

BARCLAYS PLC
Form 6-K
February 09, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

February 2009

**Barclays PLC and
Barclays Bank PLC**
(Names of Registrants)

**1 Churchill Place
London E14 5HP
England**
(Address of Principal Executive Offices)

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

Form 20-F Form 40-F

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

Yes No

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

This Report is a joint Report on Form 6-K filed by Barclays PLC and Barclays
Bank PLC. All of the issued ordinary share capital of Barclays Bank PLC is
owned by Barclays PLC.

This Report comprises:

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Information given to The London Stock Exchange and furnished pursuant to
General Instruction B to the General Instructions to Form 6-K.

EXHIBIT INDEX

Final Results - Part 2 - 09 February 2009

SIGNATURES

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

BARCLAYS PLC
(Registrant)

Date: February 09, 2009

By: /s/ Patrick Gonsalves

Patrick Gonsalves
Deputy Secretary

BARCLAYS BANK PLC
(Registrant)

Date: February 09, 2009

By: /s/ Patrick Gonsalves

Patrick Gonsalves
Joint Secretary

Risk Management

On pages 38 to 78 we have provided an analysis of the key risks faced by the Group across a number of asset classes and businesses, referencing significant portfolios and including summary measures of asset quality. Additional information referenced in this section is to be found in the notes to the financial information.

We set out on pages 38 to 41 a detailed analysis of the Group's total assets by valuation basis and underlying asset class, to provide an overview of the nature of the Group's assets and risks.

Detailed disclosures and analysis are provided on Barclays Capital's credit market exposures by asset class, covering current exposures, losses in the year, sales and pay downs, foreign exchange movements and where appropriate details of collateral held; geographic spread, vintage and credit quality. These are set on pages 42 to 58.

On pages 59 to 75, we review the Group's other credit risk exposures, focusing on the quality of the Group's loans and advances to customer and banks, as well as the credit quality of the Group's debt securities.

The Group's principal exposure to market risk is set out on pages 76, as captured through a review of Barclays Capital's average daily value at risk (DVaR).

Finally, on pages 77 to 78, we provide summary information in respect of Barclays liquidity risk.

Risk Management**Analysis of Total Assets**

Assets	Notes ¹	As at	Accounting Basis	
		31.12.08	Fair Value	Cost Based Measure
		£m	£m	£m
Cash and balances at central banks		30,019		30,019
Items in the course of collection from other banks		1,695		1,695
Treasury & other eligible bills		4,544	4,544	
Debt securities		148,686	148,686	
Equity securities		30,535	30,535	
Traded loans		1,070	1,070	
Commodities ⁷		802	802	
Trading portfolio assets		185,637	185,637	
Financial assets designated at fair value				
Loans and advances		30,187	30,187	
Debt securities		8,628	8,628	
Equity securities		6,496	6,496	
Other financial assets ⁸		9,231	9,231	
Held for own account		54,542	54,542	
Held in respect of linked liabilities to customers under investment contracts ⁹		66,657	66,657	
Derivative financial instruments	16	984,802	984,802	
Loans and advances to banks	19, 21	47,707		47,707
Loans and advances to customers	20, 21	461,815		461,815
Debt securities		58,831	58,831	
Equity securities		2,142	2,142	
Treasury & other eligible bills		4,003	4,003	
Available for sale financial instruments		64,976	64,976	
Reverse repurchase agreements and cash collateral on securities borrowed		130,354		130,354
Other assets		6,302		6,302
Current tax assets		389		389
Investments in associates and joint ventures		341		341
Goodwill		7,625		7,625
Intangible assets		2,777		2,777
Property, plant and equipment		4,674		4,674
Deferred tax assets		2,668		2,668
		2,052,980	1,356,614	696,366

- 1 *Notes start on page 90.*
- 2 Further analysis of loans and advances is on pages 59 to 73.
- 3 Further analysis of debt securities and other bills is on page 75
- 4 Reverse repurchase agreements comprise primarily short-term cash lending with assets pledged by counterparties securing the loan.
- 5 Equity securities comprise primarily equity securities determined by available quoted prices in active markets.

Risk Management

Derivatives £m	Analysis of Total Assets					Sub Analysis	
	Loans and Advances ² £m	Debt Securities and Other Bills ³ £m	Reverse Repurchase ⁴ £m	Equity Securities ⁵ £m	Other £m	Credit Market Exposures ⁶ £m	
					30,019		
					1,695		
		4,544					
		148,686					4,745
	1,070			30,535			
	1,070	153,230		30,535	802		
					802		
	30,057				130		14,429
		8,628					
	1,469		7,283	6,496	479		
	31,526	8,628	7,283	6,496	609		
					66,657		
984,802							9,234
	47,707						
	461,815						12,808
		58,831					727
		4,003		2,142			
		62,834		2,142			
			130,354				
					6,302		109
					389		
					341		
					7,625		
					2,777		
					4,674		
					2,668		
984,802	542,118	224,692	137,637	39,173	124,558		

6 *Further analysis of Barclays Capital credit market exposures is on pages 42 to 58. Off-balance sheet commitments of £1,030m not included in the table above.*

7 Commodities primarily consists of physical inventory positions.

8 These instruments consist primarily of loans with embedded derivatives and reverse repurchase agreements designated at fair value.

9 Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have not been further analysed as the Group is not exposed to the risks inherent in these assets.

Risk Management**Analysis of Barclays Capital Credit Market Exposures by Asset Class**

	As at 31.12.08	ABS CDO Super Senior	Other US Sub-prime	Alt-A	RMBS Wrapped by Monoline Insurers
	£m	£m	£m	£m	£m
Debt securities	4,745		782	2,532	
Trading portfolio assets	4,745		782	2,532	
Loans and advances	14,429		1,565	778	
Financial assets designated at fair value	14,429		1,565	778	
Derivative financial instruments	9,234		643	398	1,639
Loans and advances to customers	12,808	3,104	195		
Debt securities	727		147	580	
Available for sale financial instruments	727		147	580	
Other assets	109		109		
Exposure on balance sheet		3,104	3,441	4,288	1,639

Risk Management

Commercial Real Estate Loans	Commercial Mortgage Backed Securities	CMBS Wrapped by Monoline Insurers	Leveraged Finance	SIVs and SIV-lites	CDPCs	CLO and Other Exposure Wrapped by Monoline Insurers
£m	£m	£m	£m	£m	£m	£m
	1,420			11		
	1,420			11		
11,555				531		
11,555				531		
23	(685)	1,854		273	150	4,939
			9,361	148		
11,578	735	1,854	9,361	963	150	4,939

Risk Management**Barclays Capital Credit Market Exposures**

Barclays Capital's credit market exposures primarily relate to US residential mortgages, commercial mortgages and leveraged finance businesses that have been significantly impacted by the continued deterioration in the global credit markets. The exposures include both significant positions subject to fair value movements in the profit and loss account and positions that are classified as loans and advances and available for sale. None of the exposure disclosed below has been reclassified to loans and advances under the amendments to IAS 39.

The exposures are set out by asset class in US Dollars and Sterling below:

	Notes	\$m ¹		£m ¹	
		As at 31.12.08	As at 31.12.07	As at 31.12.08	As at 31.12.07
US Residential Mortgages					
ABS CDO super senior	A1	4,526	9,356	3,104	4,671
Other US sub-prime	A2	5,017	10,089	3,441	5,037
Alt-A	A3	6,252	9,847	4,288	4,916
US RMBS exposure wrapped by monoline insurers	A4	2,389	1,462	1,639	730
Commercial Mortgages					
Commercial real estate	B1	16,882	22,239	11,578	11,103
Commercial mortgage-backed securities	B1	1,072	2,596	735	1,296
CMBS exposure wrapped by monoline insurers	B2	2,703	395	1,854	197
Other Credit Market Exposures					
Leveraged finance	C1	15,152	18,081	10,391	9,027
SIVs and SIV-lites	C2	1,404	1,570	963	784
CDPCs	C3	218	39	150	19
CLO and other exposure wrapped by monoline insurers	C4	7,202	817	4,939	408

These exposures have been actively managed during the year in an exceptionally challenging market environment and have been reduced by net sales and paydowns of £6,311m, offset by the 37% appreciation of the US Dollar against Sterling. In January 2009, there was an additional sale of £3,056m of leveraged finance exposure which was repaid at par. Exposures at 31st December 2008 included £1,060m of securities from the acquisition of Lehman Brothers North American businesses. Exposures wrapped by monolines have increased during the course of 2008 as a result of declines in the fair value of the underlying assets.

1 As the majority of exposure is held in US Dollars the exposures above are shown in both US Dollars and Sterling.

Risk Management

There were gross losses of £8,053m (2007: £2,999m) in the year to 31st December 2008. These losses were partially offset by related income and hedges of £1,433m (2007: £706m), and gains of £1,663m (2007: £658m) from the general widening of credit spreads on issued notes measured at fair value through the profit and loss account.

The gross losses, which included £1,763m (2007: £782m) in impairment charges, comprised: £5,584m (2007: £2,811m) against US RMBS exposures; £1,488m (2007: £14m) against commercial mortgage exposures; and £981m (2007: £174m) against other credit market exposures.

	Fair Value Losses	Impairment Charge	Gross Losses
	£m	£m	£m
ABS CDO super senior	(78)	(1,383)	(1,461)
Other US sub-prime	(1,560)	(168)	(1,728)
Alt-A	(1,858)	(125)	(1,983)
US RMBS wrapped by monoline insurers	(412)	-	(412)
Total US residential mortgages	(3,908)	(1,676)	(5,584)
US	(671)	-	(671)
Europe	(350)	-	(350)
Total commercial real estate	(1,021)	-	(1,021)
Commercial mortgage-backed securities	(127)	-	(127)
CMBS wrapped by monoline insurers	(340)	-	(340)
Total commercial mortgages	(1,488)	-	(1,488)
SIVs and SIV-Lites	(143)	(87)	(230)
CDPCs	(14)	-	(14)
CLO and other assets wrapped by monoline insurers	(737)	-	(737)
Total other credit market	(894)	(87)	(981)
Total	(6,290)	(1,763)	(8,053)

Risk Management

A. US Residential Mortgages

US residential mortgage exposures have reduced by 41% in US Dollar terms, and 19% in Sterling terms, since 31st December 2007.

A1. ABS CDO Super Senior

During the year ABS CDO Super Senior exposures reduced by £1,567m to £3,104m (31st December 2007: £4,671m). Net exposures are stated after writedowns and charges of £1,461m incurred in 2008 (2007: £1,816m) and hedges of £nil (31st December 2007: £1,347m). There were no hedges in place at 31st December 2008 as the corresponding liquidity facilities had been terminated. There were liquidations and paydowns of £2,318m in the year; weaker Sterling and a reduction in hedges increased exposure by £865m and £1,347m respectively.

The remaining ABS CDO Super Senior exposure at 31st December 2008 comprised five high grade liquidity facilities which were fully drawn and classified within loans and receivables, and no remaining mezzanine exposure. At 31st December 2007 there were 15 facilities of which nine were high grade and six mezzanine.

The impairment assessment of remaining super senior positions is based on cash flow methodology using standard market assumptions such as default curves and remittance data to calculate the net present value of the future losses for the collateral pool over time. As a result, future potential impairment charges depend on changes in these assumptions.

We have included all ABS CDO Super Senior exposure in the US residential mortgages section as nearly 90% of the underlying collateral relates to US RMBS. The impairment applied to the notional collateral is set out in the table opposite.

Risk Management

A1. ABS CDO Super Senior

	As at 31.12.08		As at 31.12.07			As at 31.12.08	As at 31.12.07
	High Grade	Total	High Grade	Mezzanine	Total	Marks	Marks
	£m	£m	£m	£m	£m	%	%
2005 and earlier	1,226	1,226	1,458	1,152	2,610	90%	69%
2006	471	471	1,654	314	1,968	37%	47%
2007 and 2008	25	25	176	87	263	69%	53%
Sub-prime	1,722	1,722	3,288	1,553	4,841	75%	60%
2005 and earlier	891	891	714	102	816	77%	96%
2006	269	269	594	68	662	75%	90%
2007 and 2008	62	62	163	13	176	37%	80%
Alt-A	1,222	1,222	1,471	183	1,654	74%	92%
Prime	520	520	662	123	785	100%	100%
RMBS CDO	402	402	842	445	1,287	0%	19%
Sub-prime second lien	127	127	158	-	158	0%	32%
Total US RMBS	3,993	3,993	6,421	2,304	8,725	68%	63%
CMBS	44	44	189	110	299	100%	96%
Non-RMBS CDO	453	453	429	80	509	56%	49%
CLOs	35	35	26	-	26	100%	100%
Other ABS	51	51	136	4	140	100%	100%
Total Other ABS	583	583	780	194	974	66%	72%
Total Notional Collateral	4,576	4,576	7,201	2,498	9,699	68%	64%
Subordination	(459)	(459)	(1,001)	(864)	(1,865)		
Gross exposure pre-impairment	4,117	4,117	6,200	1,634	7,834		
Impairment allowances	(1,013)	(1,013)	(290)	(432)	(722)		
Trading losses gross of hedges	-	-	(1,041)	(53)	(1,094)		
Hedges	-	-	(960)	(387)	(1,347)		
Net exposure	3,104	3,104	3,909	762	4,671		
Collateral marks including liquidated structures						32%	62%

1 Marks above reflect the gross exposure after impairment and subordination and do not include the benefit of hedges. The change in marks since 31st December 2007 primarily results from the liquidation during 2008 of the most impaired structures

Risk Management

Consolidated collateral of £8.4bn relating to the ten CDOs that were liquidated in 2008 has been sold or are stated at fair value net of hedges within Other US sub-prime, Alt-A and CMBS exposures. The notional collateral remaining at 31st December 2008 is marked at approximately 12%. The collateral valuation for all ABS CDO Super Senior deals, including those liquidated and consolidated in 2008, is approximately 32% (31st December 2007: 62%).

The collateral for the outstanding ABS CDO Super Senior exposures primarily comprises residential mortgage backed securities (RMBS). At 31st December 2008 the residual exposure contains a higher proportion of collateral originated in 2005 and earlier than at 31st December 2007. There is minimal exposure to collateral originated in 2007 or later. The vintages of the sub-prime, Alt-A and US RMBS collateral are set out in the table below.

Sub-prime Collateral by Vintage	As at 31.12.08	As at 31.12.07
2005 and earlier	71%	54%
2006	27%	41%
2007 and 2008	2%	5%

Alt-A Collateral by Vintage	As at 31.12.08	As at 31.12.07
2005 and earlier	73%	49%
2006	22%	40%
2007 and 2008	5%	11%

US RMBS Collateral by Vintage	As at 31.12.08	As at 31.12.07
2005 and earlier	72%	53%
2006	25%	40%
2007 and 2008	3%	7%

RMBS collateral for the ABS CDO Super Senior exposures is subject to public ratings. The ratings of sub-prime, Alt-A and total US RMBS CDO collateral are set out in the table below.

	31.12.08	31.12.07	31.12.07	31.12.07
Sub-prime US RMBS Ratings	High Grade	High Grade	Mezzanine	Total
AAA/AA	42%	43%	2%	30%
A/BBB	21%	51%	82%	60%
Non-investment Grade	37%	6%	16%	10%
Alt-A RMBS Ratings				
AAA/AA	66%	89%	47%	85%
A/BBB	7%	8%	45%	12%
Non-investment Grade	27%	3%	8%	3%
Total US RMBS Ratings				
AAA/AA	50%	63%	14%	50%
A/BBB	13%	31%	70%	41%
Non-investment Grade	37%	6%	16%	9%

Risk Management**A2. Other US Sub-Prime**

	As at 31.12.08 £m	As at 31.12.07 £m	Marks at 31.12.08	Marks at 31.12.07
Whole loans - performing	1,290	2,805	80%	100%
Whole loans - more than 60 days past due	275	372	48%	65%
Total whole loans	1,565	3,177	72%	94%
AAA securities	111	735	40%	92%
Other sub-prime securities	818	525	23%	61%
Total securities gross of hedges	929	1,260	25%	76%
Hedges	-	(369)		
Securities (net of hedges)	929	891		
Residuals	-	233	0%	24%
Other exposures with underlying sub-prime collateral:				
– Derivatives	643	333	87%	100%
– Loans	195	346	70%	100%
– Real Estate	109	57	46%	68%
Total other direct and indirect exposure	1,876	1,860		
Total	3,441	5,037		

The majority of Other US sub-prime exposures are measured at fair value through profit and loss. US sub-prime securities held in conduits and a collateralised debt obligation (CDO) are categorised as available for sale and are recognised in equity.

Exposure declined from £5,037m to £3,441m driven by gross losses of £1,728m and net sales, paydowns and other movements of £1,649m. Weaker Sterling resulted in an increase in exposure of £1,086m. Exposures at 31st December 2008 included assets acquired from Lehman Brothers North American business of £83m in AAA securities and £124m in other US sub-prime securities.

At 31st December 2008, 82% of the whole loan exposure was performing. Whole loans included £1,422m (31st December 2007: £2,843m) acquired on or originated since the acquisition of EquiFirst in March 2007. Of this balance, £281m of new sub-prime loans were originated in 2008. At 31st December 2008, the average loan to value at origination of all the sub-prime whole loans was 79%. Loans guaranteed by Federal Housing Administration (FHA) are not included in the exposure above. An FHA loan is a mortgage loan fully insured by the US Federal Housing Administration and therefore not considered to be a credit sensitive product. EquiFirst has only originated FHA eligible loans since April 2008, and held £132m of these loans at 31st December 2008.

Securities included £37m held by consolidated conduits and £110m held in a CDO on which impairment charges of £16m and £53m respectively have been recorded.

Other exposures with underlying sub-prime collateral include counterparty derivative exposures to vehicles which hold sub-prime collateral. The majority of this exposure was the most senior obligation of the vehicles.

Risk Management**A3. Alt-A**

	As at	As at	Marks at	Marks at
	31.12.08	31.12.07	31.12.08	31.12.07
	£m	£m	%	%
AAA securities	1,847	3,553	43%	87%
Other Alt-A securities	1,265	208	9%	75%
Whole Loans	776	909	67%	97%
Residuals	2	25	6%	66%
Derivative exposure with underlying Alt-A collateral	398	221	100%	100%
Total	4,288	4,916		

Alt-A securities, whole loans and residuals are measured at fair value through profit and loss. Alt-A securities held in conduits and a collateralised debt obligation (CDO) are categorised as available for sale and are recognised in equity.

Net exposure to the Alt-A market was £4,288m (31st December 2007: £4,916m), through a combination of whole loans, securities and residuals, including those held in consolidated conduits. There were gross losses of £1,983m in the year and net sales, paydowns and other movements of £181m. Weaker Sterling resulted in an increase in exposure of £1,190m. Exposures at 31st December 2008 included assets acquired from Lehman Brothers North American business of £300m in AAA securities and £324m in other Alt-A securities.

Securities included £491m held by consolidated conduits and £89m held in a CDO on which impairment charges of £65m and £58m respectively have been recorded.

At 31st December 2008, 75% of the Alt-A whole loan exposure was performing, and the average loan to value ratio at origination was 81%.

Other exposures with underlying Alt-A collateral included counterparty derivative exposures to vehicles which hold Alt-A collateral. The majority of this exposure was the most senior obligation of the vehicles.

Risk Management

A4. US Residential Mortgage Backed Securities Exposure Wrapped by Monoline Insurers

The deterioration in the US residential mortgage market has resulted in exposure to monoline insurers and other financial guarantors that provide credit protection.

The table below shows RMBS assets where we held protection from monoline insurers at 31st December 2008. These are measured at fair value through profit and loss. Declines in fair value of the underlying assets are reflected in increases in the value of potential claims against monoline insurers. Such declines have resulted in net exposure to monoline insurers under these contracts increasing to £1,639m by 31st December 2008 (2007: £730m).

Claims would become due in the event of default of the underlying assets and losses would only be realised if both the underlying asset and monoline defaulted. At 31st December 2008 while 81% of the underlying assets were non-investment grade, 97% are wrapped by monolines with investment grade ratings.

There is some uncertainty whether all of the monoline insurers would be able to meet all liabilities if such claims were to arise: certain monoline insurers have been subject to downgrades in 2008. Consequently, a fair value loss of £412m has been recognised in the year. There have been no claims due under these contracts as none of the underlying assets were in default at 31st December 2008.

The fair value is determined by a credit valuation adjustment calculation which incorporates stressed cashflow shortfall projections, current market valuations, stressed Probability of Default (PDs) and a range of Loss Given Default (LGD) assumptions. The cashflow shortfall projections are stressed to ensure that we consider the potential for further market deterioration and resultant additional cashflow shortfall in underlying collateral. Monoline ratings are based on external ratings analysis and where appropriate significant internal analysis conducted by the independent Credit Risk function. In addition, we reflect the potential for further deterioration of monolines by using stressed PDs which results in all monolines having an implied sub-investment grade rating. LGDs range from 45% to 100% depending on the monoline.

Exposure by Credit Rating of Monoline Insurer

As at 31.12.08	Fair Value of Underlying		Fair Value Exposure	Credit Valuation Adjustment	Net Exposure
	Notional £m	Asset £m			
AAA/AA	-	-	-	-	-
A/BBB	2,567	492	2,075	(473)	1,602
Non-investment grade	74	8	66	(29)	37
Total	2,641	500	2,141	(502)	1,639
As at 31.12.07					
AAA/AA	2,807	2,036	771	(41)	730

The notional value of the assets, split by the current rating of the monoline insurer, is shown below.

Rating of Monoline Insurers - As at 31.12.08			
AAA/AA	A/BBB	Non- Investment	Total

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			Grade	
	£m	£m	£m	£m
2005 and earlier	-	143	-	143
2006	-	1,240	-	1,240
2007 and 2008	-	510	-	510
High Grade	-	1,893	-	1,893
Mezzanine - 2005 and earlier	-	625	74	699
CDO ² - 2005 and earlier	-	49	-	49
US RMBS	-	2,567	74	2,641

Risk Management

The notional value of the assets, split by the current rating of the underlying asset, is shown below.

Rating of Underlying Asset – As at 31.12.08

	AAA/AA	A/BBB	Non- Investment Grade	Total
	£m	£m	£m	£m
2005 and earlier	143	-	-	143
2006	-	-	1,240	1,240
2007 and 2008	-	-	510	510
High Grade	143	-	1,750	1,893
Mezzanine - 2005 and earlier	31	330	338	699
CDO ² - 2005 and earlier	-	-	49	49
US RMBS	174	330	2,137	2,641

Risk Management

B. Commercial Mortgages

Commercial mortgages reduced 18% in US Dollar terms. In Sterling terms these have increased by 12%.

B1. Commercial Mortgages

Exposures in Barclays Capital's commercial mortgages portfolio, all of which are measured at fair value, comprised commercial real estate loan exposure of £11,578m (31st December 2007: £11,103m) and commercial mortgage-backed securities (CMBS) of £735m (31st December 2007: £1,296m). During the year there were gross losses of £1,148m. Gross sales and paydowns of £1,034m in the UK and Continental Europe and £2,167m in the US were partially offset by additional drawdowns. Weaker Sterling increased exposure by £3,058m.

The commercial real estate loan exposure comprised 55% US, 41% UK and Europe and 4% Asia. 5% of the total relates to land or property under construction.

The US exposure included two large transactions which comprised 42% of the total US exposure and have paid down approximately £789m in the year. The remaining 58% of the US exposure comprised 76 transactions. The remaining weighted average number of years to initial maturity of the US portfolio is 1.4 years.

The UK and Europe portfolio is well diversified with 64 transactions in place as at 31st December 2008. In Europe protection is provided by loan covenants and periodic LTV retests, which cover 90% of the portfolio. 47% of the German exposure relates to one transaction secured on multifamily residential assets. Exposure to the Spanish market represents less than 1% of global exposure at 31st December 2008.

Commercial Real Estate Exposure by Region	As at 31.12.08	As at 31.12.07	Marks at 31.12.08	Marks at 31.12.07
	£m	£m	%	%
US	6,329	5,947	88%	99%
Germany	2,467	1,783	95%	100%
Sweden	265	250	96%	100%
France	270	289	94%	100%
Switzerland	176	127	97%	100%
Spain	106	89	92%	100%
Other Continental Europe	677	779	90%	100%
UK	831	1,422	89%	100%
Asia	457	417	97%	100%
Total	11,578	11,103		

Commercial Real Estate Exposure Metrics	WALTV ¹	WAM ²	WALA ³
US	79.5%	1.4 yrs	1.6 yrs
Germany	79.4%	4.6 yrs	1.5 yrs
Other Europe	82.2%	4.5 yrs	1.7 yrs
UK	77.8%	5.8 yrs	1.8 yrs
Asia	93.3%	4.7 yrs	1.3 yrs

¹ Weighted-average loan- to- value based on the most recent valuation

- 2 Weighted-average number of years to initial maturity
- 3 Weighted-average loan age

Risk Management**Commercial Real Estate Exposure by****Industry****As at 31.12.08**

	US	Germany	Other Europe	UK	Asia	Total
	£m	£m	£m	£m	£m	£m
Office	2,081	436	802	192	145	3,656
Residential	1,957	1,268	-	229	128	3,582
Retail	66	567	96	110	118	957
Hotels	1,145	-	441	29	18	1,633
Leisure	-	-	-	233	-	233
Land	232	-	-	-	-	232
Industrial	582	126	131	38	10	887
Mixed/Others	243	70	24	-	38	375
Hedges	23	-	-	-	-	23
Total	6,329	2,467	1,494	831	457	11,578

Commercial Mortgage Backed Securities (Net of Hedges)

	As at 31.12.08	As at 31.12.07	Marks ¹ at 31.12.08	Marks ¹ at 31.12.07
	£m	£m	%	%
AAA securities	588	1,008		
Other securities	147	288		
Total	735	1,296	21%	98%

Exposure is stated net of hedges traded in the liquid index swap market with market counterparties. The counterparty exposure is managed through a standard derivative collateralisation process and none of the hedge counterparties are monoline insurers.

Exposures at 31st December 2008 included assets acquired from Lehman Brothers North American business of £143m in AAA securities and £86m in other securities.

1 Marks are based on gross collateral.

Risk Management

B2. CMBS Exposure Wrapped by Monoline Insurers

The deterioration in the commercial mortgage market has resulted in exposure to monoline insurers and other financial guarantors that provide credit protection.

The table below shows Commercial Mortgage Backed Security (CMBS) assets where we held protection from monoline insurers at 31st December 2008. These are measured at fair value through profit and loss. Declines in fair value of the underlying assets are reflected in increases in the value of potential claims against monoline insurers. Such declines have resulted in net exposure to monoline insurers under these contracts increasing to £1,854m by 31st December 2008 (31st December 2007: £197m).

Claims would become due in the event of default of the underlying assets and losses would only be realised if both the underlying asset and monoline defaulted. At 31st December 2008 all underlying assets were rated AAA/AA and 89% are wrapped by monolines with investment grade ratings.

There is some uncertainty whether all of the monoline insurers would be able to meet all liabilities if such claims were to arise: certain monoline insurers have been subject to downgrades in 2008. Consequently, a fair value loss of £340m has been recognised in the year. There have been no claims due under these contracts as none of the underlying assets were in default at 31st December 2008.

The fair value is determined by a credit valuation adjustment calculation which incorporates stressed cashflow shortfall projections, current market valuations, stressed Probability of Default (PDs) and a range of Loss Given Default (LGD) assumptions. The cashflow shortfall projections are stressed to ensure that we consider the potential for further market deterioration and resultant additional cashflow shortfall in underlying collateral. Monoline ratings are based on external ratings analysis and where appropriate significant internal analysis conducted by the independent Credit Risk function. In addition, we reflect the potential for further deterioration of monolines by using stressed PDs which results in all monolines having an implied sub-investment grade rating. LGDs range from 45% to 100% depending on the monoline.

Exposure by Credit Rating of Monoline Insurer

		Fair Value		Credit	Net
	Notional	Underlying	Fair Value	Valuation	Net
As at 31.12.08		Asset	Exposure	Adjustment	Exposure
	£m	£m	£m	£m	£m
AAA/AA	69	27	42	(4)	38
A/BBB	3,258	1,301	1,957	(320)	1,637
Non-investment grade	425	181	244	(65)	179
Total	3,752	1,509	2,243	(389)	1,854
As at 31.12.07					
AAA/AA	3,614	3,408	206	(9)	197

The notional value of the assets, split by the current rating of the monoline insurer, is shown below.

Rating of Monoline Insurers – As at 31.12.08

	AAA/AA	A/BBB	Non- investment Grade	Total
	£m	£m	£m	£m
2005 and earlier	-	437	-	437
2006	69	544	-	613
2007 and 2008	-	2,277	425	2,702
CMBS	69	3,258	425	3,752

Risk Management

The notional value of the assets split by the current rating of the monoline insurer, is shown below. All CMBS assets were rated AAA/AA at 31st December 2008.

	Rating of underlying asset – As at 31.12 08			
	Non-Investment			Total
	AAA/AA	A/BBB	Grade	
	£m	£m	£m	£m
2005 and earlier	437	-	-	437
2006	613	-	-	613
2007 and 2008	2,702	-	-	2,702
CMBS	3,752	-	-	3,752

Risk Management**C. Other Credit Market Exposures**

In the year ended 31st December 2008 these exposures increased by 17% in US Dollar terms, and 61% in Sterling terms.

C1. Leveraged Finance

Leveraged loans are classified within loans and advances and are stated at amortised cost less impairment. The overall credit performance of the assets remains satisfactory.

At 31st December 2008, the gross exposure relating to leveraged finance loans was £10,506m (31st December 2007: £9,217m). Barclays Capital expects to hold these leveraged finance positions until redemption. Material movements since 31st December 2007 reflect exchange rate changes rather than changes in loan positions.

The net exposure relating to leverage finance loans of £10,391m (31st December 2007: £9,027m) was reduced to £7,335m following a repayment of £3,056m at par in January 2009.

Leveraged Finance Exposure by Region	As at 31.12.08	As at 31.12.07
	£m	£m
UK	4,810	4,401
US	3,830	3,037
Europe	1,640	1,568
Asia	226	211
Total lending and commitments	10,506	9,217
Identified and unidentified impairment ¹	(115)	(190)
Net lending and commitments	10,391	9,027

The industry classification of the exposure was as follows:

Leveraged Finance Exposure by Industry	As at 31.12.08			As at 31.12.07		
	Drawn	Undrawn	Total	Drawn	Undrawn	Total
	£m	£m	£m	£m	£m	£m
Insurance	2,546	31	2,577	2,456	78	2,534
Telecoms	2,998	211	3,209	2,259	240	2,499
Retail	904	128	1,032	828	132	960
Healthcare	659	144	803	577	141	718
Media	655	89	744	469	127	596
Services	568	131	699	388	134	522
Manufacture	500	102	602	371	125	496
Chemicals	317	26	343	46	286	332
Other	329	168	497	233	327	560
Total	9,476	1,030	10,506	7,627	1,590	9,217

New leveraged finance commitments originated after 30th June 2007 comprised £573m (31st December 2007: £1,148m).

1 The movement in impairment during the period is primarily due to the release of the provision on the post year end repayment, for which there was a binding commitment as at 31st December 2008.

Risk Management**C2. SIVs and SIV-Lites**

	As at 31.12.08	As at 31.12.07	Marks at 31.12.08	Marks at 31.12.07
	£m	£m	%	%
SIVs/SIV-Lites				
Liquidity facilities	679	466	62%	100%
Bond inventory	11	52	7%	37%
Derivatives	273	266		
Total	963	784		

SIV exposure increased from £784m to £963m during the year. There were £230m of gross losses against SIVs and SIV lites in the year. Weaker Sterling resulted in an increase in exposure of £281m.

At 31st December 2008 liquidity facilities of £679m (31st December 2007: £466m) include £531m designated at fair value through profit and loss relating to a SIV-lite which had previously been hedged with Lehman Brothers. Following the Lehman Brothers bankruptcy this facility was reflected as a new exposure to the underlying assets. The remaining £148m represented drawn liquidity facilities in respect of SIV-lites and other structured investment vehicles classified as loans and advances stated at cost less impairment.

Bond inventory and derivatives are fair valued through profit and loss.

Movement in derivative exposure primarily related to CDS exposure due to general spread widening. At 31st December 2008 exposure was broadly in line with the prior year.

C3. CDPC Exposure

Credit derivative product companies (“CDPCs”) are specialist providers of credit protection principally on corporate exposures in the form of credit derivatives. The Group has purchased protection from CDPCs against a number of securities with a notional value of £1,772m. The fair value of the exposure to CDPCs at 31st December 2008 was £150m. There were £14m of gross losses in the year.

Of the notional exposure, 45% related to AAA/AA rated counterparties, with the remainder rated A/BBB.

Exposure by Credit Rating of CDPC

	Notional	Gross Exposure	Credit Valuation Adjustment	Net Exposure
As at 31.12.08	£m	£m	£m	£m
AAA/AA	796	77	(14)	63
A/BBB	976	87	-	87
Total	1,772	164	(14)	150
As at 31.12.07				
AAA/AA	1,262	19	-	19

Risk Management

C4. CLO and Other Exposure Wrapped by Monoline Insurers

The table below shows Collateralised Loan Obligations (CLOs) and other assets where we held protection from monoline insurers at 31st December 2008. The deterioration in markets for these assets has resulted in exposure to monoline insurers and other financial guarantors that provide credit protection. These are measured at fair value through profit and loss. Declines in fair value of the underlying assets are reflected in increases in the value of potential claims against monoline insurers. Such declines have resulted in net exposure to monoline insurers under these contracts increasing to £4,939m by 31st December 2008 (31st December 2007: £408m).

Claims would become due in the event of default of the underlying assets and losses would only be realised if both the underlying asset and monoline defaulted. At 31st December 2008 all of the underlying assets have investment grade ratings and 39% are wrapped by monolines rated AAA/AA. 87% of the underlying assets were CLOs, all of which were rated AAA/AA.

There is some uncertainty whether all of the monoline insurers would be able to meet all liabilities if such claims were to arise: certain monoline insurers have been subject to downgrades in 2008. Consequently, a fair value loss of £737m, has been recognised in the year. There have been no claims due under these contracts as none of the underlying assets were in default at 31st December 2008.

The fair value is determined by a credit valuation adjustment calculation which incorporates stressed cashflow shortfall projections, current market valuations, stressed Probability of Default (PDs) and a range of Loss Given Default (LGD) assumptions. The cashflow shortfall projections are stressed to ensure that we consider the potential for further market deterioration and resultant additional cashflow shortfall in underlying collateral. Monoline ratings are based on external ratings analysis and where appropriate significant internal analysis conducted by the independent Credit Risk function. In addition, we reflect the potential for further deterioration of monolines by using stressed PDs for non-AAA rated monolines, which results in all other monolines having an implied sub-investment grade rating. LGDs range from 45% to 100% depending on the monoline.

Exposure by Credit Rating of Monoline Insurer

		Fair Value of Underlying Asset	Fair Value Exposure	Credit Valuation Adjustment	Net Exposure
As at 31.12.08	Notional £m	£m	£m	£m	£m
AAA/AA	8,281	5,854	2,427	(55)	2,372
A/BBB	6,446	4,808	1,638	(204)	1,434
Non-investment grade	6,148	4,441	1,707	(574)	1,133
Total	20,875	15,103	5,772	(833)	4,939
As at 31.12.07					
AAA/AA	15,152	14,735	417	(9)	408

Risk Management

The notional value of the assets, split by the current rating of the monoline insurer, is shown below.

Rating of Monoline Insurer - As at 31.12.08

	Non-investment grade			Total
	AAA/AA	A/BBB	grade	
	£m	£m	£m	£m
2005 and earlier	2,064	1,647	2,326	6,037
2006	1,803	2,173	1,918	5,894
2007 and 2008	3,324	1,369	1,602	6,295
CLOs	7,191	5,189	5,846	18,226
2005 and earlier	131	661	70	862
2006	145	158	232	535
2007 and 2008	814	438	-	1,252
Other	1,090	1,257	302	2,649
Total	8,281	6,446	6,148	20,875

The notional value of the assets split by the current rating of the underlying asset is shown below. All of the underlying assets had investment grade ratings as at 31st December 2008.

Rating of Underlying Asset - As at 31.12.08

	Non-investment grade			Total
	AAA/AA	A/BBB	grade	
	£m	£m	£m	£m
2005 and earlier	6,037	-	-	6,037
2006	5,894	-	-	5,894
2007 and 2008	6,295	-	-	6,295
CLOs	18,226	-	-	18,226
2005 and earlier	862	-	-	862
2006	535	-	-	535
2007 and 2008	785	467	-	1,252
Other	2,182	467	-	2,649
Total	20,408	467	-	20,875

Own Credit

The carrying amount of issued notes that are designated under the IAS 39 fair value option is adjusted to reflect the effect of changes in own credit spreads. The resulting gain or loss is recognised in the income statement.

At 31st December 2008, the own credit adjustment arose from the fair valuation of £54.5bn of Barclays Capital structured notes (31st December 2007: £40.7bn). The widening of Barclays credit spreads in the year affected the fair value of these notes and as a result revaluation gains of £1,663m were recognised in trading income (2007: £658m).

Risk Management**Credit Risk****Loans and Advances to Customers and Banks**

Total loans and advances to customers and banks net of impairment allowance grew 32% to £542,118m. Loans and advances at amortised cost were £509,522m (2007: £385,518m) and loans and advances at fair value were £32,596m (2007: £25,271m).

Loans and Advances at Amortised Cost

As at 31.12.08	Gross Loans & Advances £m	Impairment Allowance £m	Loans & Advances Net of Impairment £m	Credit Risk Loans £m	CRLs % of Gross Loans & Advances %	Charge £m	Loan Loss Rates bp
Wholesale - customers	266,750	2,784	263,966	8,144	3.1%	2,540	95
Wholesale - banks	47,758	51	47,707	48	0.1%	40	8
Total wholesale	314,508	2,835	311,673	8,192	2.6%	2,580	82
Retail - customers	201,588	3,739	197,849	7,508	3.7%	2,333	116
Total retail	201,588	3,739	197,849	7,508	3.7%	2,333	116
Total	516,096	6,574	509,522	15,700	3.0%	4,913	95
As at 31.12.07							
Wholesale - customers	187,086	1,309	185,777	5,157	2.8%	1,190	64
Wholesale - banks	40,123	3	40,120	-	-	(13)	(3)
Total wholesale	227,209	1,312	225,897	5,157	2.3%	1,177	52
Retail - customers	162,081	2,460	159,621	4,484	2.8%	1,605	99
Total retail	162,081	2,460	159,621	4,484	2.8%	1,605	99
Total	389,290	3,772	385,518	9,641	2.5%	2,782	71

Gross loans and advances to customers and banks at amortised cost grew 33% to £516,096m (31st December 2007: £389,290m).

The principal driver in the wholesale portfolio was Barclays Capital which grew by £72,514m (53%). This was driven by a decline in the value of Sterling relative to other currencies, increased draw downs on existing corporate lending facilities and the extension of new loans to corporate clients at current terms. Additionally, continuing market volatility resulted in increased cash collateral being placed with clients relating to OTC derivatives.

The principal drivers in the retail portfolio were: GRCB – Western Europe, which grew £14,436m (59%) as a result of growth in new personal products and currency movements, and UK Retail Banking, which grew £12,319m (15%), principally in the Home Finance business.

Credit risk loans rose 63% to £15,700m (31st December 2007: £9,641m). As a percentage of gross loans and advances, credit risk loans rose to 3.0% (31st December 2007: 2.5%). CRL balances were higher in all businesses as credit conditions deteriorated across Barclays areas of operations. The most notable increases were in Barclays Capital, the international businesses in Global Retail & Commercial Banking, and the UK home finance portfolios.

Risk Management

Impairment charges on loans and advances increased 77% (£2,131m) to £4,913m (2007: £2,782m), and included charges of £1,763m against ABS CDO Super Senior and other credit market exposures. Further analysis of these charges is provided on pages 70, 71 and 92.

Impairment charges on loans and advances as a percentage of period-end Group total loans and advances (“loan loss rate”) increased to 95bp (2007: 71bp).

In the wholesale and corporate portfolios, impairment charges on loans and advances rose 119% (£1,403m) to £2,580m (31st December 2007: £1,177m). Gross loans and advances rose 38% to £314,508m (31st December 2007: £227,209m). The loan loss rate on the wholesale and corporate portfolio rose to 82bp (2007: 52bp).

In the retail portfolios, impairment charges on loans and advances rose 45% (£728m) to £2,333m (2007: £1,605m), principally as a consequence of increased impairment in the international portfolios, whilst gross loans and advances increased 24% to £201,588m (31st December 2007: £162,081m). The retail loan loss rate increased to 116bp (2007: 99bp).

Impairment allowances increased 74% to £6,574m (31st December 2007: £3,772m). The Group’s CRL coverage ratio increased to 41.9% (31st December 2007: 39.1%). The most significant drivers were higher coverage of ABS CDO super senior CRLs, offset by an increase in CRLs in well-secured home loan portfolios, and in the general corporate portfolio where the recovered outlook is relatively high, and increased early-cycle delinquent balances in retail unsecured portfolios. The Group’s PCRL coverage ratio also increased to 36.2% (31st December 2007: 33.0%), see page 72 for more detail.

Risk Management

Wholesale Credit Risk

Gross loans and advances to wholesale customers and banks grew 38% to £314,508m (31st December 2007: £227,209m), largely due to Barclays Capital where loans and advances increased £72,514m (53%).

Credit Risk Loans (CRLs) rose 59% to £8,192m (31st December 2007: £5,157m). As a percentage of gross loans and advances, CRLs increased 13% to 2.6% (31st December 2007: 2.3%). CRL balances were higher in all businesses, reflecting the downturn in economic conditions, with some deterioration across default grades, higher levels of Early Warning List balances and a rise in impairment and loan loss rates in most wholesale portfolios. The largest rises were in Barclays Capital and GRCB Western Europe.

Impairment charges on loans and advances rose 119% (£1,403m) to £2,580m (31st December 2007: £1,177m), primarily in Barclays Capital, although all other businesses were higher than the previous year. Impairment in Barclays Commercial Bank rose in both the Larger and Medium Business divisions. Deterioration in the Spanish commercial and residential property markets led to higher impairment in GRCB Western Europe, while in GRCB Absa, wholesale credit impairment began to rise from a low base and credit indicators began to show deterioration. The loan loss rate on the wholesale and corporate portfolio rose to 82bp (2007: 52bp).

In the wholesale and corporate portfolios impairment allowances increased 116% to £2,835m (31st December 2007: £1,312m).

Wholesale Loans and Advances to Customers and Banks

As at 31.12.08	Gross Loans and Advances and Impairment Allowance		Loans and Advances Net of Impairment	Credit Risk Loans	CRLs % of Gross Loans and Advances		Loan Loss Rates
	Advances	Impairment Allowance			Advances	Charge	
	£m	£m	£m	£m	%	£m	bp
BCB	68,904	504	68,400	1,181	1.7%	414	60
Barclaycard	301	2	299	20	6.6%	11	365
GRCB WE	15,432	232	15,200	578	3.7%	125	81
GRCB EM	7,551	122	7,429	191	2.5%	36	48
GRCB Absa	8,648	140	8,508	304	3.5%	19	22
Barclays Capital	208,596	1,796	206,800	5,743	2.8%	1,936	93
BGI	834	-	834	-	-	-	-
Barclays Wealth	3,282	28	3,254	174	5.3%	28	85
Head Office	960	11	949	1	0.1%	11	115
Total	314,508	2,835	311,673	8,192	2.6%	2,580	82
As at 31.12.07							
BCB	65,535	483	65,052	956	1.5%	292	45
Barclaycard	295	3	292	17	5.8%	9	305
GRCB WE	10,927	63	10,864	93	0.9%	19	17
GRCB EM	4,833	79	4,754	119	2.5%	10	21
GRCB Absa	5,321	112	5,209	97	1.8%	11	21
Barclays Capital	136,082	514	135,568	3,791	2.8%	833	61
BGI	211	-	211	-	-	-	-
Barclays Wealth	2,745	7	2,738	47	1.7%	-	-

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Head Office	1,260	51	1,209	37	2.9%	3	24
Total	227,209	1,312	225,897	5,157	2.3%	1,177	52

Risk Management

Barclays largest corporate loan portfolios continue to be in Barclays Capital and Barclays Commercial Bank. Barclays Capital's corporate loan book grew 43% to £72,796m, driven by the decline in the value of Sterling relative to other currencies as well as draw downs on existing loan facilities and the extension of new loans at current terms to financial and manufacturing institutions. Loans and advances at amortised cost grew 5% in Barclays Commercial Bank and was focused in lower-risk portfolios in Larger Business.

Portfolio growth rates were higher in the international businesses, where GRCB's wholesale portfolios in Western Europe, Emerging Markets and Absa grew by 40%, 56% and 63%, respectively.

Analysis of Wholesale Loans and Advances Net of Impairment Allowances

Wholesale	Corporate		Government		Settlement Balances & Cash Collateral		Other Wholesale		Total Wholesale	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
BCB	67,741	64,773	659	279	-	-	-	-	68,400	65,052
Barclaycard	299	292	-	-	-	-	-	-	299	292
GRCB WE	15,017	10,721	32	4	-	-	151	139	15,200	10,864
GRCB EM	5,283	3,276	1,709	1,193	-	-	437	285	7,429	4,754
GRCB Absa	8,480	5,204	28	5	-	-	-	-	8,508	5,209
Barclays Capital	72,796	51,038	3,760	1,220	79,418	46,639	50,826	36,671	206,800	135,568
BGI	834	211	-	-	-	-	-	-	834	211
Barclays Wealth	3,254	2,738	-	-	-	-	-	-	3,254	2,738
Head Office	949	1,209	-	-	-	-	-	-	949	1,209
Total	174,653	139,462	6,188	2,701	79,418	46,639	51,414	37,095	311,673	225,897

Risk Management**Analysis of Barclays Capital Wholesale Loans and Advances Net of Impairment Allowances**

As at 31.12.08	Gross Loans & Impairment Advances Allowance		Loans and Advances Net of Impairment	Credit Risk Loans	CRLs % of Gross Loans & Advances	Impairment Charge	Loan Loss Rates
	£m	£m	£m	£m	%	£m	bp
Loans & Advances Bank							
Cash collateral & settlement balances	19,264	-	19,264	-	-	-	-
Interbank lending	24,086	51	24,035	48	0.2%	40	17
Loans & Advances to Customers							
Corporate lending	77,042	486	76,556	1,100	1.4%	305	40
ABS CDO Super Senior	4,117	1,013	3,104	4,117	100.0%	1,383	3,359
Other wholesale lending	23,933	246	23,687	478	2.0%	208	87
Cash collateral and settlement balances	60,154	-	60,154	-	-	-	-
Total	208,596	1,796	206,800	5,743	2.8%	1,936	93

Barclays Capital wholesale loans and advances increased 53% to £208,596m (2007: £136,082m). This was driven by a decline in the value of Sterling relative to other currencies, increased drawdowns on existing corporate lending facilities and the extension of new loans to corporate clients at current terms. Additionally, continuing market volatility resulted in increased cash collateral being placed with clients relating to OTC derivatives.

The corporate lending portfolio, including leveraged finance, increased 47% to £76,556m (2007: £52,258) primarily due to draw downs on existing loan facilities and the extension of new loans at current terms to financial and manufacturing institutions.

Included within corporate lending and other wholesale lending portfolios are £7,674m of loans backed by retail mortgage collateral.

Barclays Capital Loans and Advances Held at Fair Value

Barclays Capital loans and advances held at fair value were £19,630m (2007: £18,259m). These assets are primarily made up of US RMBS whole loans and commercial real estate loans, £14,429m of which is discussed within the credit market exposures.

Risk Management**Analysis of Barclays Commercial Bank Loans and Advances**

The tables below analyses the industry split of Barclays Commercial Bank loans and advances after impairment allowance of £504m. The loan book consists of both loans and advances held at amortised cost and loans and advances held at fair value.

Loans and Advances to Banks at Amortised Cost	Total
	£m
Financial institutions services	867
Total	867

Loans and Advances to Customers at Amortised Cost	Total
	£m
Business and other services	16,611
Construction	3,974
Energy and water	1,112
Financial institutions and services	6,427
Finance Lease receivables	6,644
Manufacturing	8,378
Postal and communications	1,303
Property	8,985
Transport	2,014
Wholesale and retail distribution and leisure	11,426
Government	659
Total	67,533

Loans and Advances Held at Fair Value	Total
	£m
Business and other services	535
Construction	39
Financial institutions and services	32
Property	7,366
Government	4,994
Total	12,966

Loans and advances held at fair value were £12,966m as at 31st December 2008. Of these, £12,360m related to Government, Local Authority and Social Housing. Fair value exceeds amortised cost by £3,018m. Fair value is calculated using a valuation model with reference to observable market inputs and is matched by offsetting fair value movements on hedging instruments. The underlying nominal portfolio increased 47% in 2008.

Property balances within loans and advances at amortised cost and held at fair value totalled £16,351m, of which £8,795m related to social housing.

The weighted average of the drawn balance loss given default, for all of the above loans and advances, is 31%.

Risk Management**Barclays Commercial Bank Financial Sponsor Leveraged Finance**

As at 31st December 2008, the exposure relating to Financial Sponsor related leveraged finance loans in Barclays Commercial Bank was £2,445m, of which £1,875m related to drawn amounts recorded in loans and advances.

Leveraged Finance Exposure by Region	As at 31.12.08
	£m
UK	2,111
Europe	323
Other	11
Total lending and commitments	2,445
Underwriting	28
Total exposure	2,473

The industry classification of the exposure was as follows:

Leveraged Finance Exposure by Industry - As at 31.12.08	Drawn	Undrawn	Total
	£m	£m	£m
Business and other services	1,083	288	1,371
Construction	12	5	17
Energy and water	43	17	60
Financial institutions and services	58	10	68
Manufacturing	307	130	437
Postal and communications	35	2	37
Property	26	5	31
Transport	14	43	57
Wholesale and retail distribution and leisure	297	70	367
Total exposure	1,875	570	2,445

Risk Management

Retail Credit Risk

Gross Loans and Advances to retail customers grew 24% to £201,588m (31st December 2007: £162,081m). The principal drivers were GRCB Western Europe, UK Retail Banking, and Barclaycard. The GRCB Western Europe retail portfolio grew by £14,436m (59%) to £38,918m, largely driven by Home Loans in Spain and Italy, and the appreciation in the value of the Euro against Sterling. The UK Retail Banking portfolio increased by £12,319m (15%) to £96,083m, primarily driven by UK Home Loans. The Barclaycard Retail portfolios grew by £8,866m (43%) to £29,390m, with growth across the US, UK and Western European card portfolios.

Credit Risk Loans rose 67% to £7,508m (31st December 2007: £4,484m). As a percentage of gross loans and advances, Credit Risk Loans increased to 3.7% (31st December 2007: 2.8%). CRL balances were higher in all businesses as credit conditions deteriorated across Barclays areas of operations. The most notable increases were in the international businesses in GRCB, particularly Absa.

Impairment charges on loans and advances increased 45% (£728m) to £2,333m (2007: £1,605m), mainly due to adverse performances in the international portfolios, partially offset by improvement in some UK portfolios. Impairment charges on loans and advances as a percentage of period-end retail loans and advances ("loan loss rate") increased to 116bp (2007: 99bp).

Impairment allowances increased 52% to £3,739m (31st December 2007: £2,460m). The CRL coverage ratio decreased to 49.8% (31st December 2007: 54.9%). The PCRL coverage ratio also decreased to 46.7% (31st December 2007: 49.4%).

Retail Loans and Advances to Customers Net of Impairment Allowances

	Gross Loans & Impairment Advances	Loans & Advances Net of Impairment	Credit Risk Loans	CRLs % of Gross Loans & Impairment Advances	Loan Loss Rates		
As at 31.12.08	£m	£m	£m	%	bp		
UKRB	96,083	1,134	94,949	2,403	2.5%	602	63
Barclaycard	29,390	1,677	27,713	2,566	8.7%	1,086	370
GRCB WE	38,918	302	38,616	794	2.0%	171	44
GRCB EM	4,083	191	3,892	179	4.4%	130	318
GRCB Absa	24,677	411	24,266	1,518	6.2%	328	133
Barclays Wealth	8,437	24	8,413	48	0.6%	16	19
Total	201,588	3,739	197,849	7,508	3.7%	2,333	116
As at 31.12.07							
UKRB	83,764	1,005	82,759	2,063	2.5%	559	67
Barclaycard	20,524	1,093	19,431	1,601	7.8%	818	399
GRCB WE	24,482	81	24,401	250	1.0%	57	23
GRCB EM	1,881	44	1,837	67	3.6%	29	154
GRCB Absa	24,994	235	24,759	499	2.0%	135	54
Barclays Wealth	6,436	2	6,434	4	0.1%	7	11
Total	162,081	2,460	159,621	4,484	2.8%	1,605	99

Risk Management

Total home loans to retail customers grew by 27% to £135,077m, driven by the 58% rise in GRCB – Western Europe, reflecting currency movements and book growth. The UK home finance portfolios within UK Retail Banking grew 18% to £82,303m (31st December 2007: £69,805m).

Unsecured retail credit (credit card and unsecured loans) portfolios grew 43% to £38,856m, (31st December 2007: £27,256m), principally as a result of growth in Barclaycard US and GRCB – Western Europe as well as the acquisition of Goldfish in the UK.

Analysis of Retail Loans and Advances Net of Impairment Allowances

	Home Loans		Cards and Unsecured Loans		Other Retail		Total Retail	
	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m
UKRB	82,303	69,805	8,294	8,297	4,352	4,657	94,949	82,759
Barclaycard	-	-	23,224	14,930	4,489	4,501	27,713	19,431
GRCB WE	33,760	21,393	4,395	2,660	461	348	38,616	24,401
GRCB EM	603	285	2,900	1,369	389	183	3,892	1,837
GRCB Absa	18,411	15,136	43	-	5,812	9,623	24,266	24,759
Barclays Wealth	-	-	-	-	8,413	6,434	8,413	6,434
Total	135,077	106,619	38,856	27,256	23,916	25,746	197,849	159,621

Risk Management

Home Loans

The Group's principal home loans portfolios continue to be in the UK Retail Banking Home Finance business (61% of the Group's total), GRCB – Western Europe (25%) primarily Spain, and South Africa (14%). During the year, the Group managed the risk profile of these portfolios by strengthening underwriting criteria and reducing the maximum loan to value (LTV) ratios, with greater discrimination between purchases and remortgages and, within the UK buy to let (BTL) segment, between portfolio customers and single property investors.

Credit quality of the principal Home Loan portfolios reflected relatively low levels of high LTV lending. Using current valuations, the LTV of the portfolios as at 31st December 2008 was 40% for UK Home Finance, 48% for Spain and 41% for South Africa. The average LTV for new mortgage business during 2008 at origination was 47% for UK Home Finance, 63% for Spain and 58% for South Africa. The percentage of balances with an LTV of over 85% based on current values was 10% for UK Home Finance, 5% for Spain and 25% for South Africa. In the UK, BTL mortgages comprised 6.8% the total stock.

Impairment charges rose across the home loans portfolios, reflecting the impact of lower house prices as well as some increase in arrears rates. Three-month arrears as at 31st December 2008 were 0.91% for UK mortgages, 0.76% for Spain and 2.11% for South Africa. To support the Group's risk profile, we increased collections staff across the businesses and improved operational practices to boost effectiveness.

Home Loans – Distribution of Balances by Loan to Value (Current Valuations)[§]

	UK		Spain		South Africa	
	2008	2007	2008	2007	2008	2007
	%	%	%	%	%	%
<= 75%	78.2%	90.1%	86.7%	92.2%	60.5%	68.6%
> 75% & <= 80%	6.1%	4.7%	4.8%	4.2%	7.5%	7.2%
> 80% & <= 85%	5.5%	2.5%	3.7%	1.6%	7.2%	7.1%
> 85% & <= 90%	4.5%	1.5%	1.6%	0.7%	7.6%	5.9%
> 90% & <= 95%	2.5%	0.9%	1.3%	0.6%	6.7%	6.1%
> 95%	3.1%	0.3%	1.9%	0.7%	10.5%	5.1%
MTM LTV %	40%	34%	48%	45%	41%	38%
Avg. LTV on New Mortgages	47%	49%	63%	63%	58%	59%

Home Loans – Three-Month Arrears[§]

	As at	As at	As at
	31.12.08	30.06.08	31.12.07
	%	%	%
UK	0.91%	0.70%	0.63%
Spain	0.76%	0.46%	0.24%
South Africa	2.11%	0.96%	0.25%

- 1 *Based on the following portfolios: UK: UKRB Residential Mortgage and Buy to Let portfolios Spain: GRCB Western Europe Spanish retail home finance portfolio South Africa: GRCB Absa retail home finance portfolio.*
- 2 Defined as total 90 day + delinquent balances as a percentage of outstandings.

Risk Management

Credit Cards and Unsecured Loans

The Group's largest card and unsecured loan portfolios are in the UK (47% of Group total). The US accounts for 19%, where Barclaycard's portfolio is largely Prime credit quality (FICO score of 660 or more). To address the impact of economic deterioration and the impact of weaker labour markets on the unsecured portfolios in 2008, the Group used a range of measures to improve new customer quality and control the risk profile of existing customers.

In the UK Cards portfolio, initial credit lines were made more conservative, followed by selective credit limit increases using more accurately assessed customer behaviour. The overall number of credit limit increases were reduced by strengthening qualification criteria and a proportion of higher-risk dormant accounts were closed. Arrears rates in the UK Cards portfolio fell slightly during the year, reflecting measures taken to improve customer quality in 2007 and 2008. Repayment Plan balances grew to support government initiatives to supply relief to customers experiencing financial difficulty. Payment rates in repayment plans remained relatively stable.

As a percentage of the portfolio, three-month arrears rates rose during 2008 to 1.87% for UK Loans and 2.15% for US Cards. The rate reduced to 1.28% at UK Cards.

Unsecured Lending 3 Month Arrears¹

	As at 31.12.08	As at 30.06.08	As at 31.12.07
	%	%	%
UK Cards ²	1.28%	1.36%	1.36%
UK Loans ³	1.87%	1.40%	1.35%
US Cards ⁴	2.15%	2.08%	1.83%

1 Defined as total 90 day + delinquent balances as a percentage of outstandings. Excludes legal and repayment plans.

2 UK Cards now based on Barclaycard branded cards, excluding Goldfish.

3 UK Loans based on Barclayloan.

4 Excludes Business Card and US Airways portfolios.

Risk Management**Impairment Charges and Other Credit Provisions**

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
UK Retail Banking	602	559
Barclays Commercial Bank	414	292
Barclaycard	1,097	827
GRCB - Western Europe	296	76
GRCB - Emerging Markets	166	39
GRCB - Absa	347	146
Barclays Capital	419	64
Barclays Wealth	44	7
Head Office Functions & Other Operations	11	3
Group Total	3,396	2,013
ABS CDO Sub-Prime & Other Credit Market Provisions	1,763	782
Group Total (Including ABS CDO)	5,159	2,795
Other AFS Assets & Reverse Repos	260	-
Group Total (Including ABS CDO & AFS/Reverse Repos)	5,419	2,795

Global Retail and Commercial Banking

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

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

The impairment charge in **Barclaycard** increased £270m (33%) to £1,097m (2007: £827m) reflecting higher charges in Barclaycard International portfolios, particularly Barclaycard US which was driven by loan growth, rising delinquency due to deteriorating economic conditions and exchange rate movements; and £68m from the inclusion of Goldfish. These factors were partially offset by lower charges in UK Cards and secured consumer lending.

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

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

Impairment charges in **GRCB - Absa** increased £201m to £347m (2007: £146m) as a result of rising delinquency

levels in the retail portfolios, which have been impacted by rising interest and inflation rates and increasing consumer indebtedness.

Risk Management

Investment Banking and Investment Management

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

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

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

Risk Management**Potential Credit Risk Loans and Coverage Ratios**

	CRLs		PPLs		PCRLS	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Retail Secured	2,783	1,474	280	317	3,063	1,791
Retail Unsecured and other	4,725	3,010	217	183	4,942	3,193
Retail	7,508	4,484	497	500	8,005	4,984
Corporate/Wholesale (excl ABS)	4,075	1,813	1,959	496	6,034	2,309
Group (excl ABS)	11,583	6,297	2,456	996	14,039	7,293
ABS CDO Super Senior	4,117	3,344	-	801	4,117	4,145
Group	15,700	9,641	2,456	1,797	18,156	11,438
	Impairment Allowance		CRL Coverage		PCRL Coverage	
	31.12.08	31.12.07	31.12.08	31.12.07	31.12.08	31.12.07
Retail Secured	561	320	20.2%	21.7%	18.3%	17.9%
Retail Unsecured and other	3,178	2,140	67.3%	71.1%	64.3%	67.0%
Retail	3,739	2,460	49.8%	54.9%	46.7%	49.4%
Corporate/Wholesale (excl ABS)	1,822	1,022	44.7%	56.4%	30.2%	44.3%
Group (excl ABS)	5,561	3,482	48.0%	55.3%	39.6%	47.7%
ABS CDO Super Senior	1,013	290	24.6%	8.7%	24.6%	7.0%
Group	6,574	3,772	41.9%	39.1%	36.2%	33.0%

Credit Risk Loans

Credit risk loans (CRLs) rose 63% to £15,700m (2007: £9,641m). Balances were higher in all businesses as credit conditions deteriorated across Barclays areas of operations and mirrored the overall growth in loans and advances. The most notable increases were in Barclays Capital and the non-UK businesses in Global Retail and Commercial Banking.

CRLs in retail secured mortgage products increased by £1,309m (89%) to £2,783m (2007: £1,474m). The key driver was Absa Home Finance where balances increased significantly as a result of higher interest rates and increasing consumer indebtedness. Increases were also seen in UK Home Finance, reflecting weakening UK house prices and the slowing economy, and in Spain, as economic conditions deteriorated.

CRLs in the unsecured and other retail portfolios increased by £1,715m (57%) to £4,725m (2007: £3,010m). The key drivers for this increase were: Absa, which was impacted by higher interest rates and increasing consumer indebtedness, Barclaycard US, due to deteriorating credit conditions which resulted in rising delinquency rates, asset growth and exchange rate movements, and in Spain, as economic conditions deteriorated and consumer indebtedness increased.

Corporate/Wholesale CRLs, excluding ABS CDO Super Senior positions, increased by £2,262m (125%) to £4,075m (2007: £1,813m). The key drivers were in Barclays Capital, following a number credit downgrades, increasing default probabilities and Spain, primarily due to increases to the property-related names. Balances also increased in Barclays Commercial Bank and Absa Commercial and Banking Business as corporate credit conditions deteriorated, particularly in the last quarter of 2008.

CRLs on ABS CDO Super Senior positions increased £773m (23%) to £4,117m (2007: £3,344m). The majority of this increase resulted from a migration of assets, totalling £801m, from potential problem loans (PPLs) to CRLs.

Risk Management

Potential Problem Loans

Balances within the Group's potential problem loans (PPLs) category rose by £659m to £2,456m (31st December 2007: £1,797m). The principal movements were in the corporate and wholesale portfolios, where PPLs rose £1,463m to £1,959m (31st December 2007: £496m) as credit conditions deteriorated. This rise was offset by a fall in PPLs relating to ABS CDO positions, as those balances moved into the CRL category. Broadly flat PPLs from retail portfolios reflected methodology alignments affecting the South African portfolio which transferred balances of just over £200m previously reported as PPLs to CRLs. This was offset by rises in UK Retail Banking, GRCB Western Europe and GRCB Emerging Markets.

Potential Credit Risk Loans

Combining CRLs and PPLs, total potential credit risk loans (PCRL) balances in the corporate and wholesale portfolios increased by 161% to £6,034m (31st December 2007: £2,309m) as a number of names migrated into the CRL and PPL categories, reflecting higher default probabilities in the deteriorating global wholesale environment. PCRLs relating to ABS CDO positions remained stable at £4,117m (31st December 2007: £4,145m).

Total retail PCRLs balances increased 61% to £8,005m (31st December 2007: £4,984m) as delinquency rates rose across a number of secured and unsecured portfolios following a deterioration in credit conditions, particularly in the UK, US, Spain and South Africa.

Group PCRL balances rose 59% to £18,156m (31st December 2007: £11,438m). Excluding ABS CDO Super Senior positions, PCRLs increased 92% to £14,039m (31st December 2007: £7,293m).

Impairment Allowances and Coverage Ratios

Impairment allowances increased 74% to £6,574m (31st December 2007: £3,772m). Excluding ABS CDO Super Senior positions, allowances increased by 60% to £5,561m (31st December 2007: £3,482m). Allowances increased in all businesses as credit conditions deteriorated, but most notably in Barclays Capital and GRCB international businesses.

Reflecting this 74% rise in impairment allowance compared with the 63% rise in total CRLs, the Group's CRL coverage ratio rose to 41.9% (31st December 2007: 39.1%). Coverage ratios for PCRLs also rose, to 36.2% (31st December 2007: 33.0%).

The largest driver for these increases was the near four-fold increase in the impairment held against ABS CDO Super Senior positions as the LGD of these assets increased.

Allowance coverage ratios of CRLs and PCRLs excluding the drawn ABS CDO Super Senior positions decreased to 48.0% (31st December 2007: 55.3%) and 39.6% (31st December 2007: 47.7%), respectively. These movements in coverage ratios reflected:

- An increase in CRLs and PCRLs in the well-secured home loan portfolios.
- Higher CRLs and PCRLs in the corporate sector, where the recovery outlook is relatively high.
- Increased early-cycle delinquent balances in the retail unsecured portfolios, as credit conditions worsened. These earlier-cycle balances, which tend to attract relatively lower impairment requirements, have increased as a proportion of the total delinquent balances.

The decrease in the PCRL coverage ratio, excluding the drawn ABS CDO Super Senior positions, was also driven by the overall increase in the PPLs as a proportion of total PCRLs. Since, by definition, PPLs attract lower levels of impairment than CRLs, a higher proportion of PPLs in total PCRLs will tend to lower the overall coverage ratio.

Risk Management

Risk Tendency

Risk tendency is a statistical estimate of average expected loss levels for a rolling 12-month period based on averages in the range of possible losses expected, differing from impairment where there must be objective evidence of incurred impairment as at the balance sheet date, and applies to credit exposures not reported as credit risk loans.

Since Risk Tendency and impairment allowances are calculated for different parts of the portfolio, for different purposes and on different bases, Risk Tendency does not predict loan impairment. Risk Tendency is provided to present a view of the evolution of the quality of the credit portfolios.

Risk Tendency	Year Ended	
	31.12.08	31.12.07
	£m	£m
UK Retail Banking	520	470
Barclays Commercial Bank	400	305
Barclaycard	1,475	955
GRCB - Western Europe	270	135
GRCB - Emerging Markets	350	140
GRCB - Absa	255	190
Barclays Capital	415	140
Barclays Wealth	20	10
Head Office Functions & Other Operations	5	10
Group total	3,710	2,355

Risk Tendency increased 58% (£1,355m) to £3,710m (31st December 2007: £2,355m), compared with 32% growth in the Group's loans and advances balances. This was reflective of the higher credit risk profile, weakening credit conditions across our main businesses, and changing mix, as a consequence of planned growth, in a number of businesses and portfolios. Risk Tendency in 2008 also increased as a result of the weakening of Sterling against a number of other foreign currencies, including the US Dollar and the Euro.

UK Retail Banking Risk Tendency increased £50m to £520m (31st December 2007: £470m). This reflected a higher risk profile in the unsecured and secured loans portfolios, weakening UK credit conditions, and asset growth, primarily in the Home Finance portfolio.

Risk Tendency in **Barclays Commercial Bank** increased £95m to £400m (31st December 2007: £305m). This reflected the deteriorating UK corporate credit environment and asset growth.

Barclaycard Risk Tendency increased £520m to £1,475m (31st December 2007: £955m) primarily reflecting the inclusion of new business acquisitions (£260m) as well as asset growth, exchange rate movements, and the economic conditions in the US. Risk Tendency in the UK Cards portfolio remained stable as improvements in portfolio quality were offset by deterioration in the UK economic environment.

Risk Tendency at **GRCB - Western Europe** increased £135m to £270m (31st December 2007: £135m) principally reflecting weakening credit conditions across Europe, particularly in Spain, asset growth and movements in the Euro/Sterling exchange rate.

Risk Tendency at **GRCB - Emerging Markets** increased £210m to £350m (31st December 2007: £140m) reflecting

weakening credit conditions across the majority of regions, a change in the risk profile following a broadening of the product offering through new product launches and new market entry in India and UAE, and asset growth.

Risk Tendency at **GRCB - Absa** increased £65m to £255m (31st December 2007: £190m) reflecting weakening retail and, to a lesser extent, corporate credit conditions in South Africa and asset growth and movements in the Rand/Sterling exchange rate.

Risk Tendency in **Barclays Capital** increased £275m to £415m (31st December 2007: £140m) reflecting credit downgrades and asset growth. The drawn liquidity facilities on ABS CDO Super Senior positions are classified as credit risk loans and therefore no Risk Tendency is calculated on them.

Risk Tendency at **Barclays Wealth** increased £10m to £20m (31st December 2007: £10m) reflecting a weakening credit risk profile and asset growth.

Risk Management**Debt Securities and Other Bills**

The following table presents an analysis of the credit quality of debt and similar securities, other than loans held within the Group. Securities rated as investment grade amounted to 91.6% of the portfolio (2007: 88.0%).

As at 31.12.08	Treasury and Other Eligible Bills	Debt Securities	Total	
	£m	£m	£m	%
AAA to BBB- (investment grade)	7,314	198,493	205,807	91.6%
BB+ to B	1,233	15,309	16,542	7.4%
B- or lower	-	2,343	2,343	1.0%
Total	8,547	216,145	224,692	100.0%

Of Which Issued By:

– governments and other public bodies	8,547	73,881	82,428	36.7%
– US agency	-	34,180	34,180	15.3%
– mortgage and asset-backed securities	-	34,844	34,844	15.5%
– corporate and other issuers	-	55,244	55,244	24.6%
– bank and building society certificates of deposit	-	17,996	17,996	7.9%
Total	8,547	216,145	224,692	100.0%

Of Which Classified As:

– trading portfolio assets	4,544	148,686	153,230	68.2%
– financial instruments designated at fair value	-	8,628	8,628	3.8%
– available-for-sale securities	4,003	58,831	62,834	28.0%
Total	8,547	216,145	224,692	100.0%

As at 31.12.07

	£m	£m	£m	%
AAA to BBB- (investment grade)	4,114	189,794	193,908	88.0%
BB+ to B	703	24,693	25,396	11.5%
B- or lower	-	1,181	1,181	0.5%
Total	4,817	215,668	220,485	100.0%

Of Which Issued By:

– governments and other public bodies	4,817	63,798	68,615	31.1%
– US agency	-	13,956	13,956	6.3%
– mortgage and asset-backed securities	-	28,928	28,928	13.1%
– corporate and other issuers	-	88,207	88,207	40.0%
– bank and building society certificates of deposit	-	20,779	20,779	9.5%
Total	4,817	215,668	220,485	100.0%

Of Which Classified As:

– trading portfolio assets	2,094	152,778	154,872	70.2%
– financial instruments designated at fair value	-	24,217	24,217	11.0%
– available-for-sale securities	2,723	38,673	41,396	18.8%
Total	4,817	215,668	220,485	100.0%

Risk Management

Market Risk

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

Measurement and Key Risk Controls

Daily Value at Risk (DVaR) is an important market risk control tool and is measured using the historical simulation method with a two-year unweighted historical period. In 2008, the confidence level was changed to 95% from 98% as an increasing incidence of significant market movements made the existing measure more volatile and less effective for risk management purposes. Switching to 95% made DVaR more stable and consequently improved transparency of the market risk profile. To further improve the control framework, formal daily monitoring of Expected Shortfall (ES) was started. This metric is the average of all the hypothetical losses beyond DVaR.

Other controls, including stress testing and scenario testing, and a large suite of non-DVaR limits such as foreign exchange position limits, option based limits and interest rate delta limits, are also in place.

Analysis of Barclays Capital's Market Risk Exposure

Barclays Capital's market risk exposure, as measured by average total DVaR (95%), increased by 64% to £53.4m in 2008. This was mainly due to higher market volatility within the credit spread and interest rate DVaRs. The average ES in 2008 was £70.0m, a rise of £34.7m, compared with 2007.

Total DVaR increased significantly in the fourth quarter, mainly due to extreme market volatility following the failure of several financial institutions and a material deterioration in the global economic outlook. Total DVaR (95%) as at 31st December 2008 was £86.6m (31st December 2007: £39.6m) which was within limit.

On a 98% basis, average total DVaR increased 82% to £76.5m.

The daily average, maximum and minimum values of DVaR, 95% and 98%, were calculated as below:

DVaR (95%)	Year Ended 31.12.08			Year Ended 31.12.07		
	Average	High ¹	Low ¹	Average	High ¹	Low ¹
	£m	£m	£m	£m	£m	£m
Interest rate risk	28.9	47.8	15.1	15.3	26.5	10.0
Credit spread risk	31.1	71.7	15.4	17.3	28.0	10.8
Commodity risk	18.1	25.4	12.5	15.3	19.0	10.7
Equity risk	9.1	21.0	4.8	8.0	12.1	4.5
Foreign exchange risk	5.9	13.0	2.1	3.8	7.2	2.1
Diversification effect	(39.7)			(27.2)		
Total DVaR	53.4	95.2	35.5	32.5	40.9	25.2

DVaR (98%)	Year Ended 31.12.08			Year Ended 31.12.07		
	Average	High ¹	Low ¹	Average	High ¹	Low ¹
	£m	£m	£m	£m	£m	£m
Interest rate risk	45.0	80.9	21.0	20.0	33.3	12.6
Credit spread risk	54.0	143.4	30.1	24.9	43.3	14.6

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Commodity risk	23.9	39.6	16.5	20.2	27.2	14.8
Equity risk	12.8	28.9	6.7	11.2	17.6	7.3
Foreign exchange risk	8.1	21.0	2.9	4.9	9.6	2.9
Diversification effect	(67.3)			(39.2)		
Total DVaR	76.5	158.8	47.5	42.0	59.3	33.1

1 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.

Risk Management

Liquidity Risk

Barclays has maintained a strong liquidity profile in 2008, sufficient to absorb the impact of a stressed funding environment. We have access to a substantial pool of liquidity both in secured markets and from unsecured depositors including numerous foreign governments and central banks. In addition our limited reliance on securitisations as a source of funding has meant that the uncertainty in securitisation markets has not impacted our liquidity risk profile.

Whilst funding markets have been extremely difficult in the past six months, and particularly since September 2008, Barclays has been able to increase available liquidity, extend the term of unsecured liabilities, and reduce reliance on unsecured funding. Barclays has participated in various government and central bank liquidity facilities, both to aid central banks implementation of monetary policy and support central bank initiatives, where participation has enabled the lengthening of the term of our refinancing. These facilities have improved access to term funding, and helped moderate money market rates.

For the Group, loans and advances to customers and banks are more than covered by the combination of customer deposits and longer term debt at 112% at 31st December 2008 (2007: 125%).

Global Retail and Commercial Banking

The sum of liabilities in Global Retail and Commercial Banking, Barclays Wealth and Head Office Functions exceeds assets in those businesses. As a result they have no reliance on wholesale funding. The balance sheet is modelled to reflect behavioural experience in both assets and liabilities, and is managed to maintain a positive cash profile.

Expected Net Cash Inflows (Outflows) on a Behavioural Basis	Up to 1yr	1-3yr	3-5yrs	Over 5yrs
	£bn	£bn	£bn	£bn
As at 31.12.08	20	34	14	(95)

Throughout 2008 GRCB has continued to grow the amount of deposits despite competitive pressures.

GRCB Deposit Balances	As at 31.12.06	As at 31.06.07	As at 31.12.07	As at 31.06.08	As at 31.12.08
	£bn	£bn	£bn	£bn	£bn
Total customer deposits	190	200	211	218	235

Barclays Capital

Barclays Capital manages liquidity to be self-funding through wholesale sources, managing access to liquidity to ensure that potential cash outflows in a stressed environment are covered.

Funding reliability is maintained by accessing a wide variety of investors and geographies and by building and maintaining strong relationships with these providers of liquidity.

Wholesale Depositor Split By Counterparty	Asset Managers	Banks	Corporates	Money Funds	Govts	Central Banks
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Type

	%	%	%	%	%	%
As at 31.12.08	30%	23%	4%	27%	11%	5%

Wholesale Depositor Split By Geography	North			Far East			
	America	UK	Europe	Japan	(excl Japan)	Emerging Markets	Supra- National
	%	%	%	%	%	%	%
As at 31.12.08	44%	14%	22%	9%	3%	7%	1%

Unsecured Funding

Additionally, unsecured funding is managed within specific term limits. The term of unsecured liabilities has been extended, with average life improving by 5 months from 8 months at the end of December 2007 to 13 months at the end of December 2008

Risk Management

Our capital markets debt issuance includes issues of senior and subordinated debt in US registered offerings and medium term note programmes and European medium term note programs. Substantially all of our unsecured senior issuance is without covenants that trigger increased cost or accelerate maturity. Furthermore, between September and December 2008 we issued £11bn in government guaranteed debt in maturities of 1 to 3 years.

Barclays funds securities based on liquidity characteristics. Limits are in place for each security asset class reflecting liquidity in the cash and financing markets for these assets. Approximately 85% of assets funded in repurchase and stock loan transactions are fundable within central bank facilities (excluding Bank of England Emergency facilities and the Federal Reserve Primary Dealer Credit Facility).

Liquidity risk to secured funding is also mitigated by:

- selecting reliable counterparties
- maintaining term financing and by limiting the amount of overnight funding
- limiting overall secured funding usage

Secured Financing by Asset Class (% of Total Secured Funding)¹

	Govt	Agy	MBS	ABS	Corp	Equity	Other
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
By percentage	45	8	10	6	13	7	11

Scenario Analysis and Stress Testing

Substantial resources are maintained to offset maturing deposits and debt. These readily available assets are sufficient to absorb stress level losses of liquidity from unsecured as well as contingent cash outflows, such as collateral requirements on ratings downgrades. The sources of liquidity and contingent liquidity are from a wide variety of sources, including deposits held with central banks and unencumbered securities.

Sources of Readily Available Contingent Liquidity

	Deposits with Central Banks	Deposits with Other Financial Institutions	Government Guaranteed Issuance	Collateral Eligible for Repo	Other Contingent Liquidity
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
By percentage	39	7	13	37	4

In addition, Barclays maintains significant pools of securitisable assets.

1 MBS includes only agency mortgages. ABS includes private label issuance of residential mortgage backed securities.

Capital and Performance Management**Total Assets by Business**

	As at 31.12.08	As at 31.12.07
	£m	£m
UK Retail Banking	101,384	88,477
Barclays Commercial Bank	84,029	74,566
Barclaycard	30,925	22,121
GRCB - Western Europe	64,732	43,702
GRCB - Emerging Markets	14,653	9,188
GRCB - Absa	40,391	36,368
Barclays Capital	1,629,117	839,850
Barclays Global Investors	71,340	89,218
Barclays Wealth	13,263	18,188
Head Office Functions and Other Operations	3,146	5,683
Total assets	2,052,980	1,227,361

Risk Weighted Assets by Business

	As at 31.12.08	As at 31.12.07¹
	Basel II £m	Basel II £m
UK Retail Banking	30,491	31,463
Barclays Commercial Bank	63,081	57,040
Barclaycard	27,316	20,199
GRCB - Western Europe	36,480	24,971
GRCB - Emerging Markets	15,080	10,484
GRCB - Absa	18,846	17,829
Barclays Capital	227,448	178,206
Barclays Global Investors	3,910	4,369
Barclays Wealth	10,300	8,216
Head Office Functions and Other Operations	350	1,101
Total risk weighted assets	433,302	353,878

Risk Weighted Assets by Risk

	As at 31.12.08	As at 31.12.07
	Basel II £m	Basel II £m
Credit risk	266,912	244,474
Counterparty risk	70,902	41,203
Market risk	65,372	39,812
Operational risk	30,116	28,389

Total risk weighted assets	433,302	353,878
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1 Under the Group's securitisation programme, certain portfolios subject to securitisation or similar risk transfer transaction are adjusted in calculating the Group's risk weighted assets. Previously, for pre-2008 transactions, regulatory capital adjustments were allocated to the business in proportion to their RWAs. From 1st January 2008, the regulatory capital adjustments for all transactions are allocated to the business undertaking the securitisation unless the transaction has been undertaken for the benefit of a cluster of businesses, in which case the regulatory capital adjustments are shared.

Capital and Performance Management

	As at	As at
Capital Resources	31.12.08	31.12.07
Tier 1	£m	£m
Called up share capital	2,093	1,651
Eligible reserves	31,156	22,939
Minority interests ¹	13,915	10,551
Tier 1 notes ²	1,086	899
Less: intangible assets	(9,964)	(8,191)
Less: deductions from Tier 1 capital	(1,036)	(1,106)
Total qualifying Tier 1 capital	37,250	26,743
Tier 2		
Revaluation reserves	26	26
Available for sale-equity gains	122	295
Collectively assessed impairment allowances	1,654	440
Minority interests	607	442
Qualifying Subordinated Liabilities: ³		
Undated loan capital	6,745	3,191
Dated loan capital	14,215	10,578
Less: deductions from Tier 2 capital	(1,036)	(1,106)
Total qualifying Tier 2 capital	22,333	13,866
Less: Regulatory Deductions		
Investments not consolidated for supervisory purposes	(403)	(633)
Other deductions	(453)	(193)
Total deductions	(856)	(826)
Total net capital resources	58,727	39,783
Capital Ratios		
Equity Tier 1 ratio ⁵	5.8%	5.1%
Tier 1 ratio	8.6%	7.6%
Risk asset ratio	13.6%	11.2%
Pro Forma Capital Ratios ⁴		
Equity Tier 1 ratio ⁵	6.7%	
Tier 1 ratio	9.7%	
Risk asset ratio	14.4%	

1 Includes equity minority interests of £1,981m (31st December 2007: £1,608m).

2 Tier 1 notes are included in subordinated liabilities in the consolidated balance sheet.

3 Subordinated liabilities include excess innovative Tier 1 instruments and are subject to limits laid down in the regulatory requirements.

4 Reflects conversion of Mandatorily Convertible Notes and inclusion of all innovative Tier 1 capital.

5 Equity Tier 1 ratio is defined as the ratio of called-up share capital and eligible reserves plus equity minority interests less intangible assets, to risk weighted assets.

Capital and Performance Management

Capital Resources

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

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

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

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

Basel I Transitional Floor

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

Reconciliation of Regulatory Capital

Capital is defined differently for accounting and regulatory purposes. A reconciliation of shareholders' equity for accounting purposes to called up share capital and eligible reserves for regulatory purposes is set out below:

	As at 31.12.08	As at 31.12.07
	Basel II	Basel II
	£m	£m
Shareholders' equity excluding minority interests	36,618	23,291
MCNs not yet converted	(3,652)	-
Available for sale reserve	1,190	(154)
Cash flow hedging reserve	(132)	(26)
Adjustments to Retained Earnings		
Defined benefit pension scheme	849	1,053
Additional companies in regulatory consolidation and non-consolidated companies	(94)	(281)
Foreign exchange on RCIs and upper Tier 2 loan stock	(231)	478
Adjustment for own credit	(1,650)	(461)
Other adjustments	351	690
Called up share capital and eligible reserves for regulatory purposes	33,249	24,590

Capital and Performance Management

Economic Capital

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 seven risk categories: credit risk, market risk, business risk, operational risk, insurance risk, fixed assets and private equity.

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 cyclicity from the economic capital calculation. The framework also adjusts economic capital to reflect time horizon, correlation of risks and risk concentrations.

Economic capital is allocated on a consistent basis across all of Barclays businesses and risk activities with allocations reflecting varying levels of risk. A single cost of equity is applied to calculate the cost of risk.

The total average economic capital required by the Group, as determined by risk assessment models and after considering the Group's estimated portfolio effects, is compared with the supply of economic capital to evaluate economic capital utilisation. Supply of economic capital is calculated as the average available shareholders' equity after adjustment and including preference shares.

Economic capital forms the basis of the Group's submission for the Basel II Internal Capital Adequacy Assessment Process (ICAAP).

Capital and Performance Management**Economic Capital Demand¹**

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
UK Retail Banking	3,950	3,400
Barclays Commercial Bank	3,500	3,200
Barclaycard	2,700	2,050
GRCB - Western Europe	1,900	1,250
GRCB - Emerging Markets	1,100	450
GRCB - Absa	1,100	900
Barclays Capital	8,250	5,200
Barclays Global Investors	400	200
Barclays Wealth	500	500
Head Office Functions and Other Operations ²	50	250
Economic Capital requirement (excluding goodwill)	23,450	17,400
Average historic goodwill and intangible assets ³	9,450	8,400
Total economic capital requirement ⁴	32,900	25,800

UK Retail Banking economic capital allocation increased £550m to £3,950m (31st December 2007: £3,400m) reflecting mortgage asset growth and movements in benchmark house price indices.

Barclays Commercial Bank economic capital allocation increased £300m to £3,500m (31st December 2007: £3,200m) primarily as a consequence of asset growth with some mitigation from portfolio management activity.

Barclaycard economic capital allocation increased £650m to £2,700m (31st December 2007: £2,050m) driven by acquisitions, the redemption of securitisation deals and exposure growth predominantly in the US.

GRCB - Western Europe economic capital allocation increased £650m to £1,900m (31st December 2007: £1,250m), primarily reflecting the weakening of Sterling and underlying lending growth.

GRCB - Emerging Markets economic capital allocation increased £650m to £1,100m (31st December 2007: £450m), reflecting broad based retail and wholesale asset growth across the business, especially in India, UAE and the new markets of Russia and Pakistan.

GRCB - Absa economic capital allocation increased £200m to £1,100m (31st December 2007: £900m), reflecting balance sheet growth.

Barclays Capital economic capital allocation increased £3,050m to £8,250m (31st December 2007: £5,200m). This was driven by growth in the investment portfolio, deterioration in credit quality, exposure to drawn leveraged finance underwriting positions and an increase in market volatility.

Barclays Global Investors economic capital allocation increased £200m to £400m (31st December 2007: £200m). This was primarily driven by an increase in the support for selected cash funds and some increase in proprietary investments.

Barclays Wealth economic capital allocation in 2008 remained unchanged at £500m despite strong growth on the

balance sheet. This was due to the impact of greater geographical diversification and increased levels of collateralisation.

1 Calculated using an adjusted average over the year and rounded to the nearest £50m for presentation purposes. EC demand excludes the EC calculated for pension risk (£650m average EC on 31st December 2008).

2 Includes Transition Businesses and capital for central functional risks.

3 Average goodwill relates to purchased goodwill and intangible assets from business acquisitions.

4 Total period end economic capital requirement as at 31st December 2008 stood at £39,200 (31st December 2007: £29,650m).

Capital and Performance Management

Economic Capital Supply

The capital resources to support economic capital comprise adjusted shareholders' equity including preference shares but excluding other minority interests. Preference shares have been issued to optimise the long-term capital base of the Group.

The capital resources to support economic capital are impacted by a number of factors arising from the application of IFRS and are modified in calculating available funds for economic capital. This applies specifically to:

- **Cash flow hedging reserve** - to the extent that the Group undertakes the hedging of future cash flows, shareholders' equity will include gains and losses which will be offset against the gain or loss on the hedged item when it is recognised in the income statement at the conclusion of the future hedged transaction. Given the future offset of such gains and losses, they are excluded from shareholders' equity when calculating economic capital supply.
- **Available for sale reserve** - unrealised gains and losses on Available for sale securities are included in shareholders' equity until disposal or impairment. Such gains and losses are excluded from shareholders' equity for the purposes of calculating economic capital supply. Realised gains and losses, foreign exchange translation differences and any impairment charges recorded in the income statement will impact economic profit.
- **Retirement benefits liability** - the Group has recorded a net liability with a consequent reduction in shareholders' equity. This represents a non-cash reduction in shareholders' equity. For the purposes of calculating economic capital supply, the Group does not deduct the pension liability from shareholders' equity.
- **Own credit gains** - gains on the fair valuation of notes issued are included in the income statement but are excluded from shareholders' equity when calculating economic capital supply.

The average supply of capital to support the economic capital framework is set out below¹ :

	Average 2008	Average 2007
	£m	£m
Shareholders' equity excluding minority interests less goodwill ²	17,650	14,150
Retirement benefits liability	1,050	1,150
Cashflow hedging reserve	100	250
Available for sale reserve	400	(150)
Gains on own credit	(1,250)	(100)
Preference shares	5,500	3,700
Available funds for economic capital excluding goodwill	23,450	19,000
Average historic goodwill and intangible assets ²	9,450	8,400
Available funds for economic capital including goodwill ³	32,900	27,400

In addition, the Group holds other Tier 1 Instruments of £6,829m as at 31st December 2008 (31st December 2007: £4,807m) consisting of Tier 1 notes of £1,086m and reserve capital instruments of £5,743m.

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These EC supply figures quoted exclude the £3,652m Mandatorily Convertible Notes that will be converted to equity by June 2009.

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

2 Average goodwill relates to purchased goodwill and intangible assets from business acquisitions.

3 Available funds for economic capital as at 31st December 2008 stood at £40,150m (31st December 2007: £29,200m).

Capital and Performance Management**Economic Profit**

Economic profit comprises:

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

The Group cost of capital has been applied at a uniform rate of 10.5%¹. The costs of servicing preference shares are included in minority interests, and so preference shares are excluded from average shareholders' equity for economic profit purposes.

The economic profit in 2008 and 2007 is shown below:

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
Profit after tax and minority interests	4,382	4,417
Addback of amortisation charged on acquired intangible assets ²	254	137
Profit for economic profit purposes	4,636	4,554
Average shareholders' equity excluding minority interests ^{3,4}	17,650	14,150
Adjust for unrealised loss/(gains) on available for sale investments ⁴	400	(150)
Adjust for unrealised loss on cashflow hedge reserve ⁴	100	250
Adjust for gains on own credit	(1,250)	(100)
Add: retirement benefits liability	1,050	1,150
Goodwill and intangible assets arising on acquisitions ⁴	9,450	8,400
Average shareholders' equity for economic profit purposes ^{3,4}	27,400	23,700
Capital charge at 10.5% (2007: 9.5%)	(2,876)	(2,264)
Economic profit	1,760	2,290

1 The Group cost of capital changed from 1st January 2008 from 9.5% to 10.5%.

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

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

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

Capital and Performance Management**Economic Profit Generated by Business**

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
UK Retail Banking	633	617
Barclays Commercial Bank	544	635
Barclaycard	335	213
GRCB - Western Europe	164	16
GRCB - Emerging Markets	(11)	26
GRCB - Absa	70	98
Barclays Capital	825	1,172
Barclays Global Investors	289	430
Barclays Wealth	553	233
Head Office Functions and Other Operations	(953)	(470)
	2,449	2,970
Historic goodwill and intangibles arising on acquisition	(989)	(800)
Variance to average shareholders' funds (excluding minority interest)	300	120
Economic profit	1,760	2,290

Economic profit for the Group decreased 23% (£530m) to £1,760m (2007: £2,290m) due to a decrease of £35m in attributable profit and a £612m increase in the economic capital charge.

UK Retail Banking economic profit increased 3% (£16m) to £633m (2007: £617m) due to a 7% increase in profit before tax offset by a 10% increase in the economic capital charge reflecting mortgage asset growth and movements in benchmark house price indices.

Barclays Commercial Bank economic profit decreased 14% (£91m) to £544m (2007: £635m) due to a 7% decrease in profit before tax and an 8% increase in the economic capital charge arising from the impact of asset growth.

Barclaycard economic profit increased 57% (£122m) to £335m (2007: £213m), reflecting a 31% increase in profit before tax offset by a 34% increase in the economic capital charge arising from the acquisition of Goldfish cards portfolio, asset growth in Barclaycard US and the redemption of securitisation deals.

GRCB - Western Europe economic profit increased £148m to £164m (2007: £16m), due to a £139m release of a deferred tax liability and a 31% increase in profit before tax, partially offset by a 43% increase in the economic capital charge reflecting asset growth and appreciation of the value of the Euro against Sterling.

GRCB - Emerging Markets economic profit decreased 142% (£37m) to a loss of £11m (2007: profit of £26m) due to a 34% increase in profit before tax being more than offset by a 147% increase in the economic capital charge due to asset growth in the newer markets.

GRCB - Absa economic profit decreased 29% (£28m) to £70m (2007: £98m) principally due to a 8% decrease in profit before tax.

Barclays Capital economic profit decreased to £825m (2007: £1,172m), due to a 44% decrease in profit before tax and a 57% increase in the economic capital charge driven by growth in the investment portfolio and deterioration in credit

quality, exposure to drawn leveraged finance underwriting positions and increase in market volatility.~

Barclays Global Investors economic profit decreased 33% (£141m) to £289m (2007: £430m), due to a 19% decrease in profit before tax and a 101% increase in the economic capital charge primarily driven by an increase in the support for the cash funds business and an increase in proprietary investment in funds.

Barclays Wealth economic profit increased 137% (£320m) to £553m (2007: £233m), principally due to a 119% increase in profit before tax, mainly due to the £326m gain on the sale of the closed life business.

Capital and Performance Management

Balances and Margins

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

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

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

Business Net Interest Income	Year Ended	
	31.12.08	31.12.07
	£m	£m
UK Retail Banking assets	1,132	939
UK Retail Banking liabilities	1,723	1,763
Barclays Commercial Bank assets	955	970
Barclays Commercial Bank liabilities	700	693
Barclaycard assets	1,629	1,236
GRCB - Western Europe assets	483	341
GRCB - Western Europe liabilities	129	123
GRCB - Emerging Markets assets	356	235
GRCB - Emerging Markets liabilities	164	39
GRCB - Absa assets	774	686
GRCB - Absa liabilities	411	369
Barclays Wealth assets	101	82
Barclays Wealth liabilities	355	320
Business net interest income	8,912	7,796

Reconciliation of Business Net Interest Income to Group Net Interest Income	Year Ended	
	31.12.08	31.12.07
	£m	£m
Business net interest income	8,912	7,796
Other:		
– Barclays Capital	1,724	1,179
– Barclays Global Investors	(38)	(8)
– Other	871	643
Group net interest income	11,469	9,610

Capital and Performance Management**Balances and Margins (continued)**

Business Margins	Year Ended Year Ended	
	31.12.08	31.12.07
	%	%
UK Retail Banking assets	1.25	1.20
UK Retail Banking liabilities	2.01	2.15
Barclays Commercial Bank assets	1.55	1.80
Barclays Commercial Bank liabilities	1.47	1.49
Barclaycard assets	6.92	6.51
GRCB - Western Europe assets	1.16	1.13
GRCB - Western Europe liabilities	1.24	1.64
GRCB - Emerging Markets assets	4.95	6.62
GRCB - Emerging Markets liabilities	2.17	0.75
GRCB - Absa assets	2.79	2.70
GRCB - Absa liabilities	3.06	3.21
Barclays Wealth assets	1.04	1.11
Barclays Wealth liabilities	0.95	1.03

Average Balances	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
UK Retail Banking assets	90,263	78,502
UK Retail Banking liabilities	85,892	81,848
Barclays Commercial Bank assets	61,710	53,947
Barclays Commercial Bank liabilities	47,624	46,367
Barclaycard assets	23,552	18,976
GRCB - Western Europe assets	41,540	30,145
GRCB - Western Europe liabilities	10,429	7,489
GRCB - Emerging Markets assets	7,195	3,559
GRCB - Emerging Markets liabilities	7,568	5,115
GRCB - Absa assets	27,706	25,333
GRCB - Absa liabilities	13,454	11,511
Barclays Wealth assets	9,749	7,403
Barclays Wealth liabilities	37,205	31,151

Accounting Policies

Group Reporting Changes 2008

Barclays announced on 22 July 2008 the impact of certain changes in Group Structure and reporting on the 2007 results. There was no impact on the Group income statement or balance sheet.

The businesses previously managed and reported as International Retail and Commercial Banking – excluding Absa are now reported and managed separately as Global Retail and Commercial Banking – Western Europe and Global Retail and Commercial Banking – Emerging Markets.

Barclays Commercial Bank. The Marine Finance business, previously part of Barclaycard, is now managed and reported within Barclays Commercial Bank.

Barclaycard . The Absa credit card portfolio, previously part of International Retail and Commercial Banking – Absa is now managed and reported within Barclaycard. Certain credit card portfolios previously part of Barclaycard are now managed and reported as part of Global Retail and Commercial Banking – Western Europe. The Marine Finance business, previously part of Barclaycard is now managed and reported within Barclays Commercial Bank.

Global Retail and Commercial Banking - Western Europe. Certain credit card portfolios previously part of Barclaycard are now managed and reported as part of Global Retail and Commercial Banking – Western Europe.

International Retail and Commercial Banking – Absa. This business will be known going forward as **Global Retail and Commercial Banking – Absa**. The Absa credit card portfolio previously part of Global Retail and Commercial Banking – Absa is now managed and reported within Barclaycard.

Certain expenses, assets and staff previously reported within International Retail and Commercial Banking – excluding Absa have been allocated across UK Retail Banking, Barclays Commercial Bank, Barclaycard, Global Retail and Commercial Banking – Western Europe, Global Retail and Commercial Banking – Emerging Markets and Global Retail and Commercial Banking – Absa.

Certain pension assets and liabilities have been reclassified from Head Office and Other Operations to the other businesses in the Group.

UK Banking which previously reflected UK Retail Banking and Barclays Commercial Bank combined is no longer reported as a separate segment.

The structure remains unchanged for Barclays Capital, Barclays Global Investors, Barclays Wealth and Head Office and Other Operations.

Basis of Preparation

There have been no significant changes to the accounting policies described in the 2007 Annual report except:

a) IFRS 8 ‘Operating Segments’ has been adopted as at 1st January 2008. IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Group’s accounting period beginning on 1st January 2009. The standard replaces IAS 14 ‘Segmental Reporting’ and aligns operating segmental reporting with segments reported to senior management as well as requiring amendments and additions to the existing segmental reporting disclosures. The standard does not change the recognition, measurement or disclosure of specific transactions in the condensed consolidated financial statements.

b) Certain financial assets originally classified as held for trading have been reclassified to loans and receivables on 16 December 2008 as set out on page 104. Following the amendment to IAS 39 in October 2008, a non-derivative financial asset held for trading may be transferred out of the fair value through profit or loss category after 1 July 2008 where:

- In rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term; or
- It is no longer held for the purpose of selling or repurchasing in the near term, it would have met the definition of a loan and receivable on initial classification and the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Other than the exceptions, the information in this announcement has been prepared using the accounting policies and presentation applied in 2007.

Notes

1. Net Interest Income

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
Cash and balances with central banks	174	145
Available for sale investments	2,355	2,580
Loans and advances to banks	1,267	1,416
Loans and advances to customers	23,754	19,559
Other	460	1,608
Interest income	28,010	25,308
Deposits from banks	(2,189)	(2,720)
Customer accounts	(6,697)	(4,110)
Debt securities in issue	(5,910)	(6,651)
Subordinated liabilities	(1,349)	(878)
Other	(396)	(1,339)
Interest expense	(16,541)	(15,698)
Net interest income	11,469	9,610

Group net interest income increased 19% (£1,859m) to £11,469m (2007: £9,610m) reflecting balance sheet growth across the Global Retail and Commercial Banking businesses and in particular very strong growth internationally driven by expansion of the distribution network and entrance into new markets. An increase in net interest income was also seen in Barclays Capital due to strong results from global loans and money markets.

Group net interest income includes the impact of structural hedges which function to reduce the impact of the volatility of short-term interest rate movements on equity and customer balances that do not re-price with market rates. The contribution of structural hedges relative to average base rates increased income by £117m (2007: £351m expense), largely due to the effect of the structural hedge on changes in interest rates.

2. Net Fee and Commission Income

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
Brokerage fees	87	109
Investment management fees	1,616	1,787
Securities lending	389	241
Banking and credit related fees and commissions	7,208	6,363
Foreign exchange commission	189	178
Fee and commission income	9,489	8,678
Fee and commission expense	(1,082)	(970)
Net fee and commission income	8,407	7,708

Net fee and commission income increased 9% (£699m) to £8,407m (2007: £7,708m). Banking and credit related fees and commissions increased 13% (£845m) to £7,208m (2007: £6,363m), reflecting growth in Barclaycard International, increased fees from advisory and origination activities in Barclays Capital and increased foreign exchange, derivative and debt fees in Barclays Commercial Bank.

Notes

3. Principal Transactions

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Rates related business	4,751	4,162
Credit related business	(3,422)	(403)
Net trading income	1,329	3,759
Net gain from disposal of available for sale assets	212	560
Dividend income	196	26
Net gain from financial instruments designated at fair value	33	293
Other investment income	239	337
Net investment income	680	1,216
Principal transactions	2,009	4,975

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

Net trading income decreased 65% (£2,430m) to £1,329m (2007: £3,759m). The majority of the Group's net trading income arises in Barclays Capital. Growth in the Rates related business reflected growth in fixed income, prime services, foreign exchange, commodities and emerging markets. The Credit related business included net losses from credit market dislocation partially offset by the benefits of widening credit spreads on the fair value of issued notes.

Net investment income decreased 44% (£536m) to £680m (2007: £1,216m). The cumulative gain from disposal of available for sale assets decreased 62% (£348m) to £212m (2007: £560m) reflecting the lower profits realised on the sale of investments. The £212m gain in 2008 included the £47m gain from sale of shares in MasterCard.

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

Net gain from financial instruments designated at fair value decreased 89% (£260m) to £33m (2007: £293m), driven by the continued decrease in value of assets backing customer liabilities in Barclays Life Assurance; and fair value decreases of a number of investments reflecting the current market condition.

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

4. Net Premiums from Insurance Contracts

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Gross premiums from insurance contracts	1,138	1,062
Premiums ceded to reinsurers	(48)	(51)
Net premiums from insurance contracts	1,090	1,011

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

Notes

5. Other Income

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
(Decrease)/increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	(10,422)	5,592
Decrease/(increase) in liabilities to customers under investment contracts	10,422	(5,592)
Property rentals	73	53
Other income	304	135
	377	188

Certain asset management products offered to institutional clients by Barclays Global Investors are recognised as investment contracts. Accordingly the invested assets and the related liabilities to investors are held at fair value and changes in those fair values are reported within Other income. Other income in 2008 includes a £47m gain from the Visa IPO.

6. Net Claims and Benefits Incurred under Insurance Contracts

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Gross claims and benefits incurred under insurance contracts	263	520
Reinsurers' share of claims incurred	(26)	(28)
Net claims and benefits incurred under insurance contracts	237	492

Net claims and benefits incurred under insurance contracts decreased 52% (£255m) to £237m (2007: £492m) principally due to a decrease in the value of unit linked insurance contracts in Barclays Wealth; explained by falls in equity markets and disposal of the closed life business in October 2008. Partially offsetting these trends is the increase in contract liabilities associated with increased net premiums driven by the growth in GRCB – Western Europe.

7. Impairment Charges and Other Credit Provisions

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Impairment charges on loans and advances	4,584	2,306
Charges in respect of undrawn facilities and guarantees	329	476
Impairment charges on loans and advances and other credit provisions	4,913	2,782
Impairment charges on reverse repurchase agreements	124	-
Impairment charges on available for sale assets	382	13
Impairment charges and other credit provisions	5,419	2,795

Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures included above:

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
Impairment charges on loans and advances	1,218	300
Charges in respect of undrawn facilities and guarantees	299	469
Impairment charges on loans and advances and other credit provisions on ABS CDO Super Senior and other credit market exposures	1,517	769
Impairment charges on reverse repurchase agreements	54	-
Impairment charges on available for sale assets	192	13
Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures	1,763	782

Notes

8. Operating Expenses

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Staff costs	7,779	8,405
Administrative expenses	5,153	3,978
Depreciation	630	467
Impairment loss - property and equipment and intangible assets	30	16
Operating lease rentals	520	414
Gain on property disposals	(148)	(267)
Amortisation of intangible assets	291	186
Impairment of goodwill	111	-
Operating expenses	14,366	13,199

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

Administrative expenses grew 30% (£1,175m) to £5,153m (2007: £3,978m) reflecting the impact of acquisitions (in particular Lehman Brothers North American business and Goldfish), fees associated with Group capital raisings, the cost of the Financial Services Compensation Scheme as well as continued investment in the Global Retail and Commercial Banking distribution network. In addition Barclays Global Investors selective support of liquidity products increased to £263m in the year (2007: £80m).

Operating expenses were reduced by gains from the sale of property of £148m (2007: £267m) as the Group continued the sale and leaseback of some of its freehold portfolio, principally in UK Retail Banking, Barclays Commercial Bank and GRCB - Western Europe.

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

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

Staff Costs

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Salaries and accrued incentive payments	6,273	6,993
Social security costs	464	508
Pension costs		
– defined contribution plans	237	141
– defined benefit plans	89	150
Other post retirement benefits	1	10
Other	715	603
Staff costs	7,779	8,405

Staff costs decreased 7% (£626m) to £7,779m (2007: £8,405m). Salaries and accrued incentive payments fell overall by 10% (£720m) to £6,273m (2007: £6,993m), after absorbing increases of £718m relating to in year hiring and staff from acquisitions. Performance related costs were 48% lower, driven mainly by Barclays Capital.

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

Staff Numbers

	Year Ended Year Ended	
	31.12.08	31.12.07
UK Retail Banking	30,400	30,700
Barclays Commercial Bank	9,800	9,200
Barclaycard	9,600	8,900
GRCB - Western Europe	10,900	8,800
GRCB - Emerging Markets	22,700	13,900
GRCB - Absa	36,800	35,800
Barclays Capital	23,100	16,200
Barclays Global Investors	3,700	3,400
Barclays Wealth	7,900	6,900
Head Office Functions and Other Operations	1,400	1,100
Total Group permanent and fixed term contract staff worldwide	156,300	134,900

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

UK Retail Banking staff numbers decreased 300 to 30,400 (2007: 30,700).

Barclays Commercial Bank staff numbers increased 600 to 9,800 (2007: 9,200) reflecting investment in product expertise, sales and risk capability and associated support areas.

Barclaycard staff numbers increased 700 to 9,600 (2007: 8,900), primarily due to the transfer of staff into Absacard as a result of the acquisition of a majority stake in the South African Woolworth Financial Services business in October 2008.

GRCB - Western Europe staff numbers increased 2,100 to 10,900 (2007: 8,800), reflecting expansion of the retail distribution network.

GRCB - Emerging Markets staff numbers increased 8,800 to 22,700 (2007: 13,900) driven by expansion into new markets and continued investment in distribution in existing countries.

GRCB - Absa staff numbers increased 1,000 to 36,800 (2007: 35,800), reflecting continued growth in the business and investment in collections capacity.

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

Barclays Global Investors staff numbers increased 300 to 3,700 (2007: 3,400). Staff numbers increased primarily in the iShares business due to continued expansion in the global ETF franchise.

Barclays Wealth staff numbers increased 1,000 to 7,900 (2007: 6,900) principally due to the acquisition of the Lehman Brothers North American business.

9. Share of Post-Tax Results of Associates and Joint Ventures

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Profit from associates	22	33
(Loss)/profit from joint ventures	(8)	9
Share of post-tax results of associates and joint ventures	14	42

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

10. Profit on Disposal of Subsidiaries, Associates and Joint Ventures

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Profit on disposal of subsidiaries, associates and joint ventures	327	28

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

11. Acquisitions

The Group made the following material acquisitions in 2008:

a) Lehman Brothers North American businesses

On 22nd September 2008 Barclays completed the acquisition of Lehman Brothers North American businesses.

The acquired assets and liabilities summarised in the following table do not represent the entire balance sheet of Lehman Brothers North American businesses, or of discrete business lines within those operations. For this reason it is not practical to reliably determine the carrying amount of the assets and liabilities in the pre-acquisition books and records of Lehman Brothers.

Certain assets were received subsequent to the acquisition date, since it was first necessary to agree their status as assets of the Group with the relevant regulators, custodians, trustees, exchanges and bankruptcy courts. Such assets were initially classified within loans and advances. Once they were received, the related receivable was derecognised and the resulting asset recognised within the appropriate balance sheet category. In the table such assets are classified accordingly.

The initial accounting for the acquisition has been determined only provisionally. Any revisions to fair values that result from the conclusion of the acquisition process with respect to assets not yet received by the Group will be

recognised as an adjustment to the initial accounting. Any such revisions must be effected within 12 months of the acquisition date and would result in a restatement of the 2008 income statement and balance sheet.

The excess of the fair value of net assets acquired over consideration paid resulted in £2,262m of gains on acquisition.

It is impracticable to disclose the profit or loss of the acquired Lehman Brothers North American businesses since the acquisition date. The acquired business has been integrated into the corresponding existing business lines and there is no reliable basis for allocating post-acquisition results between the acquirer and the acquiree. Similarly, it is impracticable to disclose the revenue and profit or loss of the combined entity as though the acquisition date had been 1 January 2008. Only parts of Lehman Brothers US and Canadian businesses, and specified assets and liabilities, were acquired. There is no reliable basis for identifying the proportion of the pre-acquisition results of Lehman Brothers that relates to the business acquired by the Group.

b) Macquarie Bank Limited Italian residential mortgage businesses.

On 6th November 2008 Barclays purchased the Italian residential mortgage business of Macquarie Bank Limited for a cash consideration of £765m, for fair value net assets of £817m, which gave rise to a gain on acquisition of £52m.

The results of these businesses operations have been included from 6th November 2008 and contributed £1m loss to the consolidated profit before tax.

c) Goldfish credit card UK businesses.

On 31st March 2008, Barclays completed the acquisition of Discover's UK credit card business, Goldfish for a cash consideration of £38m (including attributable costs of £3m), for fair value net assets of £130m, which gave rise to a gain on acquisition of £92m.

The results of this business operation have been included from 31st March 2008 and contributed £40m to the consolidated profit before tax.

d) Expobank

On 1st July 2008, Barclays acquired 100% of the ordinary shares of the Russian bank Expobank for a cash consideration of £393m including attributable costs of £7m, for fair value net assets of £150m, which gave rise to goodwill of £243m

The results of the business's operations have been included from 1st July 2008 and contributed £13m loss to the consolidated profit before tax

The fair value of the assets and liabilities of the material acquisitions, details of purchase price and the gain on acquisition arising are as follows:

	Lehman Brothers North American Businesses	Goldfish Card Services	Macquarie Bank Businesses	Total	Expobank
	Fair Values	Fair Values	Fair Values	Fair Values	Fair Values
	£m	£m	£m	£m	£m
Assets					
Cash and balances at central banks	861	172	3	1,036	73
Trading portfolio assets	23,837	-	-	23,837	52
Loans and advances to banks	-	8	-	8	-
Loans and advances to customers	3,642	1,963	813	6,418	451
Available-for-sale financial investments	1,948	-	-	1,948	-
Other assets	41	38	-	79	9
Intangible assets ¹	888	32	-	920	45
Property, plant and equipment	886	40	1	927	28
Deferred tax asset	229	12	-	241	-
Total assets	32,332	2,265	817	35,414	658
Liabilities					
Deposits from banks	-	-	-	-	71
Customer accounts	2,459	1,974	-	4,433	318
Derivative financial instruments	599	-	-	599	-
Debt securities in issue	-	-	-	-	103
Repurchase agreements and cash collateral on securities lent	24,409	-	-	24,409	-
Other liabilities	1,049	152	-	1,201	16
Deferred tax liabilities	517	9	-	526	-
Total liabilities	29,033	2,135	-	31,168	508
Net assets acquired					
(excludes Obligation to be settled in shares)	3,299	130	817	4,246	150
Obligation to be settled in shares ²	(163)	-	-	(163)	-
Acquisition Cost					
Cash paid	834	35	765	1,634	386
Attributable costs	40	3	-	43	7
Total consideration	874	38	765	1,677	393
Goodwill	-	-	-	-	(243)
Gain on acquisition	2,262	92	52	2,406	-

The excess remaining after the reassessment of the acquiree's identifiable assets, liabilities and contingent liabilities which has been recognised within the consolidated income statement as a gain on acquisition is £2,406m.

1 Intangible assets within the Lehman Brothers North American businesses acquisition included an amount of £636m relating to independently assessed customer lists.

2 Under the terms of the acquisition, the Group assumed an obligation to make payments to employees of the acquired business in respect of their pre-acquisition service provided to Lehman Brothers. This amount represents the equity-settled portion of that obligation and is recognised as a component of shareholders' equity.

12. Tax

The effective rate of tax for 2008, based on profit before tax, was 13% (2007: 28%). The effective tax rate differs from the 2007 effective rate and the UK corporation tax rate of 28.5% principally due to the Lehman Brothers North American businesses acquisition. Under IFRS the gain on acquisition of £2,262m is calculated net of deferred tax liabilities included in the acquisition balance sheet and is thus not subject to further tax in calculating the tax charge for the year. Furthermore, Barclays has tax losses previously unrecognised as a deferred tax asset but capable of sheltering part of this deferred tax liability. This gives rise to a tax benefit of £492m which, in accordance with IAS 12, is included as a credit within the tax charge for the year. The effective rate has been adversely impacted by the effect of the fall in the Barclays share price on the deferred tax asset recognised on share awards. In common with prior years there have been offsetting adjustments relating to different overseas tax rates, disallowable expenditure and non taxable gains and income.

13. Profit Attributable to Minority Interests

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
Absa Group Limited	318	299
Preference shares	390	198
Reserve capital instruments	100	87
Upper Tier 2 instruments	12	16
Barclays Global Investors minority interests	17	40
Other minority interests	68	38
Profit attributable to minority interests	905	678

14. Earnings Per Share

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
Profit attributable to equity holders of the parent	4,382	4,417
Dilutive impact of convertible options	(24)	(25)
Profit attributable to equity holders of the parent including dilutive impact of convertible options	4,358	4,392
Basic weighted average number of shares in issue	7,389	6,410
Number of potential ordinary shares ¹	188	177
Diluted weighted average number of shares	7,577	6,587
Basic earnings per ordinary share	59.3p	68.9p
Diluted earnings per ordinary share	57.5p	66.7p

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the weighted average number of shares excluding own shares held in employee benefit trusts and shares held for trading.

The basic and diluted weighted average number of shares in issue in the year ended 31st December 2008 reflected 1,802 million shares issued during the year and the 2,642 million shares that will be issued following conversion in full of the Mandatorily Convertible Notes. The weighted average number of shares in issue in the year ended 31st December 2008 was increased by 1,034 million shares as a result of this increase.

As required by IAS 33 'Earnings per share', the full 2,642 million shares that will be issued following conversion in full of the Mandatorily Convertible Notes issued during the year were included in the weighted average number of shares calculation from the date the contract was entered into. The basic and diluted earnings per ordinary share therefore reflected the impact of the Mandatorily Convertible Notes issued in 2008.

When calculating the diluted earnings per share, the profit attributable to equity holders of the parent is adjusted for the conversion of outstanding options into shares within Absa Group Limited and Barclays Global Investors UK Holdings Limited. The weighted average number of ordinary shares excluding own shares held in employee benefit trusts and shares held for trading, is adjusted for the effects of all dilutive potential ordinary shares, totalling 188 million (2007: 177 million).

15. Dividends on Ordinary Shares

	Year Ended	Year Ended
Dividends Paid During the Period	31.12.08	31.12.07
	£m	£m
Final dividend (paid 25th April 2008, 27th April 2007)	1,438	1,311
Interim dividend (paid 1st October 2008, 1st October 2007)	906	768
Final dividend	22.5p	20.5p
Interim dividend	11.5p	11.5p

Dividend Proposed

As announced on 13th October 2008, the Board of Barclays concluded that it would not be appropriate to pay a final dividend for 2008.

1 Potential ordinary shares reflect the dilutive impact of share options outstanding.

16. Derivative Financial Instruments

Derivatives Held for Trading – As at 31.12.08 Fair Value	Contract Notional Amount	Assets	Liabilities
	£m	£m	£m
Foreign exchange derivatives	2,639,133	107,113	(113,818)
Interest rate derivatives	37,875,235	613,257	(605,521)
Credit derivatives	4,129,244	184,072	(170,011)
Equity and stock index and commodity derivatives	1,097,170	77,554	(74,721)
Total derivative assets/(liabilities) held for trading	45,740,782	981,996	(964,071)
Derivatives in Hedge Accounting Relationships			
Derivatives designated as cash flow hedges	83,554	1,322	(1,790)
Derivatives designated as fair value hedges	35,702	1,459	(572)
Derivatives designated as hedges of net investments	5,694	25	(1,639)
Total derivative assets/(liabilities) designated in hedge accounting relationships	124,950	2,806	(4,001)
Total recognised derivative assets/(liabilities)	45,865,732	984,802	(968,072)
Derivatives Held for Trading – As at 31.12.07 Fair Value			
	£m	£m	£m
Foreign exchange derivatives	2,208,369	30,348	(30,300)
Interest rate derivatives	23,608,949	139,940	(138,426)
Credit derivatives	2,472,249	38,696	(35,814)
Equity and stock index and commodity derivatives	910,328	37,966	(42,838)
Total derivative assets/(liabilities) held for trading	29,199,895	246,950	(247,378)
Derivatives in Hedge Accounting Relationships			
Derivatives designated as cash flow hedges	55,292	458	(437)
Derivatives designated as fair value hedges	23,952	462	(328)
Derivatives designated as hedges of net investments	12,620	218	(145)
Total derivative assets/(liabilities) designated in hedge accounting relationships	91,864	1,138	(910)
Total recognised derivative assets/(liabilities)	29,291,759	248,088	(248,288)

The £737bn (2007: £110bn) increase in the gross derivative assets has been predominantly driven by significant volatility and movements in yield curves during the year together with a substantial depreciation in Sterling against most major currencies.

Derivative assets and liabilities would be £917,074m (2007: £215,485m) lower than reported under IFRS if netting were permitted for assets and liabilities with the same counterparty or for which we hold cash collateral.

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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.

Derivatives – As at 31.12.08	Gross Assets	Counterparty Netting	Net Exposure
	£m	£m	£m
Foreign Exchange	107,730	91,572	16,158
Interest Rate	615,321	558,985	56,336
Credit derivatives	184,072	155,599	28,473
Equity and stock index	28,684	20,110	8,574
Commodity derivatives	48,995	35,903	13,092
	984,802	862,169	122,633
Total collateral held			54,905
Net exposure less collateral			67,728
Derivatives – As at 31.12.07	£m	£m	£m
Foreign Exchange	30,824	22,066	8,758
Interest Rate	140,504	117,292	23,212
Credit derivatives	38,696	31,307	7,389
Equity and stock index	13,296	12,151	1,145
Commodity derivatives	24,768	15,969	8,799
	248,088	198,785	49,303
Total collateral held			16,700
Net exposure less collateral			32,603

17. Fair Value Measurement of Financial Instruments**Financial assets and liabilities recognised and measured at fair value analysed by valuation technique**

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

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

— Vanilla products are valued using simple models such as discounted cashflow or Black Scholes models however some of the inputs are not observable

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

The table below shows the Group's financial assets and liabilities that are recognised and measured at fair value analysed by valuation technique:

	Valuations Based on Observable Inputs	Valuations Based on Unobservable Inputs			
	Total	Vanilla products	Exotic products	Total	
31st December 2008	£m	£m	£m	£m	£m
Trading Portfolio Assets	174,168	11,469	-	11,469	185,637
Financial Assets Designated at Fair Value					
– held on own account	37,618	16,559	365	16,924	54,542
– held in respect of linked liabilities to customers under investment contracts	66,657	-	-	-	66,657
Derivative Financial Assets	970,028	12,436	2,338	14,774	984,802
Available for Sale Assets	63,149	1,827	-	1,827	64,976
Total Assets	1,311,620	42,291	2,703	44,994	1,356,614
Trading Portfolio Liabilities	(59,436)	(38)	-	(38)	(59,474)
Financial Liabilities Designated at Fair Value	(71,044)	(290)	(5,558)	(5,848)	(76,892)
Liabilities to customers under investment contracts	(69,183)	-	-	-	(69,183)
Derivative Financial Liabilities	(959,518)	(6,151)	(2,403)	(8,554)	(968,072)
Total Liabilities	(1,159,181)	(6,479)	(7,961)	(14,440)	(1,173,621)
31st December 2007	£m	£m	£m	£m	£m
Trading Portfolio Assets	189,234	4,457	-	4,457	193,691
Financial Assets Designated at Fair Value					
– held on own account	39,810	16,819	-	16,819	56,629
	90,851	-	-	-	90,851

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– held in respect of linked liabilities to customers under investment contracts

Derivative Financial Assets	245,381	1,118	1,589	2,707	248,088
Available for Sale Assets	42,262	810	-	810	43,072
Total Assets	607,538	23,204	1,589	24,793	632,331
Trading Portfolio Liabilities	(65,360)	(42)	-	(42)	(65,402)
Financial Liabilities Designated at Fair Value	(68,317)	(951)	(5,221)	(6,172)	(74,489)
Liabilities to customers under investment contracts	(92,639)	-	-	-	(92,639)
Derivative Financial Liabilities	(243,906)	(1,178)	(3,204)	(4,382)	(248,288)
Total Liabilities	(470,222)	(2,171)	(8,425)	(10,596)	(480,818)

Of the total assets of £1,356,614m measured at fair value, £44,994m, 3% of total assets measured at fair value, (£24,793m, 4% as at 31st December 2007) were valued using models with unobservable inputs

Valuations based on unobservable inputs primarily relate to asset backed securities (commercial and residential mortgage), loans and related derivatives; monoline counterparty, fund-linked and other structured and long dated derivatives (including those embedded in structured notes); and private equity and principal investments. The value of those assets measured using unobservable inputs increased by £20,201m to £44,994m as at 31st December 2008. While the derivative assets associated with our monoline exposure accounted for a significant portion of this, further increases arose due to weakness in Sterling, as well as increased illiquidity in the market.

As part of our risk management processes, we apply stress tests on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The results of the most recent stress test showed a potential to increase the fair values by up to £2.4bn (2007: £1.5bn) or to decrease the fair values by up to £3.0bn (2007: £1.2bn) with substantially all the potential effect being recorded in profit or loss rather than equity. The widening of the stress sensitivity over 2007 levels is due to the continued market dislocation and increased volatility in unobservable inputs.

Unobservable Profit

	Year Ended	Year Ended
	31.12.08	31.12.07
	£m	£m
Opening balance	154	534
Additions	77	134
Amortisation and releases	(103)	(514)
Closing balance	128	154

18. Reclassification of Financial Assets Held for Trading

On 16th December 2008 the Group reclassified certain financial assets originally classified as held for trading that were no longer held for the purpose of selling or repurchasing in the near term out of fair value through profit or loss to loans and receivables. At the time of transfer, the Group identified rare circumstances permitting such a reclassification, being severe illiquidity in the relevant market.

The following table shows carrying values and fair values of the assets reclassified at 16th December 2008.

	As at	Year Ended	Year Ended
	16.12.08	31.12.08	31.12.08
	Carrying Value	Carrying Value	Fair Value
	£m	£m	£m
Trading assets reclassified to loans and receivables	4,046	3,986	3,984

As at the date of reclassification, the effective interest rates on reclassified trading assets ranged from 0.18% to 9.29% with undiscounted interest and principal cash flows of £7.4bn.

If the reclassifications had not been made, the Group's income statement for 2008 would have included unrealised fair value losses on the reclassified trading assets of £1.5m.

After reclassification, the reclassified financial assets contributed the following amounts to the 2008 income before income taxes.

	Year Ended
	31.12.08
	£m
Net interest income	4
Provision for credit losses	-
Income before income taxes on reclassified trading assets	4

Prior to reclassification in 2008, £144m of unrealised fair value losses on the reclassified trading assets were recognised in the consolidated income statement for 2008 (2007: £218m loss).

19. Loans and Advances to Banks

	As at	As at
	31.12.08	31.12.07
	£m	£m
By Geographical Area		
United Kingdom	7,532	5,518
Other European Union	12,600	11,102
United States	13,616	13,443
Africa	2,189	2,581
Rest of the World	11,821	7,479
	47,758	40,123
Less: Allowance for impairment	(51)	(3)
Total loans and advances to banks	47,707	40,120

Loans and advances to banks included £3,375m (31st December 2007: £4,210m) of settlement balances and £15,889m (31st December 2007: £10,739m) of cash collateral balances.

20. Loans and Advances to Customers

	As at	As at
	31.12.08	31.12.07
	£m	£m
Retail business	201,588	162,081
Wholesale and corporate business	266,750	187,086
	468,338	349,167
Less: Allowances for impairment	(6,523)	(3,769)
Total loans and advances to customers	461,815	345,398
By Geographical Area		
United Kingdom	216,018	190,347
Other European Union	92,063	56,533
United States	77,387	40,300
Africa	45,230	39,167
Rest of the World	37,640	22,820
	468,338	349,167
Less: Allowance for impairment	(6,523)	(3,769)
Total loans and advances to customers	461,815	345,398

Loans and advances to customers included £26,411m (31st December 2007: £18,249m) of settlement balances and £33,743m (31st December 2007: £13,441m) of cash collateral balances.

21. Allowance for Impairment on Loans and Advances

	As at 31.12.08	As at 31.12.07
	£m	£m
At beginning of period	3,772	3,335
Acquisitions and disposals	307	(73)
Exchange and other adjustments	791	53
Unwind of discount	(135)	(113)
Amounts written off	(2,919)	(1,963)
Recoveries	174	227
Amounts charged against profit	4,584	2,306
At end of period	6,574	3,772
Allowance		
United Kingdom	2,947	2,526
Other European Union	963	344
United States	1,561	356
Africa	857	514
Rest of the World	246	32
At end of period	6,574	3,772
Amounts Charged Against Profit		
New and Increased Impairment Allowances		
United Kingdom	2,160	1,960
Other European Union	659	192
United States	1,529	431
Africa	526	268
Rest of the World	242	20
	5,116	2,871
Less: Releases of Impairment Allowance		
United Kingdom	(212)	(213)
Other European Union	(68)	(37)
United States	(9)	(50)
Africa	(36)	(20)
Rest of the World	(33)	(18)
	(358)	(338)
Less: Recoveries		
United Kingdom	(131)	(154)
Other European Union	(4)	(32)
United States	(1)	(7)
Africa	(36)	(34)
Rest of the World	(2)	-
	(174)	(227)
Total amounts charged against profit	4,584	2,306

22. Provisions

	As at	As at
	31.12.08	31.12.07
	£m	£m
Redundancy and restructuring	118	82
Undrawn contractually committed facilities and guarantees	109	475
Onerous contracts	50	64
Sundry provisions	258	209
	535	830

Undrawn contractually committed facilities and guarantees have decreased primarily as a result of liquidating the remaining mezzanine ABS CDO Super Senior exposures.

23. Retirement Benefit Liabilities

The Group's IAS 19 pension deficit across all schemes as at 31st December 2008 was £1,287m (31st December 2007: surplus of £393m). There are net recognised liabilities of £1,292m (31st December 2007: £1,501m) and unrecognised actuarial gains of £5m (31st December 2007: £1,894m). The net recognised liabilities comprised retirement benefit liabilities of £1,357m (31st December 2007: £1,537m) and assets of £65m (31st December 2007: £36m).

The Group's IAS 19 pension deficit in respect of the main UK scheme as at 31st December 2008 was £858m

(31st December 2007: surplus of £668m). Among the reasons for this change were the large loss on the assets over the year and, to a lesser extent a strengthening of the allowance made for future improvement in mortality. Offsetting these were the increase in AA+ long-term corporate bond yields which resulted in a higher discount rate of 6.75% (31st December 2007: 5.82%), a decrease in the inflation assumption to 3.16% (31st December 2007: 3.45%) and contributions paid.

24. Share Capital and Share Premium

	Number of Shares m	Called Up Share Capital £m	Share Premium £m	Total £m
At 1st January 2008	6,601	1,651	56	1,707
Issued to staff under the Sharesave Share Option Scheme	3	1	13	14
Issued under the Incentive Share Option Plan	1	-	3	3
Issued to staff under the Share Incentive Plan	1	-	2	2
Issue of new ordinary shares	1,803	451	3,971	4,422
Repurchase of shares	(37)	(10)	-	(10)
At 31st December 2008	8,372	2,093	4,045	6,138
At 1st January 2007	6,535	1,634	5,818	7,452
Issued to staff under the Sharesave Share Option Scheme	19	6	62	68
Issued under the Incentive Share Option Plan	10	2	40	42
Issued under the Executive Share Option Scheme	-	-	1	1
Issued under the Woolwich Executive Share Option Plan	-	-	1	1
Transfer to retained earnings	-	-	(7,223)	(7,223)
Issue of new ordinary shares	337	84	1,357	1,441
Repurchase of shares	(300)	(75)	-	(75)
At 31st December 2007	6,601	1,651	56	1,707
			Year Ended	Year Ended
			31.12.08	31.12.07
Ordinary Shares			£m	£m
At beginning of period			1,650	1,633
Issued to staff under the Sharesave Share Option Scheme			1	6
Issued under the Incentive Share Option Plan			-	2
Issue of new ordinary shares			451	84
Repurchase of shares			(9)	(75)
At end of period			2,093	1,650
Staff Shares				
At beginning of period			1	1
Repurchase			(1)	-
At end of period			-	1
Total			2,093	1,651

The authorised share capital of Barclays PLC is £3,540m, US\$77.5m, €40m and ¥4,000m. (31st December 2007: £2,500m) comprising 13,996 million (2007: 9,996 million) ordinary shares of 25p each, 0.4 million Sterling

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preference shares of £100 each, 0.4 million US Dollar preference shares of \$100 each, 150 million US Dollar preference shares of \$0.25 each, 0.4 million Euro preference shares of €100 each, 0.4 million Yen preference shares of ¥10,000 each and 1 million (2007: 1 million) staff shares of £1 each.

25. Total Shareholders' Equity

	As at 31.12.08	As at 31.12.07
	£m	£m
Called up share capital	2,093	1,651
Share premium account	4,045	56
Available for sale reserve	(1,190)	154
Cash flow hedging reserve	132	26
Capital redemption reserve	394	384
Other capital reserve	617	617
Currency translation reserve	2,840	(307)
Other reserves	2,793	874
Other Equity	3,652	-
Retained earnings	24,208	20,970
Less: treasury shares	(173)	(260)
Shareholders' equity excluding minority interests	36,618	23,291
Preference shares	5,927	4,744
Reserve Capital instruments	1,908	1,906
Upper Tier 2 instruments	586	586
Absa minority interests	1,994	1,676
Other minority interests	378	273
Minority interests	10,793	9,185
Total shareholders' equity	47,411	32,476

Total shareholders' equity increased £14,935m to £47,411m (31st December 2007: £32,476m).

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

Retained earnings increased £3,238m to £24,208m (2007: £20,970m). Profit attributable to the equity holders of the parent of £4,382m and the proceeds of capital raisings of £1,410m were partially offset by dividends paid to shareholders of £2,344m. Other equity of £3,652m relates to the issuance of Mandatorily Convertible Notes.

Movements in other reserves, except the capital redemption reserve, reflect the relevant amounts recorded in the consolidated statement of recognised income and expense on page 14.

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

Called up share capital comprises 8,372 million (31st December 2007: 6,600 million) ordinary shares of 25p each and nil (31st December 2007: 1 million) staff shares of £1 each.

During the year, the following share issues took place:

On 4th July 2008, Barclays PLC raised approximately £500m (before issue costs) through the issue of 168.9 million new ordinary shares at £2.96 per share in a firm placing to Sumitomo Mitsui Banking Corporation.

On 22nd July 2008, Barclays PLC raised approximately £3,969m (before issue costs) through the issue of 1,407.4 million new ordinary shares at £2.82 per share in a placing to Qatar Investment Authority, Challenger Universal Limited (a company representing the beneficial interests of His Excellency Sheikh Hamad Bin Jassim Bin Jabr Al-Thani, the chairman of Qatar Holding LLC, and his family), China Development Bank, Temasek Holdings (Private) Limited and certain leading institutional shareholders and other investors, which shares were available for clawback in full by means of an open offer to existing shareholders. Valid applications under the open offer were received from qualifying shareholders in respect of approximately 267 million new ordinary shares in aggregate, representing 19.0 per cent. of the shares offered pursuant to the open offer. Accordingly, the remaining 1,140.3 million shares were allocated to the various investors with whom they had been conditionally placed.

On 18th September 2008, Barclays PLC raised approximately £701m (before issue costs) through the issue of 226 million new ordinary shares at £3.10 per share to certain institutional investors. The proceeds of the issuance, in excess of the nominal value and issue costs, of £634m were credited to retained earnings. This resulted from the operation of section 131 of the Companies Act 1985 with regard to the issue of shares by Barclays PLC in exchange for shares in Long Island Investments Jersey No. 1 Limited and the subsequent redemption of redeemable preference shares of that company for cash.

During the period from 27th November 2008 to 31st December 2008, 33,000 ordinary shares have been issued following conversion of Mandatorily Convertible Notes (see below) at the option of their holders.

Mandatorily Convertible Notes

On 27th November 2008, Barclays Bank PLC issued £4,050m of 9.75% Mandatorily Convertible Notes (MCNs) maturing on 30th September 2009 to Qatar Holding LLC, and entities representing the beneficial interests of HH Sheikh Mansour Bin Zayed Al Nahyan, a member of the Royal Family of Abu Dhabi and existing institutional shareholders and other institutional investors. If not converted at the holders' option beforehand, these instruments mandatorily convert to ordinary shares of Barclays PLC on 30th June 2009. The conversion price is £1.53276, and, after taking into account MCNs that were converted on or before 31st December 2008, will result in the issue of 2,642 million new ordinary shares. Following conversion the relevant amounts will be credited to share capital and share premium.

Of the net proceeds of the MCNs, £233m have been included in liabilities being the fair value of the coupon. The remaining net proceeds are included in Other Equity until conversion (see Note 25).

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 and HH Sheikh Mansour Bin Zayed Al Nahyan. The fair value, net of transaction costs attributable to the warrants is recorded in retained earnings. These may be exercised at any time up to close of business 31st October 2013.

26. Analysis of Statement of Recognised Income and Expense

	Year Ended Year Ended	
	31.12.08	31.12.07
	£m	£m
Available for Sale Reserve		
Net (losses)/gains from changes in fair value	(1,741)	484
Losses transferred to net profit due to impairment	382	13
Net gains transferred to net profit on disposal	(209)	(563)
Net (gains)/losses transferred to net profit due to fair value hedging	(2)	68
Net movements in available for sale reserves	(1,570)	2
Cash Flow Hedging Reserve		
Net gains from changes in fair value	305	106
Net losses transferred to net profit	71	253
Net movements in cash flow hedging reserve	376	359
Net movements in currency translation reserve	2,407	54
Tax	841	54
Other movements	(5)	22
Amounts included directly in equity	2,049	491
Profit after tax	5,287	5,095
Total recognised income and expense	7,336	5,586

The consolidated statement of recognised income and expense reflects all items of income and expense for the period, including items taken directly to equity. Movements in individual reserves are shown including amounts which relate to minority interests; the impact of such amounts is then reflected in the amount attributable to such interests. Movements in individual reserves are also shown on a pre-tax basis with any related tax recorded on the separate tax line.

The available for sale reserve reflects gains or losses arising from the change in fair value of available for sale financial assets until disposal. The exceptions to reflect fair value movements through the income statement are impairment losses, gains or losses transferred to the income statement due to fair value hedge accounting and foreign exchange gains or losses on monetary items such as debt securities. When an available for sale asset is impaired or derecognised, the cumulative gain or loss previously recognised in the available for sale reserve is transferred to the income statement. The loss of £1,741m (2007: gain of £484m) from changes in fair value and £382m (2007: £13m) due to impairment reflects the downturn across the US credit markets. The decrease in net gains transferred to net profit is primarily due to the lower level of disposals.

Cash flow hedging aims to minimise exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss. The fair value gain or loss associated with the effective portion of the hedge is initially recognised in shareholders' equity, and recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately. The movement in 2008 relates to an increase in the fair value of received fixed interest rate swaps. These gains were partially offset by losses on interest rate swaps entered into as the payer of US Dollars.

Exchange differences arising on the net investments in foreign operations and effective hedges of net investments are recognised in the currency translation reserve and transferred to the income statement on the disposal of the net investment. The currency movement on net investments is also hedged through preference share capital that is not

revalued for accounting purposes and therefore not recognised in the consolidated statement of recognised income and expense. The movement in 2008 primarily reflects the impact of changes in the value of the US Dollar, Euro and Yen against Sterling. These movements largely reflect the value of currency movements on net investments which are economically hedged through preference share capital that is not revalued for accounting purposes and on net investments which are hedged on a post-tax basis.

27. Contingent Liabilities and Commitments

	As at 31.12.08	As at 31.12.07
	£m	£m
Acceptances and endorsements	585	365
Guarantees and letters of credit pledged as collateral security	15,652	12,973
Securities lending arrangements	38,290	22,719
Other contingent liabilities	11,783	9,717
Contingent liabilities	66,310	45,774
Documentary credits and other short-term trade related transactions	859	522
Undrawn note issuance and revolving underwriting facilities:		
Forward asset purchases and forward deposits placed	291	283
Standby facilities, credit lines and other	259,666	191,834
Commitments	260,816	192,639

The Group facilitates securities lending arrangements for its investment management clients whereby securities held by funds are lent to third parties. The borrowers provide the funds with collateral in the form of cash or other assets equal to at least 100% of the securities lent plus a margin of at least 2% up to 8%. Over the period of the loan, the funds may make margin calls to the extent that the collateral is less than the market value of the securities lent. Amounts disclosed above represent the total market value of the lent securities at 31st December 2008. The market value of collateral held by the funds was £39,690m (2007: £23,559m).

28. Adjusted Gross Leverage

	Pro Forma 31.12.08	As at 31.12.08	As at 31.12.07
	£m	£m	£m
Adjusted Gross Leverage			
Total assets		2,052,980	1,227,361
Counterparty net / collateralised derivatives (note 16)		(917,074)	(215,485)
Financial assets designated at fair value and associated cash balances			
– held in respect of linked liabilities to customers under investment contracts		(69,183)	(92,639)
Net Settlement Balances (note 19 and 20)		(29,786)	(22,459)
Goodwill and intangible assets		(10,402)	(8,296)
Adjusted total tangible assets		1,026,535	888,482
Total qualifying Tier 1 capital	42,246	37,250	26,743
Adjusted gross leverage	24	28	33

29. Legal Proceedings

Barclays has for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On 20th July 2006 Barclays received an Order from the United States District Court for the Southern District of Texas Houston Division which dismissed the claims against Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. in the Newby litigation. On 4th December 2006 the Court stayed Barclays dismissal from the proceedings and allowed the plaintiffs to file a supplemental complaint. On 19th March 2007 the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by Barclays and two other financial institutions contesting a ruling by the District Court allowing the Newby litigation to proceed as a class action. The Court of Appeals held that because no proper claim against Barclays and the other financial institutions had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs applied to the United States Supreme Court for a review of this decision. On 22nd January 2008, the United States Supreme Court denied the plaintiffs' request for review. Following the Supreme Court's decision, the District Court ordered a further briefing concerning the status of the plaintiffs' claims. Barclays is seeking the dismissal of the plaintiffs' claims. Barclays considers that the Enron related claims against it are without merit and is defending them vigorously. It is not possible to estimate Barclays possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

Like other UK financial services institutions, the Group faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the Unfair Terms in Consumer Contracts Regulations 1999 ("UTCCR") or are unenforceable penalties or both. In July 2007, by agreement with all parties, the OFT commenced proceedings against seven banks and one building society, including Barclays, to resolve the matter by way of a "test case" process. Preliminary issues hearings took place in January, July and December 2008 with judgments handed down in April and October 2008 and January 2009 (a further judgment not concerning Barclays terms). As to current terms, in April 2008 the Court held in favour of the banks on the issue of the penalty doctrine. The OFT did not appeal that decision. In the same judgment the Court held in favour of the OFT on the issue of the applicability of the UTCCR. The banks appealed that decision. As to past terms, in a judgment on 8th October 2008, the Court held that Barclays historic terms, including those of Woolwich, were not capable of being penalties. The OFT indicated at the January 2009 hearing that it was not seeking permission to appeal the Court's findings in relation to the applicability of the penalty doctrine to historic terms. Accordingly, it is now clear that no declarations have or will be made against Barclays that any of its unauthorised overdraft terms assessed in the test case constitute unenforceable penalties and that the OFT will not pursue this aspect of the test case further. The banks' appeal against the decision in relation to the applicability of the UTCCR (to current and historic terms) took place at a hearing in late October 2008. The hearing concluded on 5th November with judgment reserved. A judgment from the Court of Appeal is expected in the first quarter of 2009. The proceedings will now concentrate exclusively on UTCCR issues. It is likely that they will still take a significant period of time to conclude. Pending resolution of the test case process, existing and new claims in the County Courts remain stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. The Group is defending the test case vigorously. It is not practicable to estimate the Group's possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period.

Barclays is engaged in various other litigation proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against it which arise in the ordinary course of business. Barclays does not expect the ultimate resolution of any of the proceedings to which Barclays is party to have a significant adverse effect on the financial position of the Group and Barclays has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claims.

30. Competition and Regulatory Matters

The scale of regulatory change remains challenging, arising in part from the implementation of some key European Union (“EU”) directives. Many changes to financial services legislation and regulation have come into force in recent years and further changes will take place in the near future. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and beyond the Group’s control but could have an impact on the Group’s businesses and earnings.

In September 2005, the Office of Fair Trading (“OFT”) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (“PPI”). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006 the OFT announced the outcome of the market study and the OFT referred the PPI market to the UK Competition Commission (“CC”) for an in-depth inquiry in February 2007. In June 2008, the CC published its provisional findings. The CC published its final report into the PPI market on 29 January 2009. The CC’s conclusion is that the businesses which offer PPI alongside credit face little or no competition when selling PPI to their credit customers. The CC has set out a package of measures which it considers will introduce competition into the market (the “Remedies”). The Remedies, which are expected to be implemented (following consultation) in 2010, are: a ban on sale of PPI at the point of sale; a prohibition on the sale of single premium PPI; mandatory personal PPI quotes to customers; annual statements for all regular premium policies, including the back book (for example credit card and mortgage protection policies); measures to ensure that improved information is available to customers; obliging providers to give information to the OFT to monitor the Remedies and to provide claims ratios to any person on request. Barclays is reviewing the report and considering the next steps, including how this might affect the Group’s different products.

In October 2006, the FSA published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly and that the FSA would strengthen its actions against such firms. Tackling poor PPI sales practices remains a priority for the FSA, with their most recent update on their thematic work published in September 2008. Barclays voluntarily complied with the FSA’s request to cease selling single premium PPI by the end of January 2009. There has been no enforcement action against Barclays in respect of its PPI products. The Group has cooperated fully with these investigations into PPI and will continue to do so.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT is progressing its investigations in the Visa interchange case and a second MasterCard interchange case in parallel and both are ongoing. The outcome is not known but these investigations may have an impact on the consumer credit industry in general and therefore on the Group’s business in this sector. In February 2007 the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29 March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT initiated a market study into personal current accounts (“PCAs”) in the UK on 26 April 2007. The study’s focus was PCAs but it also included an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. On 16 July 2008, the OFT published its market study report, in which it concluded that certain features of the UK PCA market were not working well for consumers. The OFT reached the provisional view that some form of regulatory intervention is necessary in the UK PCA market. On 16 July 2008, the OFT also announced a consultation to seek views on the findings and possible measures to address the issues raised in its report. The consultation period closed on 31 October 2008. The Group has participated fully in the market study process and will continue to do so.

US laws and regulations require compliance with US economic sanctions, administered by the Office of Foreign Assets Control, against designated foreign countries, nationals and others. HM Treasury regulations similarly require compliance with sanctions adopted by the UK government. The Group has been conducting an internal review of its conduct with respect to US Dollar payments involving countries, persons and entities subject to these sanctions and has been reporting to governmental authorities about the results of that review. The Group received inquiries relating to these sanctions and certain US Dollar payments processed by its New York branch from the New York County District Attorney's Office and the US Department of Justice, which along with other authorities, has been reported to be conducting investigations of sanctions compliance by non-US financial institutions. The Group has responded to those inquiries and is cooperating with the regulators, the Department of Justice and the District Attorney's Office in connection with their investigations of Barclays conduct with respect to sanctions compliance. Barclays has also received a formal notice of investigation from the FSA, and has been keeping the FSA informed of the progress of the US investigations and Barclays internal review. Barclays review is ongoing. It is currently not possible to predict the ultimate resolution of the issues covered by Barclays review and the investigations, including the timing and potential financial impact of any resolution, which could be substantial.

The Financial Services Compensation Scheme provides compensation to customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. During the year, a number of institutions failed, including Bradford & Bingley plc, Heritable Bank plc, Kaupthing Singer & Friedlander Limited, Landsbanki 'Icesave', and London Scottish Bank plc. In order to meet its obligations to the depositors of these institutions, the FSCS has borrowed £19.7 billion from HM Treasury, which is on an interest only basis until September 2011. These borrowings are anticipated to be repaid wholly or substantially from the realisation of the assets of the above named institutions. The FSCS raises annual levies from the banking industry to meet its management expenses and compensation costs. Individual institutions make payments based on their level of market participation (in the case of deposits, the proportion that their protected deposits represent of total market protected deposits) at 31st December each year. If an institution is a market participant on this date it is obligated to pay a levy. Barclays Bank PLC was a market participant at 31st December 2007 and 2008. The Group has accrued £101m for its share of levies that will be raised by the FSCS including the interest on the loan from HM Treasury in respect of the levy years to 31st March 2010. The accrual includes estimates for the interest FSCS will pay on the loan and estimates of Barclays market participation in the relevant periods. Interest will continue to accrue on the HM Treasury loan to the FSCS until September 2011 and will form part of future FSCS management expenses levies. If the assets of the failed institutions are insufficient to repay the HM Treasury loan in 2011, the FSCS will agree a schedule of repayments with HM Treasury, which will be recouped from the industry in the form of additional levies. At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Barclays market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.

31. Events After the Balance Sheet Date

On 2nd February 2009, Barclays completed the acquisition of PT Bank Akita, which was announced initially on 17th September 2008, following the approval of the Central Bank of Indonesia.

Other Information

Share Capital

The Group manages its debt and equity capital actively. The Group's authority to buy back ordinary shares (up to 984.9 million ordinary shares) was renewed at the 2008 Annual General Meeting. The Group will seek to renew its authority to buy back ordinary shares at the 2009 Annual General Meeting to provide additional flexibility in the management of the Group's capital resources.

At the 2008 Annual General Meeting, shareholders approved the creation of Sterling, Dollar, Euro and Yen preference shares ('Preference Shares') in order to provide the Group with more flexibility in managing its capital resources. No preference shares have been issued.

During the first half of 2008 Barclays repurchased in the market 36,150,000 of its ordinary shares of 25p each at a total cost of £171,923,243. This was the completion of the repurchase programme in order to minimise the dilutive effect on its existing shareholders of the issuance of a total of 336,805,556 Barclays ordinary shares to Temasek Holdings and China Development Bank in 2007.

Barclays purchased all of its staff shares in issue, following approval for such purchase being given at the 2008 Annual General Meeting, at a total cost of £1,023,054.

Group Share Schemes

The independent trustees of the Group's share schemes may make purchases of Barclays PLC ordinary shares in the market at any time or times following this announcement of the Group's results for the purposes of those schemes' current and future requirements. The total number of ordinary shares purchased would not be material in relation to the issued share capital of Barclays PLC.

Other Information

General Information

Registered Office

1 Churchill Place, London, E14 5HP, United Kingdom. Tel: +44 (0) 20 7116 1000.
Company number: 48839

Website

www.barclays.com

Registrar

The Registrar to Barclays, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom.
Tel: 0871 384 2055 (calls to this number are charged at 8p per minute if using a BT landline. Call charges may vary if using other providers) or +44 121 415 7004 from overseas.

Listing

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. Trading on the New York Stock Exchange is in the form of ADSs under the ticker symbol 'BCS'. Each ADS represents four ordinary shares of 25p each and is evidenced by an ADR. The ADR depository is JPMorgan Chase Bank, whose international telephone number is +1-651-453-2128, whose domestic telephone number is 1-800-990-1135 and whose address is JPMorgan Chase Bank, N.A., PO Box 64504, St. Paul, MN 55164-0504, USA.

Filings with the SEC

Statutory accounts for the year ended 31st December 2008, which also include certain information required for the Joint Annual Report on Form 20-F of Barclays PLC and Barclays Bank PLC to the Securities Exchange Commission (SEC), can be obtained from Corporate Communications, Barclays Bank PLC, 200 Park Avenue, New York, NY 10166, United States of America or from the Director, Investor Relations at Barclays registered office address, shown above, once they have been published in late March. Once filed with the SEC, copies of the form 20-F will also be available from the Barclays Investor Relations website (www.barclays.com/investorrelations) and from the SEC's website (www.sec.gov)

Other Information**General Information (continued)****Results Timetable**

Item	Date
2009 Annual General Meeting	Thursday, 23rd April 2009
2009 First Quarter Interim Management Statement ¹	Thursday, 14th May 2009
2009 Interim Results ¹	Thursday, 6th August 2009

Economic Data

	31.12.08	31.12.07	Change
Period end - US\$/£	1.46	2.00	37%
Average - US\$/£	1.86	2.00	8%
Period end - €/£	1.04	1.36	31%
Average - €/£	1.26	1.46	16%
Period end - ZAR/£	13.74	13.64	(1%)
Average - ZAR/£	15.17	14.11	(7%)

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More information on Barclays can be found on our website at the following address:

www.barclays.com/investorrelations

1 Note that these announcement dates are provisional and subject to change

Glossary of Terms

'Adjusted gross leverage' is calculated as set out in note 28

'Average net income generated per member of staff' is defined as total operating income compared to the average of staff numbers for the reporting period.

'Compensation:net income ratio' is defined as staff compensation based costs compared to total income net of insurance claims less impairment charges.

'Cost:income ratio' is defined as operating expenses compared to total income net of insurance claims.

'Cost:net income ratio' is defined as operating expenses compared to total income net of insurance claims less impairment charges.

'CRL' is defined as Credit Risk Loans.

'Daily Value at Risk (DVaR)' is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a defined confidence level.

'Economic profit' is defined as profit after tax and minority interests less capital charge (average shareholder's equity excluding minority interests multiplied by the Group cost of capital.)

'Gain on acquisition' is defined as the amount by which the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, recognised in a business combination, exceeds the cost of the combination.

'Income' refers to total income net of insurance claims, unless otherwise specified.

'Return on average economic capital' is defined as attributable profit compared to average economic capital.

'Risk tendency' is a statistical estimate of the average loss for each loan portfolio for a 12-month period, taking into account the size of the portfolio and its risk characteristics under current economic conditions, and is used to track the change in risk as the portfolio of loans changes over time.

Absa Definitions

'Absa' refers to the results for Absa Group Limited as consolidated into the results of Barclays PLC; translated into Sterling with adjustments for amortisation of intangible assets, certain head office adjustments, transfer pricing and minority interests.

'Absa Capital' is the portion of Absa's results that is reported by Barclays within Barclays Capital.

'Absa Card' is the portion of Absa's results that is reported by Barclays within Barclaycard.

'Absa Group Limited' refers to the consolidated results of the South African group of which the parent company is listed on the Johannesburg Stock Exchange (JSE Limited) in which Barclays owns a controlling stake.

