, for example, Barclays Capital hosts one such event each year in New York to support wider industry initiatives.

As Group Chairman, I have regular contact with institutional shareholders, as do the Chief Executive, Group Finance Director and Senior Independent Director. In particular, I meet with institutional shareholders ahead of the AGM and report back to the Board on any significant issues that are raised. Directors regularly receive copies of analysts reports and a monthly report from the Investor Relations team, which covers matters such as share price movement, analyst consensus, updates on market sentiment and shareholder movements by geographic region. The Board also receives a quarterly report on share register movements, which highlights the top buyers and sellers of Barclays shares.

Private Shareholders

The direct engagement model we follow for our interaction with institutional investors is impractical for large numbers of private shareholders, however, we seek to follow industry best practice in terms of disclosure. All documents produced for investor events are also provided on the investor relations section of our website. We also maintain a specific shareholder enquiry line for private shareholders to request information.

We prefer to communicate electronically with our shareholders: this is beneficial for the environment and lowers costs for the Group. We also encourage private shareholders to hold their shares in Barclays Sharestore, where shares are held electronically in a cost-effective and secure environment. Private shareholders can use our Barclays e-view service to receive their shareholder documents electronically and to get immediate access to information relating to their personal shareholding and dividend history. Barclays e-view participants can also change their details and dividend mandates online and receive dividend tax vouchers electronically.

AGM

The 2010 AGM was held on Friday 30th April 2010 at the Royal Festival Hall in London. In accordance with best practice, all resolutions were considered on a poll and the results were made available on our website the same day. 62% of the shares in issue were voted and all resolutions were approved. All Directors attended the AGM and were available to answer shareholder questions. The 2011 AGM will be held on Wednesday 27th April 2011 at the Royal Festival Hall in London. The Notice of Annual General Meeting is enclosed with this Annual Report as a separate document. The resolutions will be considered on a poll and the results will be available on our website on Wednesday 27th April 2011.

(6) Statement on US Corporate Governance Standards

The statement we are required by the NYSE to make is set out below:

Director Independence

NYSE Rules require the majority of the Board to be independent. The Code requires at least half of the Board (excluding the Chairman) to be independent. The NYSE Rules contain different tests from the Code for determining whether a Director is independent.

We follow the Code s recommendations as well as developing best practices among other UK public companies. The independence of our non-executive Directors is reviewed by the Board on an annual basis and it takes into account the guidance in the Code and the criteria we have established for determining independence, which are described on page 135.

Board Committees

We have a Board Corporate Governance and Nominations Committee and a Board Remuneration (rather than Compensation) Committee, both of which are broadly similar in purpose and constitution to the Committees required by the NYSE Rules and whose terms of reference comply with the Code s requirements. The NYSE Rules state that both Committees must be composed entirely of independent Directors. As the Group Chairman was independent on appointment, the Code permits him to chair the Board Corporate Governance and Nominations Committee and be a member of the Board Remuneration Committee. Except for these appointments, both Committees are composed solely of non-executive Directors, whom the Board has determined to be independent. We comply with the NYSE Rules requirement that we have a Board Audit Committee comprised solely of independent non-executive Directors. However, we follow the Code recommendations, rather than the NYSE Rules, regarding the responsibilities of the Board Audit Committee, although both are broadly comparable. We also have a Board Risk Committee, comprised of independent non-executive Directors, which considers and discusses policies with respect to risk assessment and risk management.

Corporate Governance Guidelines

The NYSE Rules require domestic US companies to adopt and disclose corporate governance guidelines. There is no equivalent recommendation in the Code but the Board Corporate Governance and Nominations Committee has developed corporate governance guidelines, Corporate Governance in Barclays , which have been approved and adopted by the Board.

Code of Ethics

The NYSE Rules require that domestic US companies adopt and disclose a code of business conduct and ethics for Directors, officers and employees. Rather than a single consolidated code as envisaged in the NYSE Rules, we have a number of values based business conduct and ethics policies, which apply to all employees. In addition, we have adopted a Code of Ethics for the Chief Executive and senior financial officers as required by the US Securities and Exchange Commission.

Shareholder Approval of Equity-compensation Plans

The NYSE listing standards require that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions to those plans. We comply with UK requirements, which are similar to the NYSE standards. However, the Board does not explicitly take into consideration the NYSE s detailed definition of what are considered material revisions .

Marcus Agius

Group Chairman

10th March 2011

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Corporate governance

Remuneration report

Statement from the Chairman of the Board Remuneration Committee

The purpose of this report is to provide more detail on remuneration in aggregate and for senior management.

The Committee s approach

The Committee aims to achieve a balance between delivering market competitive remuneration in order to retain talent, and optimising current and future shareholder returns, including growing the dividend, maintaining capital adequacy and effective risk management.

The Committee has established frameworks for remuneration in each of the businesses and for the Group as a whole. The frameworks are forward looking and are based on financial metrics to assist with the planning and management of remuneration in each of the key businesses. The frameworks incorporate key financial ratios achieved by Barclays and its competitors and are used by the Committee to inform its decision making process. The Committee considers both relative and absolute performance when formulating its decisions.

The Committee takes a strong analytical approach to remuneration that includes comparative financial performance analysis, comparative compensation analysis and tracking trends in compensation ratios (in particular compensation to pre-compensation PBT, and compensation to net revenue). The Committee reviews sensitivity analyses that illustrate the impact of changes in the level of performance awards on the financial and compensation metrics.

The Committee s remuneration decisions are based on a risk-adjusted view of Barclays financial performance. This is a continuous process, with the risk function deeply embedded into the process. The three key stages of the process for assessing performance on a risk-adjusted basis are as follows:

Upfront risk assessment:

- Before business is undertaken, detailed stress-testing and scenario analysis is performed to test the viability of plans on a risk-adjusted basis and to determine risk appetite
- As part of the risk appetite framework, the balance sheet including remuneration outcomes are modelled under 1 in 7 and 1 in 25 stresses to ensure we build our portfolios having considered their performance under stress

Performance monitoring:

- Detailed monitoring of risk exposures against agreed limits ensures business is conducted within the planned appetite
- The Committee receives information on ongoing financial and risk performance, market intelligence and regulatory changes
- The Committee monitors forecast remuneration throughout the year in the context of business performance and with the assistance of the remuneration frameworks

Remuneration outcomes determined:

- The Committee makes final judgments based on financial performance (on advice from the Group Finance Director), risk (on advice from the Board Risk Committee which includes a comprehensive analysis of risk embedded in financial statements and how that has changed over the year), industry context (on advice from the Committee s independent advisor) and regulatory requirements
- After awards have been made, the Committee has the discretion to reduce the vesting of deferred incentives and long term incentive awards (to nil if appropriate) if, in its sole opinion, the financial health of the Group has significantly deteriorated over the vesting period or, for current incentive plans, there has been a material failure of risk management

The Committee s work in 2010

The Committee met 11 times in 2010. Outside of its formal meetings, Committee members also had informal discussions, consulted with the Committee s independent advisor regularly and interacted frequently with management.

In addition to the normal cycle of business, in 2010 the Committee also spent a significant amount of its time on:

- Considering practice in light of new and emerging regulatory guidelines
- Reviewing performance award funding proposals. Given the higher levels of deferral now being implemented, the Committee developed its approach for 2010 to ensure it reviewed proposals both on a value at award basis and on an accounting charge basis
- Reviewing the structure of 2010 performance awards and reviewing the new remuneration arrangements that are proposed for executive Directors: the Share Value Plan and the Barclays Long Term Incentive Plan
- Reviewing the 2010 remuneration decisions for executive Directors, Code Staff and other senior executives. Code Staff are the Group s employees whose professional activities could have a material impact on the risk profile of the Group
- Reviewing the remuneration package for the new Chief Executive

The Committee reports to the Board after every meeting and brings specific issues to it. In 2010 Board discussions on remuneration included remuneration strategy for the businesses, compensation ratios and executive Director remuneration, as well as reviewing the Committee s decisions on performance awards.

Financial background to the Committee s work

In making its decisions, the Committee considers Barclays financial performance. The Committee also tracks Barclays performance against a defined group of 12 key competitors financial performance and compensation ratios throughout the year, both on a Group wide and business basis.

Barclays overall financial performance in 2010 included:

- Profit before tax of £6,065m (up 32% on 2009)
- Total income of £31,440m (up 8%) and net income of £25,768m (up 22%)
- Impairment of £5,672m (down 30%) giving a loan loss rate of 118bps (2009: 156bps)
- Value of Group 2010 performance awards: £3.4bn, down 7% on 2009
- Improved returns on average shareholders equity of 7.2% (2009: 6.7%)
- Final dividend of 2.5p per share making 5.5p for the year (an increase of more than 100% over the 2009 dividend of 2.5p)

Key measures of the Group s financial strength:

- Core Tier 1 capital ratio of 10.8% (2009: 10.0%) and Tier 1 capital ratio of 13.5% (2009: 13.0%)
- Group liquidity pool improved by 21% from £127bn in 2009 to £154bn in 2010

Key risk themes:

- Barclays growth in 2010 was disciplined
- Barclays impairment performance was favourable to plan
- Barclays risk profile in 2010 stabilised and improved
- Adherence to control frameworks has generally been good

At a business level:

- Global Retail Banking profit before tax of £1,829m (2009: £1,821m)
- Absa profit before tax of £616m, up 17% (2009: £528m)
- Barclays Capital profit before tax of £4,780m (2009: £2,464m). Excluding own credit, profit before tax of £4,389m, up 2% (2009: £4,284m)
- Barclays Corporate loss before tax of £631m (2009: profit of £157m)
- Barclays Wealth profit before tax of £163m, up 14% (2009: £143m)

Wider background to the Committee s decisions

Our decisions in 2010, as you would expect, are in accordance with regulations that govern financial services remuneration, including the FSA s Remuneration Code and our commitments to the UK Government made under Project Merlin. Our decisions are also influenced by global regulatory factors including Basel, the European Banking Authority and the Financial Stability Board. Barclays is committed to regulatory compliance in every jurisdiction in which we operate but it has to be noted that uneven international implementation of remuneration regulation, which is now a fact in the UK relative to other jurisdictions, places global organizations such as ours at a competitive disadvantage.

The commitments that Barclays made to the UK Government under Project Merlin include commitments on remuneration. These are important and I set out here how we have met those commitments:

- We committed to showing responsibility in pay in 2010 and beyond. Our decisions for 2010 reflect this, and our robust governance processes will ensure this continues for 2011 and beyond
- We committed that aggregate UK bonuses for 2010 would be lower than 2009. We have confirmed to the FSA that this was the case
- We committed to greater shareholder engagement regarding remuneration. We have consulted with our key shareholders and representative bodies during 2010, and we will continue this throughout 2011
- We committed to disclosing the remuneration of the five highest paid senior executive officers (in addition to the executive Directors). These disclosures are shown on page 160. In addition to our commitment to disclosure through Project Merlin, in accordance with the FSA s disclosure rules we have also disclosed in aggregate the 2010 remuneration of our Code Staff. This is also shown on page 160
- The Committee reviewed the remuneration proposals for at least the ten highest paid staff in each of the Group s principal businesses. In practice we review many more than this in each business

Key Committee decisions in 2010 - quantum

The Committee s work in 2010 included reviewing and (except for Absa) approving the proposed 2010 performance awards for each of the Group s businesses:

- Barclays Group - 2010 performance awards down 7% on 2009, with profit before tax up 32%
- Global Retail Banking 2010 performance awards up 2% on 2009, which was in line with Global Retail Banking s profit performance for 2010
- Absa 2010 performance awards up 12% on 2009, which was in line with Absa s profit performance for 2010
- Barclays Capital - 2010 performance awards down 12% on 2009, despite profit before tax increasing year on year. Performance awards were reduced for 2010 whilst in our view maintaining them at a level within acceptable commercial limits that permitted the business to reward outperformance appropriately
- Barclays Corporate 2010 performance awards up 36% on 2009. Performance awards reflected the improvement in profitability of the UK & Ireland business, and the need to maintain a minimum level of performance awards in Continental Europe and investment in senior hires. The Committee will monitor this closely in 2011
- Barclays Wealth 2010 performance awards up 11% on 2009, less than the increase in profits

Key Committee decisions in 2010 - structure

- For executive Directors, 60% of annual performance incentives is deferred (72% for Bob Diamond). For Code Staff, up to 60% of annual performance incentives is deferred. For both executive Directors and Code Staff, 50% of non deferred incentives for 2010 is delivered in Barclays shares subject to a six month holding period (100% of non deferred incentives for Bob Diamond). Executive Directors and Code Staff are also subject to minimum Barclays shareholding guidelines. The 60% deferral rate was also applied to the annual performance incentives of a significant number of senior executives beyond those required by the FSA s Remuneration Code
- For executive Directors (subject to shareholder approval), Code Staff and senior management, deferred incentive awards for 2010 are made under the Share Value Plan (SVP) in the form of Barclays shares and under the Contingent Capital Plan (CCP) in the form of contingent capital awards. Vesting of contingent capital awards is linked to the Group s core capital position at the time of vesting. Further details on the SVP and CCP are given in Tables 24 and 25
- Deferred incentive awards and long term incentive awards include malus and prudent financial control provisions that are in accordance with the FSA s Remuneration Code that may reduce the vesting level of awards (to nil if appropriate). Malus provisions may apply, for example, if the Committee determines there is evidence of serious employee misconduct or where a business has suffered a material failure of risk management. Prudent financial control provisions may apply if the financial health of the Group has significantly deteriorated over the vesting period
- Executive Directors and other senior executives will also participate in a new long term incentive plan: the Barclays Long Term Incentive Plan (subject to shareholder approval). Vesting of the proposed 2011 awards is linked to a scorecard of metrics focused closely on the execution of Barclays strategy which gives primacy to return on equity. Further details of the proposed Barclays LTIP and its performance condition are given on pages 153 and 154 and in Table 25

Bob Diamond took over as Chief Executive from 1st January 2011. The Committee decides the remuneration arrangements for all executive Directors. The Chief Executive role is benchmarked against other leading global banks and financial services organisations and other companies of a similar size in the FTSE100 index. Bob Diamond s remuneration for 2010 was unaffected by the changes announced for 2011 and in 2010 he worked under his 2010 contractual and remuneration arrangements. Bob Diamond s 2010 remuneration was considered carefully by the Committee as part of the annual remuneration review and his remuneration is disclosed, together with the remuneration of the other executive Directors, on pages 153 and 154.

The Committee will actively review remuneration throughout the year and will remain focused on internal and external perspectives, including regulatory developments. Remuneration regulation is expected to evolve further in 2011 and we will maintain a close dialogue with our key external stakeholders and our shareholders throughout 2011.

The Remuneration Report

The following report of the Committee provides further explanation of current remuneration governance and arrangements. It is divided into the following sections:

- Committee remit, membership, advisors and activities in 2010
- Remuneration policy, decisions, governance and regulation
- Employees annual remuneration
- Executive Directors , non executive Directors and former Directors remuneration
- 2010 remuneration of the five highest paid senior executive officers (excluding executive Directors) and aggregate Code Staff remuneration
- Share plan and long term incentive plan descriptions

As required by Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, the Group s auditors, PricewaterhouseCoopers LLP, have audited the information contained in Tables 5, 7, 9, 13, 14 and 17.

The Committee unanimously recommends that you vote at the 2011 AGM to approve the Remuneration Report as all Directors will be doing with their own Barclays shares.

On behalf of the Board

Sir Richard Broadbent

Chairman, Board Remuneration Committee

7th March 2011

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Corporate governance

Remuneration report continued

Board Remuneration Committee remit and membership

The Committee provides governance and strategic oversight of executive and all other employee remuneration, Barclays Human Resources activities and senior management development. The Committee s terms of reference are online at *www.barclays.com/corporategovernance*. The terms of reference were revised in both February 2010 and February 2011 in light of best practice and to take account of regulatory and corporate governance developments. The Committee met formally 11 times during 2010. The Chairman of the Committee reported to the Board on the substantive issues discussed at each meeting. In addition to the formal meetings, the Committee members frequently consult between meetings and also meet informally. The Chairman of the Committee also consulted extensively with shareholders and representative bodies during 2010.

The members of the Committee during 2010 were Sir Richard Broadbent (Committee Chairman), Marcus Agius (Group Chairman), Simon Fraser, Sir John Sunderland, Leigh Clifford (until 30 September 2010) and Alison Carnwath (from 1 October 2010). Details of members attendance is shown in Table 1.

The non-executive Directors who are Committee members are considered by the Board to be independent of management and free from any business or other relationship that could materially affect the exercise of their independent judgement. Marcus Agius is also a member and he was considered independent on appointment to the Board.

Table 1: Committee attendance

Member	Meetings eligible to attend	Meetings attended
Sir Richard Broadbent (Chairman)	11	11
Marcus Agius	11	11
Alison Carnwath (from 1 October 2010)	3	2
Leigh Clifford (until 30 September 2010)	8	6
Simon Fraser	11	11
Sir John Sunderland	11	11

Secretary
Patrick Gonsalves

Advisors

The Committee s work is supported by independent professional advice. The Committee reviews the appointment of advisors each year. Towers Watson was re-appointed by the Committee in 2010.

Any potential conflicts of interest the advisors may have are disclosed to the Committee. In addition to advising the Committee, Towers Watson provided remuneration benchmarking data to the Group. Towers Watson also provided pension advice as the appointed advisor to the trustee of the UK Retirement Fund.

The Chief Executive, the Human Resources Director, the Compensation and Benefits Director and, as necessary, members of the Executive Committee, also advise the Committee, supported by their teams. No Group employee is permitted to participate in discussions or decisions of the Committee relating to his or her own remuneration.

Committee activities in 2010

The outcome of the Board effectiveness review showed that the Committee operated effectively in 2010. A chart setting out how the Committee s time was allocated in 2010 is set out in Figure 1. Table 2 sets out the key matters discussed by the Committee in 2010.

Table 2: Key matters discussed by the Committee in 2010

Month	Key matters
January	Regulatory update
	Vesting of long term incentive awards
	Payround discussions
February	Risk, financial performance and regulatory updates
(2 meetings)	Payround discussions
	Resourcing update
	Vesting of long term incentive awards
	Executive Director and Executive Committee
	remuneration proposals
	Review of Committee terms of reference
March	Executive Director remuneration
April	Long term incentive plan calibration
	Resourcing update and hiring governance processes
	Regulatory update
June	Payround discussions
July	Risk, financial performance and regulatory updates
	2009/10 payround review
	Initial discussions of 2010/11 payround
	Talent management update
	Resourcing update
	Review of Committee activity against terms of reference
	Re-appointment of independent advisor
August	Payround discussions

November	Risk, financial performance and regulatory updates
	Payround discussions
	Resourcing update
	Health & safety update
	Pensions governance update
	Talent management deep drive
	All employee share plans update
December	Risk, financial performance and regulatory updates
(2 meetings)	Payround discussions
	Resourcing update

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Executive Directors remuneration alignment of interests with shareholders

Figure 2 shows the aggregate total direct remuneration of the executive Directors for 2007, 2008, 2009 and 2010 compared to the indicative fair value movements on the executive Directors aggregate share-based remuneration and beneficial interests in Barclays PLC shares from 1st January 2007 on a cumulative basis. The performance of the Barclays PLC share price is shown for context. The chart shows that the executive Directors interests have decreased in value by £68m over 2007, 2008, 2009 and 2010 as a consequence of the movement in Barclays share price.

Total Shareholder Return (TSR)

Figure 3 shows the value, at 31st December 2010, of £100 invested in Barclays on 31st December 2005 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year ends. The FTSE 100 Index is a widely recognised performance comparison for large UK companies and this is why it has been chosen as a comparator to illustrate Barclays TSR. The graph shows that, at the end of 2010, a hypothetical £100 invested in Barclays on 31st December 2005 would have generated a total loss of £47 compared with a gain of £26 if invested in the FTSE 100 Index.

Barclays Remuneration Policy

The aims of the Barclays Remuneration Policy are to:

1. Attract and retain those people with the ability, experience and skill to deliver the strategy.

2. Create a direct and recognisable alignment between the rewards and risk exposure of shareholders and employees, particularly executive Directors and senior management.

3. Incentivise employees to deliver sustained performance consistent with strategic goals and appropriate risk management, and to reward success in this.

4. Deliver remuneration that is affordable and appropriate in terms of value allocated to shareholders and employees.

5. Encourage behaviour consistent with the following principles that guide Barclays business:

   i) Winning together
   Doing what is right for Barclays, its teams and colleagues to achieve collective and individual success

   ii) Best people
   Developing talented colleagues and differentiating remuneration to reflect performance
   Doing what is needed to ensure a leading position in the global financial services industry

iii) Customer and client focus

Understanding what customers and clients want and need and then serving them brilliantly

iv) Pioneering

Driving new ideas, especially those that make Barclays profitable and improve control

Improving operational excellence

Adding diverse skills to stimulate new perspectives and bold steps

v) Trusted

Acting with the highest levels of integrity to retain the trust of customers, shareholders, other external stakeholders and colleagues

Taking full responsibility for decisions and actions

Reflecting the operation of independent, robust and evidence based governance and control and complying with relevant legal and regulatory requirements

The Committee keeps under review the Remuneration Policy and arrangements as detailed in this report to ensure that Barclays programmes remain competitive and provide appropriate incentive for performance.

Remuneration decisions

The Remuneration Policy provides a framework for the Committee in carrying out its work, including remuneration decisions in relation to executive Directors.

One of the core elements of Barclays approach is to deliver remuneration that is affordable and appropriate in terms of value allocated to shareholders and employees, with full consideration also being given to other relevant stakeholders such as customers, regulators and governments. When making remuneration decisions, Barclays balances the views of these stakeholders with the need to be able to attract, retain and incentivise talent in a competitive market.

A continued focus during 2010 has been to ensure that our approach to discretionary remuneration is structured in accordance with the FSA s Remuneration Code (the FSA Code) and the Financial Stability Board Implementation Standards. Work has also continued to ensure that aggregate performance award decisions balance a number of factors including the need to continue to strengthen capital ratios, to invest in the business, to grow the dividend and to protect the business franchise.

Corporate governance

Remuneration report continued

At an aggregate level, in order to ensure that a link is maintained between pay and performance, performance award decisions are made by reference to a number of quantitative and qualitative measures and are determined at the discretion of the Committee. During 2010 the role of the risk and compliance functions in remuneration governance was enhanced, building on the work done in 2009. As well as offering regular updates to the Committee on risk-adjusted business performance and the Group's risk profile, the risk function also reviewed remuneration frameworks, aggregate performance award proposals and new incentive plan design proposals from a risk management perspective. The risk function also proposed risk-adjusted metrics for use in long term incentive plans and reviewed malus provisions (including those for executive Directors).

A key element of linking pay and performance on an individual basis is the robust performance assessment framework operated across the Group. Employee behaviours are considered in the context of the principles that guide Barclays business, as set out in our Remuneration Policy. The extent to which employee behaviours accord with these standards is assessed as part of the performance assessment framework, which includes an examination of the employee's performance from both financial and non-financial perspectives. Performance against these areas helps to reinforce appropriate behaviours and so mitigate operational and reputational risks. The resulting performance ratings have a direct impact on all individual remuneration decisions. In 2010, compliance with risk and control frameworks has been further enhanced within Barclays performance assessment process.

The exercise of informed discretion plays an important role in the assessment of performance in the context of all our remuneration decisions, rather than using a formulaic approach which could incentivise inappropriate behaviours.

Remuneration Policy governance

To ensure appropriate operation of the Remuneration Policy, the Committee has established frameworks for the governance of remuneration in each of the major businesses and for the Group as a whole. The frameworks are forward looking and are based on financial metrics to assist with the planning and management of remuneration in each of the key businesses. These frameworks incorporate metrics consistent with delivering the strategy of the businesses. The Committee exercises judgement in the application of the frameworks to promote the long term success of the Group for the benefit of shareholders. The current frameworks set out key financial ratios achieved by Barclays and its competitors and are used by the Committee to inform its decision-making process when approving aggregate remuneration spend, including performance awards. The Committee also approves strategic investment for new hires, and the remuneration arrangements of any employee with annual total remuneration equal to or in excess of a pre-determined threshold as stated in the Committee terms of reference (£750,000 in 2010). In addition, the remuneration of Code Staff is also reviewed by the Committee. Code Staff are the Group's employees whose professional activities could have a material impact on the Group's risk profile, including senior risk and compliance officers. The remuneration of Code Staff is subject to the remuneration principles of the FSA Code. References to the structure of remuneration for Code Staff in this report exclude Code Staff whose total remuneration falls within the FSA Code's de minimis provisions.

For individual remuneration decisions made by the Committee, including those for executive Directors and other key senior management, the Committee reviews each element of remuneration relative to performance and to the practice of other comparable organisations. Remuneration is benchmarked against the markets in which we compete for talent. This includes benchmarking against other leading international banks and financial services organisations and other companies of a similar size to Barclays in the FTSE 100 Index.

Given the materiality of Barclays pension arrangements, the Committee operates a specific framework for the management of pensions to ensure proper oversight. The Global Retirement Fund Governance Framework is operated to ensure best practice in respect of regulatory compliance, governance, investment and administration. As set out in the Committee's 2009 report, Barclays closed its UK Final Salary pension schemes to future accrual with effect from 31st March 2010 in order to reduce current and future UK pension liability risk and to ensure that our pension arrangements are sustainable and affordable over the long term. Details of the pension arrangements in place for executive Directors are set out on page 154.

Regulation

Barclays is committed to the maintenance of robust remuneration arrangements that are in accordance with regulatory requirements including the FSA Code. Table 3 sets out some of the ways that we fulfil this commitment.

Table 3: Remuneration regulation

Regulatory area	Barclays practice
Scope and application	Code Staff identified and made aware of the implications of their status
Governance	Committee scope widened to review the remuneration of Code Staff. Terms of reference updated in 2010 to reflect this
Capital	Quantum of variable remuneration in 2010 considered in the context of capital planning. Capital efficiency is a key goal in the design of new remuneration plans. Deferred incentive awards for Code Staff and other senior executives for 2010 include contingent capital awards, which are subject to a vesting condition linked to Barclays Group Core Tier 1 capital ratio
Guarantees	The policy is that guarantees are used only in exceptional circumstances in the case of new hires and for one year
Risk-focused remuneration policies	Barclays policies, procedures and practices promote sound risk management. This is embodied in the Remuneration Policy and Barclays Guiding Principles. Risk and remuneration are linked in Barclays through governance processes, performance award funding, the performance assessment process, performance metric selection, deferral structures, and malus and prudent financial control provisions
Deferral and payment in Barclays shares	In accordance with the FSA Code, deferral rates for Code Staff of up to 60% of annual performance incentives apply. Deferred incentive awards for Code Staff for 2010 include awards in Barclays shares and contingent capital awards. In addition, for Code Staff 50% of non-deferred incentives for 2010 are awarded as Barclays shares subject to a six month holding period. Code Staff are also subject to a shareholding guideline. For other employees a proportion of annual performance incentives is deferred on a graduated basis

Employees annual remuneration

The Remuneration Policy applies the same overarching principles and practices to all employees, including executive Directors and other Code Staff, though the exact structure and quantum of individual packages varies by business, geography and role.

Table 4 summarises the key elements of Barclays remuneration arrangements.

Table 4: Key elements of Barclays remuneration arrangements

Element	Strategic purpose	Programme summary
Base salary	To attract, retain and incentivise talent in a competitive market	Reviewed annually Salaries for all roles are determined with reference to relevant market practice All employees salaries are benchmarked against the appropriate market
Annual performance incentive	To incentivise the delivery of annual goals at Group, business, team and individual levels	Annual performance incentives are awarded on a discretionary basis, based on Group, business, team and individual performance The aggregate level of annual performance incentives is determined by reference to Group and business unit metrics. These include a range of risk-adjusted financial metrics including profit before tax (PBT) and return on risk weighted assets (RoRWA) Individual annual performance incentives are strongly differentiated based on individual performance (both financial and non-financial). Adherence to applicable risk and control frameworks is part of performance assessment The structure of individual annual performance incentives may vary based on amount, and may include cash and deferred incentive awards. Details on deferred incentive awards are set out below 50% of non-deferred annual performance incentives for 2010 for executive Directors (100% of non-deferred for Mr Diamond) and other Code Staff is in the form of Barclays shares subject to a six month holding period
Deferred incentive awards and long term incentive awards	Deferred incentive awards are designed to align performance with shareholder value and increase retention for senior employees	Employees who are awarded an annual performance incentive over a threshold level (as determined each year by the Committee) receive part of the award as a deferred incentive award dependant on future service (including awards in Barclays shares)

	Long term incentive awards reward execution against the Group strategy and the creation of sustained growth in shareholder value. The awards are designed to align the most senior employees goals with the long term success of Barclays	60% of 2010 annual performance incentives for executive Directors is deferred (72% for Mr Diamond), and for other Code Staff 60% is deferred (40% for annual performance incentives of no more than £500,000). For other employees a graduated system is operated so that those who receive higher value annual performance incentives receive more of the award as a deferred incentive award The most senior employees in Barclays may also receive long term incentive awards. Long term incentive awards are subject to risk-adjusted performance conditions, normally measured over a three year performance period The vesting of long term incentive awards is subject to the discretion of the Committee to ensure that awards only vest for appropriate performance. Delivery of vested long term incentive awards includes awards in Barclays shares Vesting of both deferred incentive awards and long term incentive awards is subject to malus and prudent financial control provisions in accordance with the FSA Code Barclays operates a number of deferred incentive award plans and long term incentive plans. Details of the principal plans under which awards were made in 2010 are included in Table 24 and new plans proposed for 2011 in Table 25 Deferred incentive awards for 2010 for executive Directors, other Code Staff and other senior executives will include awards in the form of contingent capital awards, which are subject to a vesting condition that Barclays Group Core Tier 1 capital ratio is at least 7% on the vesting date
Retirement benefits **(or cash allowance)**	To provide a market competitive post-retirement benefit	Barclays provides retirement benefit arrangements to employees across the Group, with appropriate consideration of market practice and geographical differences
Other benefits	To provide market competitive benefits	Benefits vary by role and may include private medical insurance, life and disability cover and car allowance, with appropriate consideration of market practice and geographical differences

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Remuneration report continued

Executive Director remuneration

During 2010 the Committee undertook a full review of the pay structure for executive Directors. Pay and employment conditions elsewhere in the Group are taken into account by the Committee in determining the remuneration packages for executive Directors. The general approach is the same across the Group, namely decisions are made on a total remuneration basis against the relevant market. We also seek to provide market competitive retirement and other benefits.

Table 5 sets out the executive Directors remuneration. The remuneration related to 2010 performance for Mr Diamond relates to his role as Chief Executive of the Corporate and Investment Banking, and Barclays Wealth businesses. The proposed long term incentive award for Mr Diamond relates to his performance as Barclays Chief Executive from 2011. Table 6 sets out the annual base salaries for executive Directors. Table 7 sets out the executive Directors retirement and other benefits.

Mr Varley stepped down as Chief Executive, and from the Barclays Boards and the Group Executive Committee, on 31st December 2010. Since 1st January 2011 Mr Varley has been a senior advisor on regulatory matters to Mr Diamond and to the Barclays Boards. This is expected to continue until 30th September 2011. Mr Varley is not eligible for an annual performance incentive for 2011. Mr Varley s other terms and conditions of employment continue in accordance with his service contract.

On 1st January 2011, Mr Diamond replaced Mr Varley as Chief Executive. With effect from 1st January 2011, Mr Diamond s remuneration arrangements reflect his new responsibilities as Chief Executive. The remuneration arrangements were benchmarked against a peer group of global universal banks, industrial companies and financial services institutions. Mr Diamond s base salary increased to £1,350,000 and his annual performance incentive award opportunity and long term incentive award opportunity are shown below. Mr Diamond is also entitled to benefits that are consistent with his role as Chief Executive, including private medical insurance, car allowance, accommodation when required for business purposes, relief in the event of double taxation and other benefits in line with his service contract.

a qualitative and quantitative assessment of performance. Both financial and non-financial performance is considered. Financial performance is assessed by reference to key financial metrics including PBT, return on equity (RoE) and RoRWA. Non-financial performance is assessed by reference to factors including franchise health, employee opinion surveys and customer satisfaction. The annual performance incentive for 2010 for Mr Diamond reflects the strong absolute and relative performance of the Corporate and Investment Banking, and Barclays Wealth businesses in 2010. The annual performance incentive for 2010 for Mr Lucas reflects his strong personal contribution in 2010 and the improvement in the profitability of Barclays Group.

The structure of the 2010 annual performance incentive is in accordance with the FSA Code. It is proposed to be delivered in three elements for Mr Varley and Mr Lucas: 20% in cash, 20% in Barclays shares which are subject to a six month holding period and 60% in the form of a deferred incentive award. Mr Diamond s 2010 annual performance incentive is proposed to be delivered 28% in Barclays shares which are subject to a six month holding period and 72% in the form of a deferred incentive award.

Deferred incentive awards

It is proposed that the 2010 deferred incentive awards (as set out in Table 5) will be made under the Share Value Plan (SVP), for which shareholder approval is being sought at the 2011 AGM to enable participation by the executive Directors. 50% of the deferred incentive awards will be in the form of awards over Barclays shares. 50% will be in the form of contingent capital awards (under the Contingent Capital Plan (CCP) schedule to the SVP). No consideration is payable by the executive Directors to receive the awards.

The awards normally vest in three equal portions on each of the first, second and third anniversaries of the grant subject to malus and prudent financial control provisions. The vesting of the contingent capital awards is also subject to the condition that the Barclays Group Core Tier 1 capital ratio is at least 7% at vesting. Details of the SVP and the CCP are in the Notice of Meeting for the 2011 AGM at www.barclays.com/investorrelations.

Annual performance incentive

The maximum annual performance incentive opportunity for executive Directors is tailored to the relevant market; this is typically 250% of base salary. The annual performance incentive award is made by reference to

Long term incentive awards

The maximum annual value at time of award of long term incentive awards for executive Directors is tailored to the relevant market; this will not normally exceed 500% of base salary. It is proposed that 2011 long term incentive awards (as shown in Table 5) will be granted to Mr Diamond and

Table 5: Executive Directors remuneration

	John Varley		Robert E Diamond Jr		Chris Lucas	
	2010 £000	2009 £000	**2010 £000**	2009 £000	**2010 £000**	2009 £000
Base salary	1,100	1,100	250	250	763	650
Annual performance incentive (cash)	550	0	0	0	360	0
Total - cash remuneration related to the year	**1,650**	1,100	**250**	250	**1,123**	650
Annual performance incentive (shares)	550	0	1,800	0	360	0
Deferred incentive award	1,650	0	4,700	0	1,080	1,500
Total - other remuneration related to the year and deferred incentives	**2,200**	0	**6,500**	0	**1,440**	1,500
Total remuneration related to the year and deferred incentives	**3,850**	1,100	**6,750**	250	**2,563**	2,150
Long term incentive award (contingent on future performance)	**0**	0	**2,250**	6,000	**1,333**	1,000

Table 6: Base salary

	Base salary at 31st December 2010 £000	Base salary at 1st April 2011 £000	Date of previous increase
John Varley	**1,100**	1,100	1st April 2008
Robert E Diamond Jr	**250**	1,350	1st March 1999
Chris Lucas	**800**	800	1st April 2010

From 1st January 2009 to 31st December 2010, Mr Diamond received his base salary in US dollars converted from sterling into US dollars using an average sterling/US dollar exchange rate for 2008 of 1.86. From 1st January 2011, Mr Diamond will receive his base salary of £1.35m in sterling. Mr Varley s base salary due to be paid for 2011 will be £825,000 in total (based on a leaving date of 30th September 2011). Mr Varley is not eligible for an annual performance incentive for 2011.

Mr Lucas under the Barclays Long Term Incentive Plan (Barclays LTIP), for which shareholder approval is being sought at the 2011 ACM. The amount shown in Table 5 is the value at grant of the proposed awards (based on 33% of the maximum number of shares subject to the award).

The 2011 Barclays LTIP awards are proposed to be in the form of awards over Barclays shares. No consideration is payable by the executive Directors to receive the awards. The 2011 awards will only vest if the performance condition is satisfied after a three year period and subject to malus and prudent financial control provisions. For 2011 awards, 50% of the Barclays shares will be releasable at the end of the three year vesting period, and 50% of the Barclays shares (after payment of tax) will be subject to an additional 12 month holding period.

The performance condition for the proposed 2011 awards has been chosen to focus closely on execution of Barclays strategy which gives primacy to return on equity. The proposed metrics for 2011 awards are based on three weighted categories as follows:

- Financial (60%): the primary performance metric is 3 year average RoRWA, and the secondary metric is PBT. RoRWA is a key driver of RoE and reflects the level of regulatory capital held by the business. PBT ensures absolute financial performance is considered

- Risk (30%): the performance metric is loan loss rate. This encourages strong management of credit risk

- Sustainability (10%): performance is assessed by the Committee against non-financial factors including customer satisfaction, employee opinion surveys and Barclays relationships with its regulators

The calibration proposed for the performance condition metrics for the 2011 awards, and further details on the Barclays LTIP, are in the Notice of Meeting for the 2011 ACM at www.barclays.com/investorrelations.

Pensions

Mr Varley ceased to be an active member of the Group's non-contributory UK defined benefit pension scheme from 31st March 2010. From 1st April 2010 Mr Varley receives a cash allowance of 25% of base salary in lieu of membership of a Group pension scheme. Until 31st December 2010 Mr Diamond participated in the Group's US defined benefit plans (the US Staff Pension Plan (a funded arrangement) and the US Restoration Plan (an unfunded arrangement)) which are both non-contributory. Mr Diamond also participated in the Barclays Bank PLC 401K Thrift Savings Plan and Thrift Restoration Plan, which are both defined contribution plans. The company contributions paid in respect of 2010 amounted to £13,588 (US$21,000). With effect from 1st January 2011, Mr Diamond receives a cash allowance of 50% of base salary in lieu of membership of a Group pension scheme. Mr Lucas receives a cash allowance of 25% of base salary in lieu of membership of a Group pension scheme.

Table 7 includes the pension benefits of the executive Directors. Mr Varley also has a defined contribution benefit of £599,568 (as at 31st December 2010) in respect of a previous transfer from a freestanding AVC arising from his personal contributions only. Pension accrued during 2010 (including increase for inflation) represents the change in accrued pension during the year including inflation at the prescribed UK rate of 5%. Pensions paid from the UK defined benefit pension scheme are reviewed annually and increase by a minimum of the increase in the retail prices index (capped at 5%), subject to the scheme rules. As a result of the closure of the UK defined benefit scheme to future accrual from 31st March 2010, Mr Varley has a negative pension accrued during 2010 when inflation is excluded. Pension accrued for Mr Varley during 2010 includes a pro-rated deferred pension increase that was granted on 1st October 2010. The increase in Mr Varley's pension transfer value during 2010 is primarily due to being one year nearer to the assumed retirement age. The increase in Mr Diamond's pension transfer value during 2010 is also primarily due to being one year nearer to the assumed retirement age. The other main factors for Mr Diamond's increase were a change in the assumptions used to calculate transfer values and a fall in the average exchange rate since 2009.

Other benefits

Executive Directors are provided with benefits including private medical insurance, life and income protection cover, the use of a company-owned vehicle or the cash equivalent, use of a company driver where required for business purposes, tax advice and accommodation when required for business purposes. No executive

Director has an expense allowance. Table 7 includes the benefits received by the executive Directors.

Performance-linked remuneration

Each element of remuneration has a specific role in achieving the aims of the Remuneration Policy. The combined potential remuneration from annual performance incentive, deferred incentive awards and long term incentive awards outweighs the other elements and is subject to individual and Group performance, thereby placing the majority of potential remuneration at risk. Table 8 shows the average proportions of fixed and variable remuneration over the last 3 years. Table 8 incorporates salary and benefits, the increase in transfer value of accrued pension or annual cash in lieu of pension, annual performance incentive comprising cash and share incentives, deferred incentive awards and the fair value of long term incentive awards.

Table 8: Average fixed and variable remuneration over the last three years

	Fixed	Variable Cash	Variable Shares
Executive Directors			
John Varley	82%	9%	9%
Robert E Diamond Jr	9%	14%	77%
Chris Lucas	28%	9%	63%

Table 7: Pension provision and other benefits

	Age at 31st December 2010	Completed years of service	Accrued pension at 31st December 2009 £000	**Pension accrued during 2010 (including increase for inflation) £000**	**Pension accrued during 2010 (excluding inflation) £000**	**Accrued pension at 31st December 2010 £000**	Transfer value of accrued pension at 31st December 2009 £000	**Transfer value of accrued pension at 31st December 2010 £000**	**Increase in transfer value during 2010 £000**	**2010 cash in lieu of pension £000**
John Varley	54	28	619	**26**	**(5)**	**645**	17,015	**18,256**	**1,241**	**206**
Robert E Diamond Jr	59	14	58	**5**	**2**	**63**	383	**473**	**90**	
Chris Lucas	50	3								**191**

	Other benefits 2010 £000	Other benefits 2009 £000	**Sub-total* 2010 £000**	Sub-total* 2009 £000
John Varley	**54**	23	**2,460**	1,123
Robert E Diamond Jr	**268**	134	**2,318**	384
Chris Lucas	**25**	19	**1,699**	832

* Sub-total calculated in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (total of base salary, annual performance incentive (cash), annual performance incentive (shares), pension cash allowance and other benefits)

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Outstanding share plan and long term incentive plan awards

Barclays operates a number of share plans to align the interests of employees with shareholders and the execution of Group strategy over the longer term. Table 9 summarises the interests of each executive Director in each plan, and Table 10 summarises the three year performance conditions set at grant for outstanding Performance Share Plan (PSP) cycles. The interests shown are the maximum number of Barclays shares that may be received under each plan. Executive Directors do not pay for any share plan award.

For PSP, at the end of each performance period independent confirmation is provided to the Committee of the extent to which each performance condition has been met. In relation to the 2006-2008 PSP awards, after consultation with the Committee in 2009, the participating executive Directors wrote to the PSP trustee to request that it defer the exercise of

its discretion to release shares to them for a further two year period subject to continued employment and an assessment by the Committee that the financial performance of the Group was satisfactory, including the declaration of at least one dividend. The maximum number of Barclays shares that may be released was determined in 2009 and was fixed as set out in Table 9. The Committee reviewed the performance conditions in February 2011 taking account of factors including profit performance, capital ratios, share price and payment of dividends. The Committee recommended that the number of Barclays shares shown in Table 9 be released in March 2011.

In relation to the 2007-2009 PSP awards, the executive Directors agreed to voluntary clawback arrangements to operate for a two year period following the vesting of the awards. By this voluntary agreement, the executive

Table 9: Outstanding share plan and long term incentive awards

	Number of shares under award/option at 1st January 2010 (maximum)	Number of shares awarded in year (maximum)	Market price on award date	Weighted average exercise price	Number of shares released/exercised
John Varley					
PSP 2006-2008	232,855		£6.75		
PSP 2007-2009	504,294		£7.08		(252,147)
PSP 2008-2010	812,412		£4.25		
ISOP	944,655			£4.46	
Sharesave	3,735			£4.70	
ESAS	430,969				(276,784)
Robert E Diamond Jr					
PSP 2006-2008	1,164,273		£6.75		
PSP 2007-2009	2,878,686		£7.08		(1,439,343)
PSP 2008-2010	2,031,030		£4.25		
PSP 2010-2012		5,563,902	£3.55		
ISOP	575,008			£4.42	
ESAS	3,365,882				(666,667)
Chris Lucas					

PSP 2007-2009	255,396		£7.08		(127,698)
PSP 2008-2010	541,608		£4.25		
PSP 2009-2011	1,598,046		£2.34		
PSP 2010-2012		927,318	£3.55		
Sharesave	3,735			£4.70	
ESAS	44,006	602,756			

Numbers shown for ESAS above represent provisional allocations that have been awarded. Numbers shown as aggregate ESAS amounts may also include shares under option as at 31st December 2010. Nil cost options are normally granted under mandatory ESAS awards at the third anniversary of grant and are exercisable (over initial allocation and two-thirds of bonus shares) typically for two years. The aggregate exercise price of a nil cost option is £1. At the fifth anniversary of the provisional allocation the nil cost options normally lapse and the shares (including bonus shares) are released at the discretion of the ESAS trustee. In 2010, no nil cost options were granted to the executive Directors. Nil cost options (granted

Table 10: Performance conditions attaching to the share plans in which the executive Directors participate

Scheme	Performance period	Performance measure	Target
PSP	**2010-2012**	50% of award calibrated against TSR	33% of maximum award released for above median performance (6th place) with 100% released in 1st place and a scaled basis in between
		50% average RoRWA	17% of maximum award released for 0.83% scaled to a maximum award at 1.46%
	2009-2011	50% of award calibrated against TSR	As above
		50% average RoRWA	17% of maximum award released for 0.83% scaled to a maximum award at 1.34%
	2008-2010	50% of award calibrated against TSR	As above
		50% of award calibrated against cumulative EP over the three-year performance period	33% of the maximum award released for £6,921m scaled to 100% of maximum award at £8,350m

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Directors will repay the value of the Barclays shares at the end of the two year period (after deduction of taxes paid) should a dividend not be paid during the two year period or the Committee judges that the financial health of the business has deteriorated significantly over the two year period.

In relation to the 2008-2010 PSP awards, the underpin (as shown in Table 10) was satisfied, the TSR condition was met but the Economic Profit (EP) condition was not met. As a result, the awards vested in March 2011 at 0.5 times the initial award (maximum is 3 times).

For the 2009-2011 and 2010-2012 PSP awards the performance measures are relative TSR and RoRWA. TSR was selected to align performance with Barclays shareholders. RoRWA was selected as a risk-adjusted performance measure to reflect the Group s stated goal of focus on returns over growth.

Calibration of performance measures is agreed ahead of each award by the Committee supported by a working team with representatives from Human Resources, Finance and Risk. This process includes an assessment of relevant data including financial targets, analyst forecasts, internal and external views of comparator future performance levels, shareholder views and value and broader economic trends. All performance measures are calibrated to include a significant level of stretch to attain maximum payout.

All awards and releases are recommended by the Committee to the independent trustee and are subject to trustee discretion. The trustee may also release to participants dividend shares which represent accumulated dividends (net of withholding tax) in respect of the Barclays shares under awards that vest. During 2010 Barclays highest share price was £3.83 and the lowest was £2.55. The Barclays share price at year end was £2.62.

Market price on release/ exercise date	Number of shares lapsed in 2010	Number of shares under award/option at 31st December 2010 (maximum)	Vested number of shares under option	Value of release/exercise	End of three-year PSP performance period, or first exercise/scheduled release date	Last exercise/ scheduled release date
		232,855			31/12/2008	01/03/2011
£3.48	(252,147)			£0.88m	31/12/2009	15/03/2010
		812,412			31/12/2010	01/03/2011
	(246,431)	698,224	698,224		18/05/2003	30/09/2012
		3,735			01/10/2011	30/03/2012
£3.48		154,185		£0.96m	15/03/2010	21/03/2012
		1,164,273			31/12/2008	01/03/2011
£3.48	(1,439,343)			£5.01m	31/12/2009	15/03/2010
		2,031,030			31/12/2010	01/03/2011
		5,563,902			31/12/2012	16/03/2013
		575,008	575,008		12/03/2004	22/03/2014
£3.48		2,699,215		£2.32m	15/03/2010	20/03/2013
£3.48	(127,698)			£0.44m	31/12/2009	15/03/2010
		541,608			31/12/2010	01/03/2011
		1,598,046			31/12/2011	27/04/2012
		927,318			31/12/2012	16/03/2013
		3,735			01/11/2014	30/04/2015
		646,762			20/03/2011	16/03/2015

in 2008) lapsed during the year. Mr Varley held nil cost options over 206,934 shares under ESAS as at 1st January 2010, and none as at 31st December 2010. The first and last exercise dates were 7th March 2008 and 1st March 2011 respectively. Mr Varley received 45,191 dividend shares and Mr Diamond received 83,541 dividend shares from ESAS

awards released during the year (share price on release date was £3.48). On release of the 2007-09 PSP awards, Mr Varley received 28,555 dividend shares, Mr Diamond received 163,002 dividend shares and Mr Lucas received 14,462 dividend shares (share price on release date was £3.48).

TSR peer group constituents				
UK	Mainland Europe	US	Underpin	Actual performance
HSBC	Banco Santander, BBVA, BNP Paribas, Credit Suisse, Deutsche Bank, Société Générale, Unicredit	Bank of America, JP Morgan Chase, Morgan Stanley	Committee must be satisfied with the underlying financial health of the Group after considering EP and PBT on a cumulative basis over the three year period	To be determined at vesting in March 2013
HSBC, Lloyds Banking Group, Royal Bank of Scotland	Banco Santander, BBVA, BNP Paribas, Deutsche Bank, UBS, Unicredit	Citigroup, JP Morgan Chase	As above	To be determined at vesting in March 2012
HBOS, HSBC, Lloyds TSB, Royal Bank of Scotland	As above (2009-11)	As above	Cumulative EP over performance period must exceed cumulative EP over previous three years	The performance condition was partially met

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Shareholding guideline

The Committee guideline provides that executive Directors should hold Barclays shares worth, as a minimum, the higher of two times base salary or average of total remuneration over the last three years. Executive Directors have five years from their appointment to meet this guideline and a reasonable period to build up to the guideline again if it is not met because of a share price fall.

Service contracts

The Group has service contracts with its executive Directors which do not have a fixed term but provide for a notice period from the Group of 12 months and normally for retirement at age 65. Executive Directors contracts allow for termination with contractual notice from the Group or, in the alternative, termination by way of payment in lieu of notice (in phased instalments) which are subject to contractual mitigation. In the event of gross misconduct, neither notice nor a payment in lieu of notice

will be given. The Committee s approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations and share plan and pension scheme rules.

The Committee has reviewed its approach to executive Director service contracts in light of best practice and regulatory and corporate governance developments. The Committee does not intend to include automatic contractual incentive payments upon termination in relation to executive Director appointments going forward. Automatic contractual incentive payments upon termination are not included in Mr Diamond s contract. Mr Varley is not eligible for a 2011 annual performance incentive.

Details of executive Director contract terms are shown in Table 12 and details of fees for external appointments in Table 13.

Table 11: Interests in Barclays PLC shares

	At 1st January 2010		**At 31st December 2010**	
	Beneficial	Non-beneficial	**Beneficial**	**Non-beneficial**
John Varley	622,418		**981,476**	
Robert E Diamond Jr	8,333,810		**10,292,671**	
Chris Lucas	101,697		**188,476**	

Beneficial interests include shares held either directly, or through a nominee, spouse, or children under 18. They include any interests held through Sharepurchase. Non-beneficial interests include any interests in shares where the executive Director holds the legal, but not beneficial interest. As at 4th March 2011, Mr Diamond s beneficial interest was 12,678,784 Barclays shares, which includes 2,111,561 Barclays shares released to Mr Diamond on 1st March 2011 in respect of prior years deferred and long term incentive awards, and 274,552 Barclays shares awarded on 1st March 2011 for 2010 performance. As at 4th March 2011, Mr Lucas s beneficial interest was 290,800 Barclays shares, which includes 46,905 Barclays shares released to Mr Lucas on 1st March 2011 in respect of a prior year s long term incentive award, and 55,419 Barclays shares awarded on 1st March 2011 for 2010 performance. There were no changes in the non-beneficial interests in the period 31st December 2010 to 4th March 2011.

Table 12: Contract terms

	Effective date	Notice period from the Company	Potential compensation for loss of office
John Varley	2nd July 2010	12 months	12 months base salary and continuation of medical and pension benefits whilst an employee. No entitlement to 2011 annual performance incentive
Robert E Diamond Jr	1st January 2011	12 months	12 months base salary and continuation of medical and pension benefits whilst an employee. No automatic contractual entitlement to performance incentive on termination
Chris Lucas	1st April 2007	12 months	12 months base salary, annual performance incentive equivalent to the average of the previous three years annual incentives (up to 100% of base salary) and continuation of medical and pension benefits whilst an employee

Table 13: Fees for external appointments

		2010		2009	
	Organisation	**Fees**	**Fees retained**	Fees	Fees retained
John Varley	British Grolux Investments Limited	**£8,134**	**£8,134**	£8,061	£8,061
	AstraZeneca PLC	**£98,750**	**£98,750**	£95,000	£95,000
	International Advisory Panel of the Monetary Authority of Singapore	**£4,745**	**£4,745**	£0	£0

Any other positions held by the executive Directors do not attract fees.

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Group Chairman, Deputy Chairman and non-executive Directors

The Group Chairman, Deputy Chairman and non-executive Directors receive fees which reflect the individual responsibilities and membership of Board Committees. Fees are reviewed each year by the Board. Fees were last increased in June 2008.

The first £20,000 of each non-executive Director's base fee and the Deputy Chairman's fee is used to purchase Barclays shares. These Barclays shares, together with reinvested dividends, are retained on behalf of the non-executive Directors until they retire from the Board.

Marcus Agius, Group Chairman, has a minimum time commitment to Barclays equivalent to 60% of a full-time role and he receives private health insurance in addition to his fees. Marcus Agius is not eligible to receive a performance incentive, nor participate in Barclays share plans or long term incentive plans nor will he participate in Barclays pension plans or receive any pension contributions. No other non-executive Director receives any benefits from Barclays.

Membership and Chairmanship of Board Committees as at 31st December 2010 and details of the fees received by the non-executive Directors during the year are set out in Table 14. Details of non-executive Director beneficial interests in Barclays shares are set out in Table 15.

Table 14: 2010 fees

	Chairman £000	Deputy Chairman £000	Board Member £000	Board Audit Committee £000	Board Remuneration Committee £000	Board Corporate Governance and Nominations Committee £000	Board Risk Committee £000	Benefits £000	**Total 2010 £000**	Total 2009 £000
Fees (at 31st Dec 10)										
Full-year fee	750	200	70							
Committee Chair				60	40		40			
Committee Member				25	15	15	15			
Fees to 31st December 2010										
Group Chairman										
Marcus Agius	Ch.				M.	Ch.		1	**751**	751
Non-executive Directors										
David Booth			M.			M.	Ch.		**125**	85
Sir Richard Broadbent		DCh.	M.		Ch.	M.			**200**	197
Alison Carnwath			M.	M.	M.				**39**	
Fulvio Conti			M.	M.					**95**	95
Simon Fraser			M.	M.	M.				**110**	83
Reuben Jeffery III			M.				M.		**85**	32
Sir Andrew Likierman			M.	M.			M.		**110**	110
Dambisa Moyo			M.				M.		**50**	
Sir Michael Rake			M.	Ch.		M.	M.		**160**	141
Sir John Sunderland			M.		M.	M.			**115**	108

As Deputy Chairman, Sir Richard Broadbent receives a fee of £200,000 per annum. He does not receive any additional fees for serving on Board Committees or as Senior Independent Director. Sir John Sunderland is also a member of the Group Brand and Reputation Committee and receives a fee of £15,000 per annum. He was appointed as a member of the Group Brand and Reputation Committee with effect from 1st July 2009 and received fees of £7,500 in 2009. These fees are included in those shown above.

Table 15: Interests in Barclays PLC shares

	At 1st January 2010 total beneficial interests	At 31st December 2010 total beneficial interests	At 4th March 2011 total beneficial interests
Group Chairman			
Marcus Agius	113,530	**115,129**	**115,129**
Non-executive Directors			
David Booth	73,325	**77,285**	**79,220**
Sir Richard Broadbent	34,590	**38,777**	**40,729**
Alison Carnwath		**40,000**	**41,203**
Fulvio Conti	39,304	**42,970**	**44,836**
Simon Fraser	46,247	**49,768**	**51,583**
Reuben Jeffery III	26,173	**65,244**	**67,691**
Sir Andrew Likierman	23,007	**27,031**	**29,001**
Dambisa Moyo		**2,826**	**4,630**
Sir Michael Rake	15,127	**18,954**	**20,845**
Sir John Sunderland	79,775	**83,277**	**85,107**

Dambisa Moyo was appointed as a non-executive Director with effect from 1st May 2010. Alison Carnwath was appointed as a non-executive Director with effect from 1st August 2010. Reuben Jeffery's beneficial interest as at 31st December 2010 comprised 15,000 American Depositary Shares and 5,244 Barclays PLC shares. On 15th February 2011, the non-executive Directors acquired ordinary shares pursuant to arrangements under which part of each non-executive Director's fee is used to buy Barclays PLC shares. Barclays PLC shares were acquired by each non-executive Director as follows: David Booth 1,935; Sir Richard Broadbent 1,952; Alison Carnwath 1,203; Fulvio Conti 1,866; Simon Fraser -1,815; Reuben Jeffery III 2,447; Sir Andrew Likierman 1,970; Dambisa Moyo 1,804; Sir Michael Rake 1,891 and Sir John Sunderland 1,830. Reuben Jeffery's beneficial interest as at 15th February 2011 comprised 15,000 American Depositary Shares and 7,691 Barclays PLC shares. Except as described in this note, there were no changes to the beneficial or non-beneficial interests of non-executive Directors in the period 31st December 2010 to 4th March 2011.

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Corporate governance

Remuneration report continued

Letters of appointment

The Group Chairman, Deputy Chairman and non-executive Directors have individual letters of appointment. Each non-executive Director appointment is for an initial six year term, renewable for a single term of three years thereafter. The terms of the letters of appointment of each non-executive Director are shown in Table 16.

All non-executive Directors are standing for re-election at the 2011 ACM.

Table 16: Terms of letters of appointment

	Effective date	Notice period from the Company	Potential compensation for loss of office
Group Chairman			
Marcus Agius	1st Jan 2007	12 months	12 months contractual remuneration
Non-executive Directors			
David Booth	1st May 2007	6 months	6 months fees
Sir Richard Broadbent	16th July 2009	6 months	6 months fees
Alison Carnwath	1st Aug 2010	6 months	6 months fees
Fulvio Conti	1st Apr 2006	6 months	6 months fees
Simon Fraser	10th Mar 2009	6 months	6 months fees
Reuben Jeffery III	16th July 2009	6 months	6 months fees
Sir Andrew Likierman	1st Sep 2004	6 months	6 months fees
Dambisa Moyo	1st May 2010	6 months	6 months fees
Sir Michael Rake	1st Jan 2008	6 months	6 months fees
Sir John Sunderland	1st June 2005	6 months	6 months fees

Former non-executive Directors

Mr Clifford resigned as a non-executive Director with effect from 30th September 2010. Mr Clifford did not receive a termination payment. Mr Clifford's remuneration for 2010 is shown in Table 17 and the terms of his letter of appointment are shown in Table 18.

Table 17: Former non-executive Director fees

	Total 2010 £000	Total 2009 £000
Leigh Clifford	**103**	123

Mr Clifford is also a member of the Asia Pacific Advisory Committee and received fees of US$60,000 (2009: US$60,000). These fees are included in those shown above.

Table 18: Terms of letter of appointment

	Effective date	Notice period from the Company	Potential compensation for loss of office
Leigh Clifford	1st October 2004	6 months	6 months fees

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Other remuneration disclosures

Five highest paid senior executive officers (excluding executive Directors)

As part of the Project Merlin agreement with the UK Government Barclays committed to disclose the 2010 remuneration of the five highest paid senior executive officers (in addition to the executive Directors). This is shown in Table 19. The senior executive officers shown in Table 19 are considered Key Management Personnel (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of Barclays PLC (directly or indirectly)). The remuneration of the executive Directors is shown in Table 5.

Table 19: 2010 remuneration of the five highest paid senior executive officers (excluding executive Directors)

Five highest paid senior executive officers (excluding executive Directors)	Individual 1 (£000)	Individual 2 (£000)	Individual 3 (£000)	Individual 4 (£000)	Individual 5 (£000)
Fixed remuneration	734	700	700	700	600
Variable remuneration (cash)	1,017	992	1,433	900	620
Variable remuneration (shares)	1,017	992	1,433	900	620
Deferred remuneration (Contingent Capital Plan)	4,070	3,968	2,150	1,350	930
Deferred remuneration (Share Value Plan)	4,070	3,968	2,150	1,350	930
2010 remuneration and deferred incentives	**10,908**	**10,620**	**7,866**	**5,200**	**3,700**
Long term incentive award (outcome contingent on future performance)	**3,354**	**3,354**	**1,000**	**1,300**	**1,500**
Sign-on award	0	0	0	0	0
Severance award	0	0	0	0	0

Code Staff aggregate remuneration

Pages 149 to 158 and pages 161 to 163 include information required to be disclosed in accordance with the FSA s prudential sourcebook for banks, building societies and investment firms (BIPRU) 11.5.18(1) to (5). The information in Tables 20 to 23 is provided in accordance with BIPRU 11.5.18(6) and (7). A total of 231 individuals were Code Staff in 2010. Code Staff are the Group's employees whose professional activities could have a material impact on the Group's risk profile.

Table 20: Aggregate 2010 remuneration of Code Staff by business

Barclays Capital (£m)	Barclays Corporate (£m)	Barclays Wealth (£m)	Global Retail Banking (£m)	Absa (£m)	Group Functions (£m)
406	21	33	45	4	45

Table 21: Aggregate 2010 remuneration of Code Staff by remuneration type

	Senior management (£m)	Other Code Staff (£m)
Fixed remuneration	9	53
Variable remuneration (cash)	7	79
Variable remuneration (shares)	9	68
Deferred remuneration (Contingent Capital Plan)	17	119
Deferred remuneration (Share Value Plan and ESAS)	18	125
2010 remuneration and deferred incentives	**60**	**444**
Long term incentive award (outcome contingent on future performance)	**15**	**35**

Table 22: Additional 2010 disclosures on deferred remuneration of Code Staff

	Senior management (£m)	Other Code Staff (£m)
Deferred unvested remuneration outstanding at the beginning of the year	**142**	**344**
Deferred remuneration awarded in year	77	291
Deferred remuneration reduced in year through performance adjustments	(45)	(46)
Deferred remuneration vested in year	(39)	(118)
Deferred unvested remuneration outstanding at the end of the year	**135**	**471**

Table 23: Other 2010 disclosures for Code Staff

	Senior management (£m)	Other Code Staff (£m)
Total sign-on awards	0	0
Total buy-out awards (five individuals)	0	3
Total severance awards (one individual)	0	0.1

Note to Table 22: There was no deferred vested remuneration outstanding at the end of the year. Code Staff are subject to a minimum shareholding guideline.

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Corporate governance

Remurance report continued

Share plans and long term incentive plans

Barclays operates a number of share plans and long term incentive plans. The principal plans under which awards were made in 2010 are shown in Table 24 and new plans proposed for 2011 are shown in Table 25. Barclays has a number of employee benefit trusts which operate with these plans. In some cases the trustees grant awards and purchase shares in the market to satisfy awards as required, in others new issue or treasury shares may be used to satisfy awards where the appropriate shareholder approval has been obtained. The limits on the issue of new shares comply with the guidelines issued by the Association of British Insurers.

Table 24: Summary of principal share plans and long term incentive plans under which awards were made in 2010

Name of plan	Employees eligible	Executive Directors eligible?	Delivery	Design details
Performance Share Plan (PSP)	Selected employees. In 2010, only executive Directors received PSP awards	Yes	Award of Barclays shares that vests after three years, subject to performance conditions and trustee discretion	From 2011, it is proposed that the PSP is replaced by the Barclays LTIP (see Table 25) Awarded on a discretionary basis with participation reviewed annually by the Committee Barclays performance over three years determines the number of Barclays shares eligible for release to each participant For awards made in 2010 performance conditions based on relative TSR and RoRWA Dividends normally accumulated during vesting period On cessation of employment, eligible leavers normally receive an award pro-rated for time and performance. For other leavers awards will normally lapse. On change of control, awards may vest at the trustee s discretion
Cash Value Plan (CVP)	All employees (excluding executive Directors) whose variable remuneration is above a set threshold	No	Deferred cash paid in three annual instalments over a three year period dependant on future service and subject to plan committee discretion	Plan typically used for mandatory deferral of a proportion of variable remuneration where variable remuneration is above a threshold set annually by the Committee Amount deferred increases on a graduated basis as variable remuneration increases This plan typically works in tandem with the SVP (see below) Awards vest over three years in equal annual tranches dependant on future service and subject to plan committee discretion

				Participants may be awarded a service credit of 10% of the initial value of the award at the same time as the final instalment is paid subject to continued employment Vesting is subject to malus and prudent financial control provisions in accordance with the FSA Code On cessation of employment, eligible leavers normally receive an award subject to plan committee discretion. For other leavers awards will normally lapse. On change of control, awards may vest at the plan committee s discretion
Share Value Plan **(SVP)**	As for CVP above	Executive Directors were not eligible for the SVP in 2010. Approval of the SVP for executive Director participation from 2011 is being sought at the 2011 AGM	Deferred Barclays shares released in three annual instalments over a three year period dependant on future service and subject to trustee discretion	Plan typically used for mandatory deferral of a proportion of variable remuneration into Barclays shares where variable remuneration is above a threshold set annually by the Committee Amount deferred increases on a graduated basis as variable remuneration increases This plan typically works in tandem with the CVP (see above) Awards vest over three years in equal annual tranches dependant on future service and subject to trustee discretion Dividends that would normally be received may be awarded as additional Barclays shares and released alongside each tranche of the award Vesting is subject to malus and prudent financial control provisions in accordance with the FSA Code Change of control and leaver provisions are as for CVP (see above) subject to trustee discretion In 2011 Barclays will add a schedule to SVP for cash-based awards to be granted on similar terms but with additional vesting conditions (known as the Contingent Capital Plan) (see Table 25)

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Table 24: Summary of principal share plans and long term incentive plans under which awards were made in 2010 continued

Name of plan	Employees eligible	Executive Directors eligible?	Delivery	Design details
Executive Share Award Scheme (ESAS)	Selected employees	Yes	Deferred Barclays shares released after three years subject to trustee discretion	From 2011, it is proposed that ESAS is replaced by SVP. Details of the SVP are included in Table 24 and further details are in the Notice of Meeting for the 2011 AGM which is online at www.barclays.com/investorrelations Discretionary award of a proportion of variable remuneration as Barclays shares. In addition to mandatory deferral, eligible employees may voluntarily defer additional amounts of variable remuneration awarded. In 2010 awards under ESAS were made on a limited basis as CVP and SVP were the principal mandatory deferral plans Subject to trustee discretion, the ESAS award vests after three years, at which point bonus shares equal to 20% of the value of the initial award may be released. If the participant does not withdraw the award shares until the fifth anniversary of the award date, a further 10% bonus shares may be released. Dividend shares may also be released by the ESAS trustee Awards are subject to forfeiture if the participant leaves Barclays other than for eligible leaver reasons
Business unit long term incentive plans	Selected senior employees (excluding executive Directors) within each business unit	No	Design varies by business unit, awards vest after at least three years, with additional deferral after this period. Awards typically vest 50% in cash and 50% in Barclays share awards	Awarded on a discretionary basis Risk-adjusted performance conditions vary by business unit to reflect individual business strategy Plans include a prudent financial control provision which gives the Committee power to alter the vesting of awards based on Group financial performance Awards are subject to forfeiture if the participant leaves Barclays other than for eligible leaver reasons
Sharesave	All UK, Ireland and Spain employees	Yes	Options over Barclays shares at a discount of 20% with shares or cash value of savings delivered after 3 - 7 years	HMRC approved in the UK and approved by the Revenue Commissioners in Ireland Opportunity to purchase Barclays shares at a discount price (currently at 20%) set on award date with savings made over 3, 5 or 7 year term Maximum individual saving of £250 per month (300 in Ireland, 225 in Spain) On cessation of employment eligible leavers may exercise options and acquire shares to the extent of their savings for 6 months On change of control, participants may exercise options and acquire shares to the extent of their savings for 6 months
Sharepurchase	All employees in	Yes		HMRC approved plan

	the UK		Barclays shares and dividend/ matching shares held in trust for 3 to 5 years	Participants may purchase up to £1,500 of Barclays shares each tax year Barclays matches the first £600 of shares purchased by employees on a one for one basis Dividends received are awarded as additional shares Purchased shares may be withdrawn at any time (if removed prior to 3 years from award, the corresponding matching shares are forfeited). Matching shares must be held in trust for at least 3 years On cessation of employment participants must withdraw shares. Depending on reason for and timing of leaving matching shares may be forfeited On change of control, participants are able to instruct the Sharepurchase trustee how to act or vote on their behalf
Global Sharepurchase	Employees in certain non-UK jurisdictions	Yes	Barclays shares and dividend/ matching shares held in trust for 3 to 5 years	Global Sharepurchase is an extension of the Sharepurchase plan offered in the UK Operates in substantially the same way as Sharepurchase (see above)

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Corporate governance

Remuneration report continued

Table 25: Summary of new deferred incentive plans and long term incentive plans under which awards will be made in 2011

Name of plan	Employees eligible	Executive Directors eligible?	Delivery	Design details
Contingent Capital Plan (CCP) **(The CCP is a schedule to the SVP)**	Selected employees	Yes (subject to shareholder approval at 2011 AGM)	Deferred cash paid in three annual instalments over a three year period, subject to the Group Core Tier 1 capital ratio being above a specified threshold. Vesting is also dependant on future service and subject to plan committee discretion	In 2011 Barclays will add a schedule to the SVP (see Table 24) for cash-based awards to be granted on similar terms to the SVP but with additional vesting conditions. Broadly similar provisions to the SVP apply to the CCP The CCP will typically be used for mandatory deferral of a proportion of variable remuneration for executive Directors, other Code Staff and senior management Awards vest over three years in equal annual tranches dependant on future service and subject to plan committee discretion The vesting of contingent capital awards is subject to the condition that the Group Core Tier 1 capital ratio is equal to or exceeds a predetermined threshold at vesting. For 2011 awards the threshold is proposed as 7% Vesting is also subject to malus and prudent financial control provisions in accordance with the FSA Code When a contingent capital award vests an additional discretionary benefit may be awarded equivalent to a coupon. For 2011 awards, this is proposed as 7% on the award amount (on an annualised and non-compounded basis) As for the SVP, on cessation of employment, eligible leavers normally receive an award subject to plan committee discretion. For other leavers awards will normally lapse. On change of control, awards may vest at the plan committee's discretion Details of the CCP are included in the Notice of the Meeting for the 2011 AGM which is online at www.barclays.com/investorrelations
Barclays Long Term Incentive Plan (Barclays LTIP)	Selected employees	Yes (subject to shareholder approval at 2011 AGM)	Award over Barclays shares or over other capital instruments, subject to performance conditions and Committee/ trustee discretion	Awarded on a discretionary basis with participation reviewed by the Committee Awards will only vest if the performance condition is satisfied over a three year period Vesting will be subject to malus and prudent financial control provisions in accordance with the FSA Code For proposed awards made in 2011, 50% of Barclays shares will be released at the end of the three year period, and 50% (after payment of tax) will be subject to an additional 12 month holding period The performance condition for the proposed 2011 awards has been chosen to focus closely on execution of Barclays strategy including return on equity. The proposed metrics for 2011 are based on three weighted categories as set out

below
Financial (60%): the primary performance metric is 3 year average RoRWA, and the secondary metric is PBT
Risk (30%): the performance metric is loan loss rate
Sustainability (10%): performance is assessed by the Committee against non-financial factors including customer satisfaction, employee opinion surveys and Barclays relationships with its regulators
On cessation of employment, eligible leavers will normally receive an award pro-rated for time and performance. For other leavers awards will normally lapse
On change of control, awards may vest at the Committee's discretion
The calibration proposed for the performance condition metrics for the 2011 Barclays LTIP awards, and further details on the Barclays LTIP, are included in the Notice of Meeting for the 2011 AGM which is online at www.barclays.com/investorrelations

Additional financial information

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 Risk framework and supporting processes. The risk categories relevant to operational risk disclosed on page 113 & 114 are: People, Legal, Regulatory, Operations, Fraud, 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 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 of 2010 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 Spanish 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 section on Supervision and Regulation (pages 115-119), 2010 has seen significant regulatory change. Issues dealt with 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. The Group 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 DFA require rules to be made to give them effect and this process is still under way.

Wholesale and 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 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 its 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. However, credit risk may also arise where the downgrading of an entity s credit rating causes a fall in the value of the Group s investment in that entity s financial instruments. Specific areas and scenarios where credit risk could lead to higher impairment charges in future years include:

credit market exposures;

sovereign risk; and

economic uncertainty.

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.

Credit risk may also be manifested as sovereign risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the assets, or where the counterparty may be the country itself. European Union (EU) deficits approached very high levels during 2010, leading to a loss of market confidence in certain countries to which the Group is exposed.

In a recessionary environment, such as that seen in past years in UK, the US and other economies, credit risk increases. However, more recently, 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 of 2010, 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 s credit risk governance structure, management and measurement methodologies, together with an analysis of exposures to credit risk is detailed in the Credit risk management section on page 58 to 93 and Note 44 to the financial statements on page 267.

Additional financial information

Risk factors continued

Market risk

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

While the Group is exposed to continued market volatility, Barclays Capital s trading activities are principally a consequence of supporting customer activity.

The Group is exposed to three main types of non-traded interest rate risk:

fixed rate loans and deposits that are not hedged or matched;

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

margin compression.

The Group s market risk governance structure, management and measurement methodologies, together with an analysis of exposures to both traded and non-traded market risk is detailed in the Market risk management section on page 94 to 101 and Note 44 to the financial statements on page 267. Further details relating to the Group s pension risk is included in Note 28 on page 227.

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 where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources;

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. A weaker credit rating would increase the Group s cost of funds.

Regulators assess the Group s capital position and target levels of capital resources on an ongoing basis. 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 Second and Third Capital Requirement Directives and the guidelines from the Basel Committee on Banking Supervision for strengthening capital requirements (Basel III) were finalised. Aligned to this, markets and credit rating agencies now expect equity capital levels significantly in excess of the current regulatory minimum.

For further information see pages 102 to 106.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities, and investments. In certain adverse circumstances, lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, ratings downgrades or loan drawdowns. These outflows could be the result of general market dislocations or specific concerns about Barclays.

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.

The Group s liquidity risk management and measurement methodologies are detailed in the Liquidity Risk Management section on page 107 to 112 and the Liquidity Risk note to the financial statements on page 267.

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. Failure to manage performance and reward in an appropriate manner can ultimately lead to lack of suitable people resource which may ultimately have a negative impact on profits generated by the Group.

During 2010, external regulatory developments in relation to remuneration continued to impact the People Risk. On 17th December 2010, the FSA published its final Remuneration Code (Remuneration Code) following its July 2010 Consultation Paper. The Remuneration Code was updated in order to implement the remuneration rules required by the Third Capital Requirements Directive and the Financial Service Act 2010. The Remuneration Code applies to remuneration paid from 1st January 2011, including remuneration in respect of 2010 performance.

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 (such as trade names of the Group) may not be adequately protected; and

liability for damages may be incurred to third parties harmed by the conduct of the Group s business.

The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. Although the Group has processes and controls to manage legal risks, failure to manage these risks could impact the Group adversely, both financially and by reputation.

Further details of litigation and other legal matters are set out in the Legal Proceedings Note 26 (see page 226) and the Competition and Regulatory Matters Note 27 (see page 227).

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. The Group s businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the UK, EU, US and elsewhere, which are all subject to change. The regulatory response to the financial crisis has led to very substantial regulatory changes 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.

Additional financial information

Risk factors continued

Two specific matters that directly impact the Group are the Banking Act 2009 and the Financial Services Compensation Scheme:

Banking Act 2009

The Banking Act 2009 (the Banking Act) provides a permanent regime to allow the FSA, the UK Treasury and the Bank of England to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers, including (a) the power to issue share transfer orders pursuant to which all or some of the securities issued by a bank may be transferred to a commercial purchaser or Bank of England entity and (b) the power to transfer all or some of the property, rights and liabilities of the UK bank to a purchaser or Bank of England entity. A share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including the Bank) or its holding company (Barclays PLC) and warrants for such shares and bonds. The Banking Act powers apply regardless of any contractual restrictions and compensation may be payable in the context of both share transfer orders and property appropriation.

The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank or its holding company and its former group undertakings for reasonable consideration, in order to enable any transferee or successor bank of the UK bank to operate effectively. There is also power for the Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect. In addition, the Banking Act gives the Bank of England statutory responsibility for financial stability in the UK and for the oversight of payment systems.

Financial Services Compensation Scheme

Banks, insurance companies and other financial institutions in the UK are subject to the Financial Services Compensation Scheme (the FSCS) where an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Most deposits made with branches of the Bank within the European Economic Area (the EEA) which are denominated in Sterling or other EEA currencies (including the Euro) are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as the Bank. As at 31 December 2010, the Group had accrued £63 million (2009: £108 million) for its share of the levies. The provision is based on estimates of the Group s market participation in the relevant charging periods and the interest the FSCS will pay on the facilities provided by HM Treasury in support of its obligations to depositors of banks declared in default (such facilities were, as at 31 December 2010, estimated by the Group to amount to £20 billion). While it is anticipated that the substantial majority of these facilities will be repaid wholly from recoveries from the institutions concerned, there is the risk of a shortfall, such that the FSCS may place additional levies on FSCS participants. As at the date of this document, it is not possible to estimate the amount of any potential additional levies or the Group s share. Consequently, in the event that the FSCS raises funds, raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group s results and financial condition.

In addition, 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 addition, Payment Protection Insurance (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. Furthermore, a judicial review has been launched regarding the treatment of PPI complaints by the FSA and Financial Ombudsman Service.

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.

Other future regulatory changes may potentially restrict the Group s operations, mandate certain lending activity and impose other compliance costs.

For further information, see pages 115 to 119, 227.

Operations risk

Operations risk is the risk of losses from inadequate or failed internal processes and systems, caused by human error or external events.

These risks are transaction operations, new product development, premises and security, external suppliers, payments process, information, data quality and records management.

Fraud Risk

Fraud risk is the risk that the Group suffers losses as a result of internal and external fraud.

Technology risk

Technology is a key business enabler and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed. Technology risk includes the non-availability of IT systems, inadequate design and testing of new and changed IT solutions and inadequate IT system security. Similar to many large organisations, Barclays is exposed to the risk that systems may not be continually available.

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.

As set out in Future Accounting Developments on page 204, 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.

Following the financial crisis, the financial reporting of banks has been subject to greater scrutiny. This has included consideration of accounting policies, accounting for particular transactions and financial statement disclosures. For Barclays this includes reviewing the decision not to consolidate Protium. Further details are provided on page 91 to 92.

Further details on internal control over financial reporting can be found on page 128 and on the BBA Code and improvements to Annual Report disclosures on page 184.

Taxation risk

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

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Additional financial information

Additional financial disclosure (unaudited)

Deposits and short-term borrowings

Deposits

Deposits include deposits from banks and customers accounts.

Average[a] for the year ended 31st December	2010 £m	2009 £m	2008 £m
Deposits from banks			
Customers in the United Kingdom	**13,486**	13,702	14,003
Other European Union	**48,715**	48,161	38,210
United States	**7,373**	14,757	15,925
Africa	**1,783**	2,218	3,110
Rest of the World	**20,837**	24,350	36,599
Total deposits from banks	**92,194**	103,188	107,847
Customer Accounts			
Customers in the United Kingdom	**214,466**	197,363	206,020
Other European Union	**44,188**	38,326	30,909
United States	**29,837**	32,218	31,719
Africa	**42,354**	37,009	35,692
Rest of World	**23,464**	23,655	27,653
Customer Accounts	**354,309**	328,571	331,993

Deposits from banks in offices in the United Kingdom received from non-residents amounted to £65,146m (2009: £51,423m).

Year ended 31st December	2010 £m	2009 £m	2008 £m
Customer Accounts	**345,788**	322,429	335,505
In offices in the United Kingdom:			
Current and Demand Accounts interest free	**48,125**	45,160	41,351
Current and Demand Accounts interest bearing	**27,091**	24,066	20,898
Savings accounts	**79,444**	71,238	68,335
Other time deposits retail	**29,422**	29,678	33,785
Other time deposits wholesale	**43,948**	52,891	74,417
Total repayable in offices in the United Kingdom	**228,030**	223,033	238,786

In offices outside the United Kingdom:			
interest free	**6,493**	7,308	4,803
Current and Demand Accounts interest bearing	**28,734**	24,176	15,463
Savings accounts	**12,484**	9,950	7,673
Other time deposits	**70,047**	57,962	68,780
Total repayable in offices outside the United Kingdom	**117,758**	99,396	96,719

Customer accounts deposits in offices in the United Kingdom received from non-residents amounted to £48,815m (2009: £57,014m).

Short-term borrowings

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

Deposits from banks

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

	2010 £m	2009 £m	2008 £m
Year-end balance	**77,975**	76,446	114,910
Average balance[a]	**92,194**	103,188	107,847
Maximum balance[a]	**102,137**	121,940	139,836
Average interest rate during year	**0.4%**	0.6%	3.6%
Year-end interest rate	**0.2%**	0.4%	2.3%

Commercial paper

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

	2010 £m	2009 £m	2008 £m
Year-end balance	**20,138**	19,300	27,692
Average balance[a]	**19,986**	21,835	24,668
Maximum balance[a]	**25,976**	28,756	27,792
Average interest rate during year	**2.3%**	2.5%	4.4%
Year-end interest rate	**2.4%**	2.5%	4.2%

Negotiable certificates of deposit

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

	2010 £m	2009 £m	2008 £m
Year-end balance	**60,184**	44,681	61,332
Average balance[a]	**55,242**	54,960	55,122
Maximum balance[a]	**60,803**	64,054	67,715
Average interest rate during year	**2.5%**	2.3%	4.4%
Year-end interest rate	**2.3%**	2.2%	4.1%

Repurchase Agreements

Repurchase agreements are entered into with both customers and banks and generally have maturities of not more than three months.

	2010 £m	2009 £m	2008 £m
Year-end balance	**225,534**	198,781	182,285
Average balance[ab]	**298,054**	275,801	274,376
Maximum balance[ab]	**373,627**	389,962	396,130
Average interest rate during year	**0.4%**	0.6%	2.9%
Year-end interest rate	**0.3%**	0.4%	0.7%

Notes

a Calculated based on month-end balances.
b For 2008, calculations were based on quarter-end balances.

Additional financial information

Additional financial disclosure (unaudited) continued

Commitments and contractual obligations

Commercial commitments include guarantees, contingent liabilities and standby facilities.

Commercial commitments	Amount of commitment expiration per period				
	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total amounts committed £m
As at 31st December 2010					
Securities lending arrangements[a]	**27,672**				**27,672**
Guarantees and letters of credit pledged as collateral security	**5,853**	**3,266**	**1,508**	**3,156**	**13,783**
Performance guarantees, acceptances and endorsements	**6,561**	**1,182**	**278**	**1,154**	**9,175**
Documentary credits and other short-term trade related transactions	**1,075**	**118**	**1**		**1,194**
Standby facilities, credit lines and other commitments	**142,026**	**43,545**	**19,300**	**18,092**	**222,963**
As at 31st December 2009					
Securities Lending Arrangements	27,406				27,406
Guarantees and letters of credit pledged as collateral security	6,770	4,103	1,286	3,247	15,406
Performance guarantees, acceptances and endorsements	8,009	856	381	716	9,962
Documentary credits and other short-term trade related transactions	722	38	2		762
Standby facilities, credit lines and other commitments	145,962	44,004	9,794	6,753	206,513

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

Contractual obligations	Payments due by period				
	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total £m
As at 31st December 2010					
Long-term debt	**102,959**	**25,224**	**13,507**	**34,338**	**176,028**
Operating lease obligations	**635**	**728**	**751**	**3,146**	**5,260**
Purchase obligations	**644**	**747**	**159**	**70**	**1,620**
Total	**104,245**	**26,713**	**14,164**	**37,786**	**182,908**

As at 31st December 2009

Long-term debt	80,824	31,138	12,982	28,626	153,570
Operating lease obligations	468	808	675	2,936	4,887
Purchase obligations	1,109	940	541	1,243	3,833
Total	82,401	32,886	14,198	32,805	162,290

The long-term debt does not include undated loan capital of £9,094m (2009: £8,148m). Further information on the contractual maturity of the Group s assets and liabilities is given in the Liquidity Risk section.

Note

a Securities lending arrangements are fully collateralised, and are not expected to result in an outflow of funds from the Group; see Note 17 on page 216 for further details.

Additional financial information

Additional financial disclosure (unaudited) continued

Securities

Securities at fair value	2010		2009		2008	
	Book value	Amortised cost	Book value	Amortised cost	Book value	Amortised cost
As at 31st December	£m	£m	£m	£m	£m	£m
Investment securities available for sale						
United Kingdom government	**12,056**	**12,130**	77	74	1,238	1,240
Other government	**12,635**	**12,959**	10,958	8,389	11,456	11,338
Other public bodies and US Agencies	**1,545**	**1,568**	3,456	3,505	14,660	14,834
Mortgage and asset backed securities	**2,148**	**2,390**	2,498	2,958	3,510	4,126
Bank and building society certificates of deposit	**576**	**599**	7,697	7,343	10,478	10,535
Corporate and other issuers	**21,184**	**21,139**	19,202	18,986	17,489	17,908
Debt securities	**50,144**	**50,785**	43,888	41,255	58,831	59,981
Equity securities	**5,481**	**6,014**	6,676	6,247	2,142	1,814
Investment securities available for sale	**55,625**	**56,799**	50,564	47,502	60,973	61,795
Other securities held for trading						
United Kingdom government	**9,943**	**n/a**	6,815	n/a	6,955	n/a
Other government	**60,673**	**n/a**	54,161	n/a	50,727	n/a
Other public bodies and US Agencies	**28,181**	**n/a**	20,517	n/a	21,909	n/a
Mortgage and asset backed securities	**11,611**	**n/a**	12,942	n/a	30,748	n/a
Bank and building society certificates of deposit	**757**	**n/a**	995	n/a	7,518	n/a
Corporate and other issuers	**25,156**	**n/a**	21,164	n/a	30,829	n/a
Debt securities	**136,321**	**n/a**	116,594	n/a	148,686	n/a
Equity securities	**25,613**	**n/a**	19,602	n/a	30,535	n/a
Other securities held for trading	**161,934**	**n/a**	136,196	n/a	179,221	n/a

Investment debt securities include government securities held as part of the Group s treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group. In addition, the Group holds as investments listed and unlisted corporate securities. Bank and building society certificates of deposit are freely negotiable and have original maturities of up to five years, but are typically held for shorter periods.

Maturities and yield of available for sale debt securities	Maturing with one year		Maturing after one but within five years		Maturing after five but within ten years		Maturing after ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
As at 31st December	£m	%	£m	%	£m	%	£m	%	£m	%
Government	**2,055**	**5.9**	**5,820**	**2.8**	**11,318**	**2.4**	**5,498**	**2.1**	**24,691**	**2.7**
Other public bodies and US Agencies	**6**	**5.2**	**72**	**8.0**	**91**	**7.5**	**1,376**	**8.5**	**1,545**	**8.4**
Other issuers	**3,696**	**1.7**	**16,830**	**13.1**	**1,721**	**8.7**	**1,661**	**3.3**	**23,908**	**10.3**
Total book value	**5,757**	**3.2**	**22,722**	**10.4**	**13,130**	**3.3**	**8,535**	**3.4**	**50,144**	**6.5**

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2010 by the fair value of securities held at that date.

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Additional financial information

Additional financial disclosure (unaudited) continued

Average balance sheet

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

Average assets and interest income	2010			2009			2008		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Year ended 31st December	£m	£m	%	£m	£m	%	£m	£m	%
Assets									
Loans and advances to banks[a]:									
in offices in the United Kingdom	**51,735**	**439**	**0.8**	41,912	483	1.2	38,913	1,453	3.7
in offices outside the United Kingdom	**76,477**	**337**	**0.4**	35,073	271	0.8	14,379	419	2.9
Loans and advances to customers[a]:									
in offices in the United Kingdom	**261,936**	**8,346**	**3.2**	269,003	9,579	3.6	253,908	13,995	5.5
in offices outside the United Kingdom	**142,410**	**9,048**	**6.4**	143,342	9,601	6.7	122,827	9,960	8.1
Financial investments:									
in offices in the United Kingdom	**101,556**	**3,193**	**3.1**	143,123	4,787	3.3	143,470	6,602	4.6
in offices outside the United Kingdom	**127,990**	**4,723**	**3.7**	117,379	3,713	3.2	138,737	6,274	4.5
Reverse repurchase agreements and cash collateral on securities borrowed[c]:									
in offices in the United Kingdom	**215,982**	**1,169**	**0.5**	163,139	1,770	1.1	207,521	8,768	4.2
in offices outside the United Kingdom	**148,791**	**526**	**0.4**	145,606	665	0.5	128,250	4,450	3.5
Financial Assets Designated at Fair Value:									
in offices in the United Kingdom	**21,822**	**750**	**3.4**	18,881	822	4.4	20,299	1,325	6.5
in offices outside the United Kingdom	**8,283**	**129**	**1.6**	13,552	315	2.3	8,690	426	4.9
Total average interest earning assets	**1,156,982**	**28,660**	**2.5**	1,091,010	32,006	2.9	1,076,994	53,672	5.0
Impairment allowances/provisions	**(10,143)**			(8,705)			(5,749)		
Non-interest earning assets	**596,162**			782,378			682,867		
Total average assets and interest income	**1,743,001**	**28,660**	**1.6**	1,864,683	32,006	1.7	1,754,112	53,672	3.1
Percentage of total average interest earning assets in offices outside the United Kingdom	**43.6%**			41.7%			38.3%		
Total average interest earning assets related to:									
Interest income[b]		**28,660**	**2.5**		32,006	2.9		53,672	5.0
Interest expense[b]		**(20,511)**	**1.8**		(20,713)	1.9		(39,820)	3.8
		8,149	**0.7**		11,293	1.0		13,852	1.2

Notes

a Loans and advances to banks and customers include all doubtful lendings, including non accrual lendings. Interest receivable on such lendings has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Group.
b In addition to interest income and interest expense shown on the income statement, interest income and interest expense above includes interest related to principal transactions and available for sale assets and liabilities.
c Average balances for reverse repurchase agreements and cash collateral on securities borrowed have been stated on a gross basis prior to any offsetting to provide a more meaningful comparison to the related interest income and expense. The Group balance sheet on page 188 offsets financial assets and liabilities where a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise an asset and liability simultaneously.

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Additional financial information

Additional financial disclosure (unaudited) continued

Average liabilities and interest expense Year ended 31st December	2010 Average balance £m	2010 Interest £m	2010 Average rate %	2009 Average balance £m	2009 Interest £m	2009 Average rate %	2008 Average balance £m	2008 Interest £m	2008 Average rate %
Liabilities and shareholders equity									
Deposits by banks:									
in offices in the United Kingdom	**58,666**	**461**	**0.8**	66,394	805	1.2	70,272	2,780	4.0
in offices outside the United Kingdom	**19,870**	**296**	**1.5**	31,091	295	0.9	32,172	956	3.0
Customer accounts:									
in offices in the United Kingdom	**198,149**	**1,602**	**0.8**	177,499	2,549	1.4	188,252	6,938	3.7
in offices outside the United Kingdom	**72,660**	**2,698**	**3.7**	81,544	3,918	4.8	73,290	4,429	6.0
Debt securities in issue:									
in offices in the United Kingdom	**86,209**	**2,594**	**3.0**	75,950	2,186	2.9	41,014	1,920	4.7
in offices outside the United Kingdom	**68,581**	**1,889**	**2.8**	81,077	2,278	2.8	80,768	3,734	4.6
Dated and undated loan capital and other subordinated liabilities principally:									
in offices in the United Kingdom	**26,794**	**2,180**	**8.1**	26,379	1,889	7.2	22,912	1,435	6.3
Repurchase agreements and cash collateral on securities lent[a]:									
in offices in the United Kingdom	**181,043**	**1,104**	**0.6**	169,824	1,300	0.8	203,967	8,445	4.1
in offices outside the United Kingdom	**226,105**	**714**	**0.3**	215,714	849	0.4	177,883	2,800	1.6
Trading portfolio liabilities:									
in offices in the United Kingdom	**51,073**	**2,225**	**4.4**	55,704	2,193	3.9	56,675	2,657	4.7
in offices outside the United Kingdom	**48,046**	**1,853**	**3.9**	36,812	999	2.7	62,239	2,087	3.4
Financial liabilities designated at fair value									
in offices in the United Kingdom	**64,153**	**2,696**	**4.2**	32,573	1,223	3.8	32,311	1,062	3.3
in offices outside the United Kingdom	**19,189**	**199**	**1.0**	18,484	229	1.2	14,237	577	4.1
Total average interest bearing liabilities	**1,120,538**	**20,511**	**1.8**	1,069,045	20,713	1.9	1,055,992	39,820	3.8
Interest free customer deposits:									
in offices in the United Kingdom	**47,263**			43,897			40,439		
in offices outside the United Kingdom	**6,563**			4,816			3,089		
Other non-interest bearing liabilities	**499,986**			696,478			617,910		
Minority and other interests and shareholders equity	**68,651**			50,447			36,682		
Total average liabilities, shareholders equity and interest expense	**1,743,001**	**20,511**	**1.2**	1,864,683	20,713	1.1	1,754,112	39,820	2.3
Percentage of total average interest bearing non-capital liabilities in offices outside the United Kingdom	**40.6%**			43.5%			41.7%		

Notes

a Average balances for repurchase agreements and cash collateral on securities borrowed have been stated on a gross basis prior to any offsetting to provide a more meaningful comparison to the related interest income and expense. The Group balance sheet on page 188 offsets financial assets and liabilities where a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise an asset and liability simultaneously.

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Additional financial information

Additional financial disclosure (unaudited) continued

Changes in net interest income volume and rate analysis

The following tables allocate changes in net interest income between changes in volume and changes in interest rates for the last two years. Volume and rate variances have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Where variances have arisen from changes in both volumes and interest rates, these have been allocated proportionately between the two.

	2010/2009 Change due to increase/(decrease) in:			2009/2008 Change due to increase/(decrease) in:			2008/2007 Change due to increase/(decrease) in:		
	Total change	Volume	Rate	Total change	Volume	Rate	Total change	Volume	Rate
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Interest receivable									
Loans and advances to banks:									
in offices in the UK	**(44**								