BARCLAYS PLC
Form 20-F
March 21, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from ______________ to ______________

OR

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

Date of event requiring this shell company report ______________

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

BARCLAYS PLC

BARCLAYS BANK PLC

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

ENGLAND

(Jurisdiction of Incorporation or Organization)

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

(Address of Principal Executive Offices)

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

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

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

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

Barclays PLC

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

Table of Contents

ordinary shares

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

Barclays Bank PLC

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

Table of Contents

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

Table of Contents

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

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

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

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

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

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

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

Yes þ No ¨

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

Yes ¨ No þ

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

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

Yes þ No ¨

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

Table of Contents

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

Yes ¨ No ¨

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

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

Barclays PLC

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

Barclays Bank PLC

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

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

U.S. GAAP ¨

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

Other ¨

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

Item 17 ¨

Item 18 ¨

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

Yes ¨ No þ

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

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

Yes ¨ No ¨

Table of Contents

Certain non-IFRS measures

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

Market and other data

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

Forward-looking statements

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

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

Certain terms

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

Unless otherwise stated, the income statement analyses compare the twelve months to 31st December 2010 to the corresponding twelve months of 2009 or the twelve months of 2009 to the corresponding twelve months of 2008, as applicable, and balance sheet comparisons relate to the corresponding position at 31st December 2009. Unless otherwise stated, all disclosed figures relate to continuing operations. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards (IFRS) are explained in the glossary on pages 300 to 306.

Table of Contents

SEC Form 20-F Cross reference information

Table of Contents

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

Table of Contents

Contents

Business Review

Risk management and governance

Additional financial information

Financial statements

Shareholder information

Table of Contents

02

Key performance indicators

Capital KPIs

Definition	Why it s important to the business and management		
Core Tier 1 ratio			
Capital requirements are part of the regulatory framework governing how banks and depository institutions are managed. Capital ratios express a bank s capital as a percentage of its risk weighted assets. Both Core Tier 1 and Tier 1 capital resources are defined by the UK FSA. Core Tier 1 is broadly tangible shareholders funds less certain capital deductions from Tier 1.	The Group s capital management activities seek to maximise shareholders value by prudently optimising the level and mix of its capital resources. The Group s capital management objectives are to maintain sufficient capital resources to: ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set by the UK FSA and US Federal Reserve; ensure locally regulated subsidiaries can meet their minimum regulatory capital requirements; support the Group s risk appetite and economic capital requirements; and support the Group s credit rating.	10 09 08	10.8% 10.0% 5.6%
	During 2010, the Group s Core Tier 1 ratio improved 0.8% to 10.8%, largely through £3.6bn of attributable profits, demonstrating the Group s ability to generate capital organically.		
Adjusted gross leverage			
Adjusted gross leverage is defined as the multiple of adjusted total tangible assets over total qualifying Tier 1 capital. Adjusted total tangible assets are total assets less derivative counterparty netting, assets under management on the balance sheet, settlement balances, goodwill and intangible assets. Tier 1 capital is defined by the UK FSA.	Barclays believes that there will be more capital and less leverage in the banking system and that lower levels of leverage are regarded as a key measure of stability going forward. This is consistent with the views of our regulators and investors.	10 09 08	20x 20x 28x
Adjusted gross leverage is a non-IFRS measure. More information on the ratio of total assets to total shareholders information is provided on page 104. The ratio of total assets to total shareholders equity as at 31st December 2010, 2009 and 2008 was 24x, 24x and 43x, respectively.	In 2010, adjusted gross leverage remained stable at 20 times principally as a result of a £3.9 billion increase in Tier 1 Capital to £53.5 billion offset by the impact of a £84.6 billion increase in adjusted total tangible assets.		

Returns KPIs

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

shareholders. We allocate capital to business units based on an assumed Core Tier 1 ratio of 9% and we retain excess capital at Group Centre as a buffer.

09	6.7%
08	14.3%

Return on average tangible equity (RoTE) is calculated as profit after tax attributable to equity holders of the parent divided by average shareholders equity for the year, excluding non-controlling interests, goodwill and intangible assets.

Returns lie at the heart of our capital allocation. All of our businesses except Western Europe Retail Banking and Barclays Corporate had returns on tangible equity in excess of the 2010 cost of equity of 12.5%.

RoTE

10	8.7%
09	9.0%
08	21.3%

Table of Contents

03

Returns KPIs continued

Definition	Why it s important to the business and management	
Profit before tax		
Profit before tax is the primary profitability measure used to assess performance. Profit before tax represents total income less impairment charges and operating expenses.	Profit before tax is a key indicator of financial performance to many of our stakeholders.	Profit before tax 10 £6,065m 09 £4,585m 08 £5,136m
Cost: income ratio		
Group cost: income ratio is defined as operating expenses compared to total income net of insurance claims.	This is a measure management uses to assess the productivity of the business operations. Restructuring the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income.	10 64% 09 57% 08 63%
Loan loss rate		
The loan loss rate represents the impairment charge on loans and advances as a proportion of the period end balances.	The granting of credit is one of Barclays major sources of income and its most significant risk. The loan loss rate is an indicator of the cost of granting credit. During 2010 impairment continued to improve across all our businesses with one exception, the corporate portfolio in Spain, resulting in a loan loss rate of 118bps compared to 156bps reported in 2009.	10 118 bps 09 156 bps 08 95 bps

Dividend

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

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

10	5.5p
09	2.5p
08	11.5p

Table of Contents

04

Key performance indicators

continued

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

Geographic split of income

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

Citizenship KPIs

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

Table of Contents

05

Citizenship KPIs continued

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

Table of Contents

About Barclays

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

Group total income

£31,440m

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

UK Retail Banking £4,518m total income

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

Barclaycard £4,024m total income

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

Western Europe Retail Banking £1,164m total income

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

Barclays Africa £801m total income

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

Absa £2,899m total income

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

Barclays Capital £13,600m total income

Barclays Capital is the investment banking division of Barclays. It provides large corporate, government and institutional clients with a full spectrum of solutions to meet their strategic advisory, financing and risk management needs. These include the following products and services: Fixed income, currency and commodities, which includes interest rate, foreign exchange, commodities, emerging markets, money markets, and credit; Equities, which include cash and equity derivatives and prime services; Investment Banking, which includes financial advisory, equity and debt underwriting; and Principal Investments. Barclays Capital has a global presence providing advisory services and distribution power to meet the needs of issuers and investors worldwide.

Barclays Corporate £2,974m total income

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

Barclays Wealth £1,560m total income

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

Investment Management £78m total income

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

Head Office and Other Operations £178m total loss

Head Office Functions and Other Operations comprise head office and central support functions, businesses in transition and consolidation adjustments. Head office and central support functions include the following areas: Executive Management, Finance, Property, Treasury, Corporate Secretariat and Corporate Development, Tax, Investor Relations, Risk, Human Resources, Legal Corporate Affairs.

Table of Contents

Financial review

Consolidated summary income statement

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

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

Note

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

Table of Contents

Financial review

Income statement commentary

2010

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

Total income net of insurance claims increased 8% to £31,440m (2009: £29,123m). Barclays Capital reported a 17% increase in total income to £13,600m (2009: £11,625m). This reflected a substantial reduction in losses taken through income relating to credit market exposures which fell to £124m (2009: £4,417m) and a gain relating to own credit of £391m (2009: loss of £1,820m). Top-line income[a] at Barclays Capital, which excludes these items, declined 25% to £13,333m relative to the exceptionally strong levels seen in 2009. There was good growth in UK Retail Banking and Barclays Africa, with income flat in Barclaycard, and a decline in Western Europe Retail Banking. Income was up 14% in Absa. Barclays Corporate reported a decrease in income of 7% and income was up 18% in Barclays Wealth.

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

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

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

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

2009

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

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

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

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

Note

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

Table of Contents

Financial review

Income statement commentary continued

Net interest income

2010

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

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

2009

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

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

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

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

Non-interest income

2010

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

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

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

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

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

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

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

Table of Contents

10

2009

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

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

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

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

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

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

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

Impairment charges and other credit provisions

2010

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

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

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

2009

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

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

Financial review

Income statement commentary continued

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

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

Operating expenses

2010

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

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

2009

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

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

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

Staff costs

2010

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

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

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

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

Table of Contents

12

2009

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

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

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

Staff numbers

2010

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

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

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

Note

a Excludes 2,400 employees (2009: 2,500; 2008: Nil) of consolidated entities engaged in activities that are not closely related to our principal businesses.

Barclays Capital staff numbers increased 1,600 to 24,800 (2009: 23,200) as a result of investment in sales, origination, trading and research activities. Barclays Corporate staff numbers decreased 1,000 to 11,900 (2009: 12,900) primarily reflecting restructuring in New Markets.

2009

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

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

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

Table of Contents

Financial review

Income statement commentary continued

Administration and general expenses

2010

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

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

2009

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

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

Share of post-tax results of associates and joint ventures

2010

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

2009

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

Profit on disposals and gain on acquisitions

2010

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

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

2009

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

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

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

Table of Contents

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

Tax

2010

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

2009

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

Profit for the year from discontinued operations

2010

There were no discontinued operations in 2010.

2009

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

Table of Contents

15

Financial review

Consolidated summary balance sheet

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

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

Note

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

Table of Contents

16

Financial review

Balance sheet commentary

Total assets

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

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

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

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

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

Total liabilities

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

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

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

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

Table of Contents

Financial review

Balance sheet commentary continued

Shareholders equity

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

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

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

Adjusted gross leverage

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

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

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

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

The Basel Committee of Banking Supervisors (BCBS) issued final guidelines for Basel III: a global regulatory framework for more resilient banks and banking systems in December 2010. The guidelines include a proposed leverage metric, to be implemented by national supervisors in parallel run from 1st January 2013 (migrating to a Pillar 1 measure by 2018). The metric is the ratio of exposure to Tier 1 capital calculated on a Basel III basis, with exposure representing total assets and certain off balance sheet items, the potential future exposure on derivative contracts, less netting permitted under applicable UK regulatory rules and those assets deducted from Tier 1 capital. The final implementation of Basel III may result in the future calculation of this ratio being on a different basis. Based on our interpretation of the current BCBS proposals the Group s Basel III leverage ratio as at 31st December 2010 would be within the proposed limit of 33x.

Further details on leverage and the reasons for monthly fluctuations are provided on page 104.

Table of Contents

18

Capital management

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

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

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

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

Liquidity and Funding

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

The Basel III guidelines propose two new liquidity metrics: the Liquidity Coverage Ratio, which measures short-term liquidity stress and is broadly consistent with the FSA framework, and the Net Stable Funding Ratio, which measures the stability of long-term structural funding. Applying the metrics to the Group balance sheet as at 31st December 2010, the Liquidity Coverage Ratio was estimated at 80% and the Net Stable Funding Ratio was estimated at 94%. For details of the definition of Net Stable Funding Ratio and Liquidity Coverage Ratio see the glossary on page 300.

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

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

As at 31.12.10	Barclays PLC	Barclays Bank PLC
Standard & Poor s		
Long Term	A+	AA-
Short Term	A- 1	A- 1+
Moody s		
Long Term	A1	Aa3

Short Term	P-1	P-1
BFSR	n/a	C(Stable)
Fitch		
Long Term	AA-	AA-
Short Term	F1+	F1+
DBRS		
Long Term		AA (High)
Short Term		R-1 (High)

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

Table of Contents

Financial review

Analysis of results by business

Business performance

UK Retail Banking

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

Analysis of results by business	UK Retail Banking £m	Barclaycard £m	Western Europe Retail Banking £m	Barclays Africa £m	Absa £m	Barclays Capital £m	Barclays Corporate £m	Barclays Wealth £m	Investment Manage-ment £m	Head Office Functions and Other Operations £m
As at 31st December 2010										
Total income net of insurance claims	**4,518**	**4,024**	**1,164**	**801**	**2,899**	**13,600**	**2,974**	**1,560**	**78**	**(178)**
Impairment charges and other credit provisions	**(819)**	**(1,688)**	**(314)**	**(82)**	**(480)**	**(543)**	**(1,696)**	**(48)**		**(2)**
Net operating income	**3,699**	**2,336**	**850**	**719**	**2,419**	**13,057**	**1,278**	**1,512**	**78**	**(180)**
Operating expenses	**(2,809)**	**(1,570)**	**(1,033)**	**(608)**	**(1,810)**	**(8,295)**	**(1,907)**	**(1,349)**	**(11)**	**(579)**
Share of post tax results of associates and joint ventures	**(1)**	**25**	**15**		**3**	**18**	**(2)**			
Profit on disposal of subsidiaries, associates and joint ventures				**77**	**4**					
Gain on acquisitions	**100**		**29**							
Profit /(loss) before tax from continuing operations	**989**	**791**	**(139)**	**188**	**616**	**4,780**	**(631)**	**163**	**67**	**(759)**
Total assets (£bn)	**121.6**	**30.3**	**53.6**	**7.9**	**52.4**	**1,094.8**	**85.7**	**17.8**	**4.6**	**20.9**
Risk Weighted Assets (£bn)	**35.3**	**31.9**	**17.3**	**8.0**	**30.4**	**191.3**	**70.8**	**12.4**	**0.1**	**0.6**
As at 31st December 2009										
Total income net of insurance claims	4,276	4,041	1,318	739	2,553	11,625	3,181	1,322	40	28
Impairment charges and other credit provisions	(1,031)	(1,798)	(338)	(121)	(567)	(2,591)	(1,558)	(51)		(16)
Net operating income	3,245	2,243	980	618	1,986	9,034	1,623	1,271	40	12
Operating expenses	(2,538)	(1,527)	(887)	(538)	(1,451)	(6,592)	(1,466)	(1,129)	(17)	(570)
Share of post tax results of associates and joint ventures	3	8	4		(4)	22				1
		3	157	24	(3)			1	(1)	7

Profit/(loss) on disposal of subsidiaries, associates and joint ventures										
Gain on acquisitions			26							
Profit/(loss) before tax from continuing operations	710	727	280	104	528	2,464	157	143	22	(550)
Total assets (£bn)	109.3	30.3	51.0	7.9	45.8	1,019.1	88.8	14.9	5.4	6.4
Risk Weighted Assets (£bn)	35.9	30.6	16.8	7.6	21.4	181.1	76.9	11.4	0.1	0.9

Barclaycard

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

Western Europe Retail Banking

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

Barclays Africa

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

Absa

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

Barclays Capital

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

Impairment charges, including impairment of £532m relating to the Protium loan which follows a reassessment of the expected realisation period, improved significantly to £543m (2009: £2,591m), resulting in a 45% increase in net operating income to £13,057m. Operating expenses increased 26% which largely reflected the continuing investment in our sales, origination, trading and research activities, increased charges relating to prior year deferrals and restructuring costs. The cost: net income ratio was 64% (2009: 73%) and compensation costs represented 42% of income (2009: 38%). Excluding the impact of own credit, the cost: net income ratio was 65% (2009: 61%) and compensation costs represented 43% of income (2009: 33%)[b].

Barclays Corporate

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

Barclays Wealth

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

Investment Management

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

Head Office Functions and Other Operations

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

Note

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

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

Table of Contents

Financial review

Analysis of results by business continued

UK Retail Banking

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

Performance

2010

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

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

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

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

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

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

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

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

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

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

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

Note

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

Table of Contents

22

2009

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

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

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

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

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

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

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

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

	2010	2009	2008
Performance Measures			
Loan loss rate (bps)	**70**	98	n/a
3 month arrears rates UK loans	**2.6%**	3.8%	n/a
Cost: income ratio	**62%**	59%	55%
Cost: net income ratio	**76%**	78%	63%

Financial review

Analysis of results by business continued

Barclaycard

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

Performance

2010

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

24

2009

Barclaycard profit before tax decreased 5% to £727m (2008: £766m). Strong income growth across the portfolio driven by increased lending, improved margins and foreign exchange gains, was offset by higher impairment charges, driven by the deterioration in the global economy in 2009.

International businesses profit before tax decreased 59% to £107m (2008: £261m) driven by the US business. Strong income growth driven by higher average extended credit balances was more than offset by impairment growth, especially in the US and South African businesses, and increased operating expenses. In the UK our businesses benefited from an improvement in margins and growth in average extended balances leading to income increasing 18% to £2,493m (2008: £2,114m). Income growth was partially offset by the growth in impairment as worsening economic conditions impacted delinquencies.

Income increased 25% to £4,041m (2008: £3,221m) reflecting strong growth across the portfolio, especially in the international businesses through higher extended credit balances, lower funding rates and the appreciation of the average values of the US Dollar and the Euro against Sterling.

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

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

Investment income of £23m (2008: £80m) included a £20m gain from the sale of MasterCard shares (2008: £16m). Investment income in 2008 included a £64m gain from the Visa IPO.

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

Impairment charges increased 64% to £1,798m (2008: £1,097m). The rate of growth in the second half of 2009 was lower than that in the first half. Impairment charges in the international businesses increased £444m, driven by higher delinquencies due to deteriorating economic conditions growth in average receivables and the appreciation of the average values of the US Dollar and the Euro against Sterling. UK portfolio charges were higher as a result of rising delinquencies due to the economic deterioration, especially in the loan portfolios, and the inclusion of Goldfish in UK Cards.

Operating expenses increased 6% to £1,527m (2008: £1,447m), due to the appreciation in the average value of the US Dollar and the Euro against Sterling and growth in the portfolios including the acquisitions made in the UK, US and South Africa in 2008.

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

Total assets decreased 2% to £30.3bn (31st December 2008: £31.0bn) reflecting the depreciation in the US Dollar and Euro against Sterling, the decision to stop writing new business in FirstPlus and tighter lending criteria. Risk weighted assets increased 12% to £30.6bn (31st December 2008: £27.3bn) due to higher volumes and the impact of moving toward an advanced risk measurement methodology offset by favourable foreign exchange and lower secured lending balances in FirstPlus.

	2010	2009	2008

Performance Measures				
Loan loss rate (bps)		**570**	604	n/a
1 month arrears rates	UK cards	**3.4%**	4.2%	n/a
1 month arrears rates	US cards	**4.6%**	6.1%	n/a
1 month arrears rates	Absa cards	**4.9%**	6.7%	n/a
Cost: income ratio		**39%**	38%	45%
Cost: net income ratio		**67%**	68%	68%

Financial review

Analysis of results by business continued

Western Europe Retail Banking

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

Performance

2010

Western Europe Retail Banking incurred a loss before tax of £139m (2009: profit of £280m). The deterioration in performance was largely driven by the challenging economic environment and continued investment in the franchise. In addition, the 2009 result benefited notably from a £157m gain on the sale of 50% of Barclays Iberian life insurance and pensions business.

Income fell 12% to £1,164m (2009: £1,318m), due to lower net interest income and the 3% decline in the average value of the Euro against Sterling, partially offset by higher net fee and commission income.

Net interest income fell 22% to £679m (2009: £868m), mainly reflecting a decline in treasury interest income and continued underlying liability margin compression due to the highly competitive market, partially offset by the benefit from growth in credit cards resulting in a reduction in the net interest margin.

Net fee and commission income increased 20% to £421m (2009: £352m). The growth reflects the investment in the network in previous years and the growth in the credit card business.

Net premiums from insurance contracts decreased 12% to £479m (2009: £544m) and net claims and benefits fell correspondingly 11% to £511m (2009: £572m).

Despite the challenging economic conditions, impairment charges improved 7% to £314m (2009: £338m) reflecting focused credit risk management. Delinquency trends improved with the overall 30-day delinquency rate falling to 1.8% (2009: 2.1%).

Operating expenses increased 16% to £1,033m (2009: £887m) due to investment in developing the franchise, in Portugal and Italy in particular, with a net increase of 101 distribution points in 2010, and costs associated with the expansion of the credit card businesses in these countries.

The £29m gain on acquisition was generated on the purchase of Citigroup s Italian card business in March 2010. This resulted in the addition of approximately 200,000 customers and loans and advances to customers of £0.2bn. The £26m gain in 2009 arose on the acquisition of Citigroup s Portuguese card business.

Loans and advances to customers increased 6% to £43.4bn (2009: £41.1bn) and customer accounts increased 7% to £18.9bn (2009: £17.6bn) due to continued growth in the businesses more than offsetting the negative impact of the value of the Euro against Sterling. Risk weighted assets increased 3% to £17.3bn (2009: £16.8bn) in line with the growth in loans and advances to customers.

Customer numbers increased 13% to 2.7 million (2009: 2.4 million) reflecting the growth in the underlying business and the benefit of the purchase of Citigroup s Italian cards business.

	2010	2009	2008
	£m	£m	£m
Income statement information			
Net interest income	**679**	868	642
Net fee and commission income	**421**	352	327
Net trading income	**20**	14	4
Net investment income	**67**	118	161
Net premiums from insurance contracts	**479**	544	352
Other income/(loss)	**9**	(6)	38
Total income	**1,675**	1,890	1,524
Net claims and benefits incurred under insurance contracts	**(511)**	(572)	(365)
Total income net of insurance claims	**1,164**	1,318	1,159
Impairment charges and other credit provisions	**(314)**	(338)	(172)
Net operating income	**850**	980	987
Operating expenses excluding amortisation of intangible assets	**(1,001)**	(865)	(794)
Amortisation of intangible assets	**(32)**	(22)	(13)
Operating expenses	**(1,033)**	(887)	(807)
Share of post-tax results of associates and joint ventures	**15**	4	
Profit on disposal of subsidiaries, associates and joint ventures		157	
Gains on acquisition	**29**	26	52
(Loss)/profit before tax	**(139)**	280	232
Balance sheet information			
Loans and advances to customers at amortised cost	**£ 43.4bn**	£ 41.1bn	£ 42.1bn
Customer accounts	**£ 18.9bn**	£ 17.6bn	£ 13.2bn
Total assets	**£ 53.6bn**	£ 51.0bn	£ 52.0bn
Risk weighted assets	**£ 17.3bn**	£ 16.8bn	£ 19.3bn

Table of Contents

26

2009

Western Europe Retail Banking profit before tax increased 21% to £280m (2008: £232m) despite a very challenging macroeconomic environment across all geographies, particularly Spain. The results included a gain of £157m on the sale of 50% of Barclays Vida y Pensiones Compañía de Seguros, Barclays Iberian life insurance and pensions business and a restructuring charge of £24m largely concentrated in Spain. All businesses traded profitably. Profit before tax was favourably impacted by the 13% appreciation in the average value of the Euro against Sterling.

Income increased across all countries, improving 14% to £1,318m (2008: £1,159m) driven by the appreciation of the Euro and the significant expansion in the distribution network in 2007 and 2008. The number of distribution points increased to 1,262 (31st December 2008: 1,140) reflecting further selected organic growth and development of the franchise.

Net interest income increased 35% to £868m (2008: £642m). The increase was principally driven by strong growth in customer deposits of 33% to £17.6bn (2008: £13.2bn), an improvement in the customer assets margin and an increase in treasury interest income. This was partially offset by competitive pressures on liability margin compression.

Net fee and commission income increased 8% to £352m (2008: £327m), generated from asset management and insurance product lines.

Net Investment income fell 27% to £118m (2008: £161m), mainly due to the non-recurrence of the gains from both the Visa IPO (2008: £65m) and the sale of shares in MasterCard (2008: £17m), partially offset by profit on the sale of Government backed bonds.

Net premiums from insurance contracts increased to £544m (2008: £352m) reflecting growth in the life assurance business. Net claims and benefits incurred increased correspondingly to £572m (2008: £365m).

Impairment charges increased to £338m (2008: £172m), principally due to higher impairment in Spain.

Operating expenses increased 10% to £887m (2008: £807m) due to the continued expansion of the Italian and Portuguese networks and restructuring charges of £24m. Underlying costs were tightly controlled.

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

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

Total assets remained stable at £51.0bn (2008: £52.0bn), as underlying asset growth was offset by depreciation in the period end value of the Euro against Sterling. Risk weighted assets decreased 13% to £16.8bn (2008: £19.3bn) driven by active management and the migration of certain retail portfolios onto the advanced credit risk approach.

	2010	2009	2008
Performance Measures			
Loan loss rate (bps)	**71**	80	n/a
Cost: income ratio	**89%**	67%	70%

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

Table of Contents

Financial review

Analysis of results by business continued

Barclays Africa

Barclays Africa provides retail, corporate and credit card services across Africa and the Indian Ocean. It provides tailored banking (including mobile banking and Sharia- compliant products) to over 2.7m customers.

Performance

2010

Barclays Africa profit before tax increased 81% to £188m (2009: £104m). 2010 included a gain of £77m from the sale of the custody business to Standard Chartered Bank which was partially offset by £40m of restructuring costs. Prior year results included a gain of £24m from the sale of shares in Barclays Bank of Botswana Limited. Excluding these 2010 and 2009 gains, profit before tax increased 89% to £151m (2009: £80m).

Income increased 8% to £801m (2009: £739m) as a result of improvement across major income categories.

Net interest income increased 7% to £533m (2009: £498m) with an increase in the net interest margin. The asset margin improved primarily driven by a reduction in

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

Net fee and commission income increased 10% to £195m (2009: £178m) primarily driven by growth in retail fee income.

Net trading income increased 24% to £67m (2009: £54m) driven by treasury securities sales in Ghana, Kenya and Zambia.

Impairment charges decreased 32% to £82m (2009: £121m) with impairment charges on the retail portfolio decreasing 39% to £54m (2009: £88m) as a result of a better economic environment and improved collections. The retail portfolio 30-day delinquency rate decreased to 2.2% (2009: 2.7%).

Operating expenses increased 13% to £608m (2009: £538m) reflecting £40m of restructuring costs to facilitate the consolidation of operations and infrastructure, and an increase in staff-related costs.

Customer deposits increased 9% to £7.0bn (2009: £6.4bn). Total assets remained flat at £7.9bn (2009: £7.9bn) and risk weighted assets increased 5% to £8.0bn (2009: £7.6bn) reflecting changes in the business mix.

	2010	2009	2008
	£m	£m	£m

Income statement information			
Net interest income	**533**	498	405
Net fee and commission income	**195**	178	162
Net trading income	**67**	54	70
Net investment (loss)/income	**(1)**	7	87
Other income	**7**	2	2
Total income	**801**	739	726
Impairment charges and other credit provisions	**(82)**	(121)	(71)
Net operating income	**719**	618	655
Operating expenses excluding amortisation of intangible assets	**(600)**	(533)	(472)
Amortisation of intangible assets	**(8)**	(5)	(3)
Operating expenses	**(608)**	(538)	(475)
Profit on disposal of subsidiaries, associates and joint ventures	**77**	24	
Profit before tax	**188**	104	180

Balance sheet information			
Loans and advances to customers at amortised cost	**£ 3.6bn**	£ 3.9bn	£ 5.0bn
Customer accounts	**£ 7.0bn**	£ 6.4bn	£ 7.3bn
Total assets	**£ 7.9bn**	£ 7.9bn	£ 8.5bn
Risk weighted assets	**£ 8.0bn**	£ 7.6bn	£ 8.7bn

Table of Contents

2009

Profit before tax for Barclays Africa decreased 42% to £104m (2008: £180m) primarily due to the allocation of gains from the Visa IPO and sale of shares in MasterCard during 2008.

Income increased 2% to £739m (2008: £726m). After adjusting for one-off gain of £65m from the Visa IPO and sale of shares in MasterCard during 2008, underlying income increased 12% due to strong business growth in Egypt, Botswana and Zambia.

Net interest income increased 23% to £498m (2008: £405m) driven by the increase in interest margins. The assets margin increased mainly due to lower funding costs. The liabilities margin increased mainly driven by customer pricing.

Net fee and commission income increased 10% to £178m (2008: £162m) primarily driven by growth in retail fee income.

Net Investment income decreased £80m to £7m (2008: £87m). 2008 included a gain of £65m from the sale of shares in MasterCard and Visa.

Impairment charges increased to £121m (2008: £71m) reflecting the impact of the economic recession across the business with continued pressure on default rates.

Operating expenses increased 13% to £538m (2008: £475m) reflecting continued investment in infrastructure across markets.

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

Total assets decreased 7% to £7.9bn (2008: £8.5bn), and risk weighted assets decreased 13% to £7.6bn (2008: £8.7bn) due to the business pro-actively managing down portfolio exposures driven by a realignment of lending strategy in light of the economic downturn and the impact of exchange rate movements.

	2010	2009	2008
Performance Measures			
Loan loss rate (bps)	**186**	252	n/a
Cost: income ratio	**76%**	73%	65%
Cost: net income ratio	**85%**	87%	73%

Table of Contents

Financial review

Analysis of results by business continued

Absa

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

Performance

2010

Absa profit before tax increased 17% to £616m (2009: £528m) mainly as a result of the 16% appreciation in the average value of the Rand against Sterling. In Rand terms, income declined 1% with 10% cost growth, offset by 26% lower impairments.

Income increased 14% to £2,899m (2009: £2,553m) primarily reflecting the impact of exchange rate movements.

Net interest income improved 15% to £1,500m (2009: £1,300m) reflecting the appreciation in the average value of the Rand against Sterling. Average customer assets increased 15% to £37.4bn (2009: £32.5bn) driven by the

appreciation of the Rand. In Rand terms, retail loans and commercial mortgages remained stable as personal loans increased while cheque, instalment finance and commercial property finance balances showed a decline as a result of a slower take up of new loans by customers. The asset margin increased as a result of the pricing of new loans and a change in the product mix as higher margin products grew faster than low margin products. Average customer liabilities increased 21% to £21.1bn (2009: £17.4bn), primarily driven by the appreciation of the Rand. In Rand terms, retail and commercial deposits increased by 4.1% and 7.4% respectively. The liability margin decreased as a result of significant competition for deposits. Absa s hedging programme partly offset the impact of lower interest rates.

Net fee and commission income increased 19% to £1,123m (2009: £943m), mainly reflecting the impact of exchange rate movements and volume growth.

Net investment income decreased to £59m (2009: £128m) reflecting prior year gains of £17m from the sale of shares in MasterCard and an adverse impact of the mark to market adjustment on Visa of £12m (2009: gain of £19m). Net premiums from insurance contracts increased 36% to £399m (2009: £294m) reflecting good growth in new business in life and short-term insurance in addition to the impact of exchange rate movements. Other income decreased to £47m (2009: £64m) reflecting lower profits on the sale of repossessed properties and lower mark to market adjustments on investment property portfolios.

Impairment charges decreased by 15% to £480m (2009: £567m) mainly as a result of the 26% lower impairments in Rand terms, particularly in retail, due to an improving economy.

Operating expenses increased 25% to £1,810m (2009: £1,451m) due to exchange rate movements and continued investment in growth initiatives, partially offset by a one-off credit of £54m relating to the Group s recognition of a pension fund surplus. The cost: income ratio deteriorated to 62% from 57%.

Total assets increased 14% to £52.4bn (2009: £45.8bn) mostly due to the impact of exchange rate movements. Risk weighted assets increased 42%

	2010	2009	2008
	£m	£m	£m

Income statement information			
Net interest income	**1,500**	1,300	1,104
Net fee and commission income	**1,123**	943	762
Net trading (loss)/income	**(14)**	(5)	6
Net investment income	**59**	128	105
Net premiums from insurance contracts	**399**	294	234
Other income	**47**	64	102
Total income	**3,114**	2,724	2,313
Net claims and benefits incurred under insurance contracts	**(215)**	(171)	(126)
Total income net of insurance claims	**2,899**	2,553	2,187
Impairment charges and other credit provisions	**(480)**	(567)	(347)
Net operating income	**2,419**	1,986	1,840
Operating expenses excluding amortisation of intangible assets	**(1,753)**	(1,400)	(1,233)
Amortisation of intangible assets	**(57)**	(51)	(50)
Operating expenses	**(1,810)**	(1,451)	(1,283)
Share of post-tax results of associates and joint ventures	**3**	(4)	5
Profit/(loss) on disposal of subsidiaries, associates and joint ventures	**4**	(3)	1
Profit before tax	**616**	528	563
Balance Sheet Information			
Loans and advances to customers at amortised cost	**£41.8bn**	£36.4bn	£32.7bn
Customer accounts	**£24.3bn**	£19.7bn	£17.0bn
Total assets	**£52.4bn**	£45.8bn	£40.3bn
Risk weighted assets	**£30.4bn**	£21.4bn	£18.8bn

Table of Contents

30

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

2009

Profit before tax decreased 6% to £528m (2008: £563m) owing to challenging market conditions. Modest Rand income growth and tight cost control were offset by increased impairment.

Income increased 17% to £2,553m (2008: £2,187m) predominantly reflecting the impact of exchange rate movements.

Net interest income improved 18% to £1,300m (2008: £1,104m) reflecting the appreciation in the average value of the Rand against Sterling and modest balance sheet growth. Average customer assets increased 17% to £32.5bn (2008: £27.7bn) driven by appreciation of the Rand against

Sterling and modest growth in loans and advances. Retail and commercial mortgages remained relatively flat in 2009 while instalment finance showed a slight decline with the run-off outweighing new sales. The assets margin decreased as a result of the higher cost of wholesale funding and significant reductions in interest recognised on delinquent accounts. Average customer deposits increased 29% to £17.4bn (2008: £13.5bn), primarily driven by the appreciation of the Rand and the increase in the number of customers. Retail and commercial deposits increased 3.9% and 4.6% respectively. The liabilities margin was down reflecting stronger growth in lower margin retail deposits, pricing pressure from competitors and the impact of margin compression due to the decrease in interest rates.

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

Net investment income increased to £128m (2008: £105m) reflecting the impact of exchange rate movements and gains of £17m from the sale of shares in MasterCard, slightly offset by lower gains on economic hedges. Net premiums from insurance contracts increased 26% to £294m (2008: £234m) reflecting volume growth in short-term insurance contracts and the impact of exchange rate movements. Other income decreased to £64m (2008: £102m) reflecting the non-recurrence of the gain of £46m recorded on the Visa IPO in 2008.

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

Operating expenses increased 13% to £1,451m (2008: £1,283m) reflecting the impact of exchange rate movements. Costs were tightly controlled in Rand.

Total assets increased 14% to £45.8bn (2008: £40.3bn) and risk weighted assets increased 14% to £21.4bn (2008: £18.8bn), reflecting the impact of exchange rate movements.

	2010	2009	2008
Performance Measures			
Loan loss rate (bps)	**112**	152	n/a
Cost: income ratio	**62%**	57%	59%
Cost: net income ratio	**75%**	73%	70%

Financial review

Analysis of results by business continued

Barclays Capital

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

Performance

2010

Barclays Capital profit before tax increased to £4,780m (2009: £2,464m). Excluding an own credit gain of £391m (2009: Loss of £1,820m), profit before tax, profit before tax increased 2% to £4,389m (2009: £4,284m). Top-line income[a] of £13,333m (2009: £17,862m) was down 25% on the very strong prior year performance, reflecting a more challenging market environment. Net operating income for 2010, excluding own credit, increased 17% to £12,666m (2009: £10,854m). There was a significant reduction both in credit market losses taken through income to £124m (2009: £4,417m) and in impairment charges to £543m (2009: £2,591m).

Income increased 17% to £13,600m (2009: £11,625m). The impact on top-line income[a] of difficult trading conditions from the second quarter onwards was more than offset by the significant reduction of credit market losses in income and the impact of the gain in own credit in 2010. Fixed Income, Currency and Commodities top-line income[a] declined 35% to £8,811m (2009: £13,652m), reflecting lower contributions particularly from Rates and Commodities. Higher funding costs also led to a reduction in net

interest income. Equities and Prime Services decreased 6% to £2,040m (2009: £2,165m) due to the subdued market activity in European equity derivatives, partially offset by improved client flow in cash equities and equity financing, as the benefits of the build-out of the cash equities business started to come through. Investment Banking, which comprises advisory businesses and equity and debt underwriting, increased 3% to £2,243m (2009: £2,188m) as a result of continued growth in banking activities. Fee and commission income increased 12% to £3,347m (2009: £3,001m) across Investment Banking and Equities with a higher contribution from Asia. Principal Investments generated income of £239m (2009: loss of £143m) which contributed to the increase in net investment income to £752m (2009: loss of £164m) in addition to an increase in income from the disposal of available for sale assets and a reduction in fair value losses on assets held at fair value.

Impairment charges of £543m (2009: £2,591m) included credit market impairment of £621m (2009: £1,669m) primarily relating to the difference between the carrying value of the Protium loan and the fair value of the underlying assets supporting the loan which follows a reassessment of the expected realisation period. Non-credit market related impairment was a release of £78m (2009: charge of £922m).

Operating expenses increased 26% to £8,295m (2009: £6,592m) which largely reflected investment in our sales, origination, trading and research activities, increased charges relating to prior year compensation deferrals and restructuring costs. Excluding the impact of own credit, the cost: net income ratio was 65% (2009: 61%) and compensation costs represented 43% of income (2009: 33%).

Total assets increased 7% to £1,095bn (2009: £1,019bn). The increase reflected the net depreciation in the value of Sterling relative to other currencies in which our assets are denominated, growth in reverse repurchase trading and an increase in the liquidity pool to £154bn (2009: £127bn). Risk weighted assets increased 6% to £191bn (2009: £181bn) due to changes in methodology and the impact of foreign exchange rate movements, offset by reductions resulting from capital

	2010	2009	2008

	£m	£m	£m
Income statement information			
Net interest income	**1,121**	1,598	1,724
Net fee and commission income	**3,347**	3,001	1,429
Net trading income	**8,377**	7,185	1,506
Net investment income/(loss)	**752**	(164)	559
Other income	**3**	5	13
Total income	**13,600**	11,625	5,231
Impairment charges and other credit provisions	**(543)**	(2,591)	(2,423)
Net operating income	**13,057**	9,034	2,808
Operating expenses excluding amortisation of intangible assets	**(8,151)**	(6,406)	(3,682)
Amortisation of intangible assets	**(144)**	(186)	(92)
Operating expenses	**(8,295)**	(6,592)	(3,774)
Share of post-tax results of associates and joint ventures	**18**	22	6
Gains on acquisitions			2,262
Profit before tax	**4,780**	2,464	1,302
Profit/(loss) before tax (excluding own credit)	**4,389**	4,284	(361)
Balance sheet information			
Loans and advances to banks and customers at amortised cost	**£149.7bn**	£162.6bn	£206.8bn
Total assets	**£1,094.8bn**	£1,019.1bn	£1,629.1bn
Assets contributing to adjusted gross leverage[b]	**£668.1bn**	£618.2bn	£681.0bn
Risk weighted assets	**£191.3bn**	£181.1bn	£227.4bn
Liquidity pool	**£154bn**	£127bn	£43bn

Note

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

b 31st December 2010 uses a revised definition.

Table of Contents

management efficiencies. Average DVaR decreased to £53m (2009: £77m), due to lower client activity. Spot DVaR at 31st December 2010 reduced to £48m (2009: £55m).

2009

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

Income of £11,625m was up 122% (2008: £5,231m), reflecting excellent growth across the client franchise. Top-line income[a] increased 81% to £17,862m (2008: £9,858m). Top-line income[a] in Fixed Income, Currency and Commodities increased 75% and drove the strong increase in trading income following the expansion of the business and the associated increase in client flows. Top-line income[a] in Equities and Prime Services increased 202% driven by the acquisition of the Lehman Brothers North American businesses with particularly strong performances in cash equities and equity derivatives. Investment Banking more than doubled to £2,188m (2008: £1,053m) driven by origination and advisory activity. The cash equity business, along with Investment Banking, drove a significant rise in fee and commission income. Losses in Principal Investments of £143m (2008: income of £299m) contributed to the overall net investment loss of £164m (2008: income of £559m).

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

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

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

Analysis of Total Income	Year ended 31st December		
	2010	2009	2008
	£m	£m	£m
Fixed Income, Currency and Commodities	**8,811**	13,652	7,789
Equities and Prime Services	**2,040**	2,165	717
Investment Banking	**2,243**	2,188	1,053
Principal Investments	**239**	(143)	299
Top-line income	**13,333**	17,862	9,858
Credit market losses in income	**(124)**	(4,417)	(6,290)
Total income (excluding own credit)	**13,209**	13,445	3,568
Own credit	**391**	(1,820)	1,663
Total Income	**13,600**	11,625	5,231

	2010	2009	2008
Performance Measures			
Loan loss rate (bps)	**42**	115	n/a
Cost: income ratio	**61%**	57%	72%
Cost: net income ratio	**64%**	73%	134%
Cost: net income ratio (excluding own credit)[b]	**65%**	61%	n/a
Compensation: income ratio (excluding own credit)[b]	**43%**	33%	44%
Other Financial Measures			
Average DVaR (95%)	**£53m**	£77m	£53m

Note

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

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

Financial review

Analysis of results by business continued

Barclays Corporate

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

Performance

2010

Barclays Corporate recorded a loss before tax of £631m (2009: profit of £157m). An improvement in the result of the profitable UK & Ireland business was more than offset by increased losses in Continental Europe, notably Spain, and New Markets.

Profit before tax in the UK & Ireland increased 16% to £851m. Performance was primarily driven by significantly reduced impairment. Loss before tax in Continental Europe increased £728m to a loss of £870m mainly due to impairments on property and construction exposures in Spain. New Markets recorded a loss before tax of £612m (2009: £433m loss) reflecting the write down of the £243m goodwill relating to Barclays Bank Russia and restructuring costs totalling £119m, including £25m relating to restructuring of the Russian business. These were partially offset by a substantial reduction in impairment charges and tight control of operating expenses.

Total income decreased 7% to £2,974m mainly as a result of lower treasury management income and reduced risk appetite outside the UK. Excluding the 2009 gains on buy-backs of securitised debt of £85m and fair value adjustments in 2010, UK income remained resilient.

Net interest income fell 4% to £2,004m (2009: £2,083m) reflecting lower treasury management income and higher funding charges in Continental Europe and reduced average asset balances in New Markets. UK & Ireland net interest income increased 3% (£36m), with higher deposit income reflecting strong growth in balances, offset by reduced demand for lending and higher funding costs. This resulted in the net interest margin for Barclays Corporate decreasing.

Non-interest related income decreased 12% to £970m. Net fees and commissions fell 9% to £910m (2009: £1,002m) driven by lower debt fees and treasury income.

Net trading income increased to £80m (2009: £18m) mainly as a result of loan fair value adjustments in the UK. Net investment loss decreased to £32m (2009: £46m) reflecting reduced write downs in venture capital investments.

Other income decreased to £12m (2009: £39m) due to lower operating lease income.

Impairment charges increased to £1,696m (2009: £1,558m), primarily in Spain where a £630m increase to £898m was driven by depressed market conditions in the property and construction sector, including some significant single name cases. This was partly offset by an improvement of £302m in UK & Ireland reflecting lower default rates and fewer insolvencies; and an improvement in New Markets of £206m, including £130m in the retail book. Loan loss rates increased to 226bps (2009: 211bps).

Operating expenses grew 30% to £1,907m (2009: £1,466m), reflecting the write down of the £243m of goodwill relating to Barclays Bank Russia and associated restructuring costs of £25m, as well as previously announced restructuring costs of £94m in other geographies within New Markets (predominantly relating to Indonesia), higher pension costs in the UK, and increased investment spend as Barclays Corporate continues to invest in its infrastructure to deliver leading product and superior client service capabilities.

Total average lending fell 8% to £69.8bn (2009: £75.7bn). In the UK, this was due to reduced utilisation of overdraft facilities and reduced demand in asset based lending. There was strong growth in total average customer accounts which grew 21% to £60.9bn, mostly within the UK & Ireland, as a result of significant increases in current account balances and deposits benefiting from product innovation. As a result, the balance between loans and deposits, including banks, in the

UK & Ireland moved by £8bn to surplus deposits of £2.4bn.

Risk weighted assets fell 8% to £70.8bn (2009: £76.9bn) reflecting lower levels of customer assets across the business and improvements in the credit quality of the UK portfolio.

	2010 £m	2009 £m	2008 £m
Income statement information			
Net interest income	**2,004**	2,083	1,934
Net fee and commission income	**910**	1,002	904
Net trading income	**80**	18	11
Net investment income/(loss)	**(32)**	(46)	23
Gains on debt buy-backs and extinguishments		85	
Other income	**12**	39	120
Total income	**2,974**	3,181	2,992
Impairment charges and other credit provisions	**(1,696)**	(1,558)	(593)
Net operating income	**1,278**	1,623	2,399
Operating expenses excluding amortisation of intangible assets and goodwill impairment	**(1,616)**	(1,430)	(1,310)
Amortisation of intangible assets	**(48)**	(36)	(19)
Goodwill impairment	**(243)**		
Operating expenses	**(1,907)**	(1,466)	(1,329)
Share of post-tax results of associates and joint ventures	**(2)**		(2)
(Loss)/profit before tax	**(631)**	157	1,068
Balance sheet information			
Loans and advances to customers at amortised cost	**£65.7bn**	£70.7bn	£79.8bn
Loans and advances to customers at fair value	**£14.4bn**	£13.1bn	£13.0bn
Customer accounts	**£71.0bn**	£66.3bn	£60.9bn
Total assets	**£85.7bn**	£88.8bn	£98.5bn
Risk weighted assets	**£70.8bn**	£76.9bn	£82.8bn

2009

Barclays Corporate recorded a profit before tax of £157m (2008: £1,068m). Profits in the UK & Ireland were partially offset by losses within Continental Europe and New Markets.

Profit before tax in the UK & Ireland decreased by 31% to £732m. Performance was primarily driven by significantly increased impairment charges. Profit before tax in Continental Europe decreased by £195m to a loss of £142m driven by impairment on property exposures in Spain partially offset by strong income growth across all countries. New Markets recorded a loss before tax of £433m (2008: £49m loss) reflecting significantly increased impairment charges and continued investment across the business.

Total income increased 6% to £3,181m reflecting strong performance from net fees and commissions offsetting lower net investment income in the UK. In Continental Europe and New Markets income increased significantly due to exceptionally strong growth in net interest income.

Net interest income increased 8% to £2,083m (2008: £1,934m) reflecting an improvement in asset margins. Deposit margin fell reflecting the fall in UK base rate and margin compression in Continental Europe. UK & Ireland net interest income was steady, with the benefit of increased average lending balances and higher deposit volumes offset by margin compression in the deposit book of £171m. Continental Europe net interest income increased 25% while New Markets increased by 26%.

Non-interest related income increased 4% to £1,098m. Net fees and commissions increased 11% to £1,002m (2008: £904m) driven by debt fees, trade guarantees and other fee income.

Net trading income increased to £18m (2008: £11m) and net investment income decreased to a loss of £46m (2008: profit of £23m) as a result of investment write downs and fewer opportunities for equity realisation within the current market environment.

Other income grew 3% to £124m (2008: £120m) reflecting increased income from the repurchase of securitised debt issued of £85m (2008: £24m), partially offset by lower rental income from operating leases of £21m (2008: £29m). 2008 income included a £39m gain from the restructuring of Barclays interest in a third-party finance operation.

Impairment charges increased to £1,558m (2008: £593m) reflecting worsening economic conditions across all areas. UK impairment significantly deteriorated reflecting the impact of the economic recession, continued pressure on corporate liquidity, rising default rates and lower asset values. Continental Europe impairment is primarily driven by an increased charge in Spain reflecting depressed market conditions in the property and construction sector. New Markets impairment was mainly driven by India and UAE reflecting challenging economic conditions.

Operating expenses grew 10% to £1,466m (2008: £1,329m), reflecting continued investment in New Markets and business expansion in Continental Europe. UK costs fell 4% driven by tightly managed discretionary costs and a £94m one-off credit for the closure of the UK final salary pensions scheme partially offset by an increase in pension costs of £65m and the non-recurrence of property credits.

Total average lending grew 6% to £75.7bn (2008: £71.5bn) reflecting our continuing commitment to lend to viable business in the UK, along with business expansion outside the UK. Total average customer deposits grew 9% to £50.5bn (2008: £46.5bn) benefiting from ongoing product initiatives.

Total assets fell 10% to £88.8bn (2008: £98.5bn) mostly driven by reduced overdraft borrowings and lower volumes in the Asset and Sales Finance business in the UK. Risk weighted assets fell by 7% to £76.9bn (2008: £82.8bn) reflecting reduced levels of balance sheet commitments in the UK foreign exchange rate impact and balance sheet reduction in Continental Europe and New Markets.

	2010	2009	2008

Performance measures			
Loan loss rate (bps)	**226**	211	n/a
Cost: income ratio	**64%**	46%	44%
Cost: net income ratio	**149%**	90%	55%

Income Statement Information	**2010**				2009 [a]			
	UK & Ireland	**Continental Europe**	**New Markets**	**Total**	UK & Ireland	Continental Europe	New Markets	Total
Year Ended 31st December	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Income	**2,313**	**394**	**267**	**2,974**	2,380	466	335	3,181
Impairment charges and other credit provisions	**(468)**	**(1,063)**	**(165)**	**(1,696)**	(770)	(417)	(371)	(1,558)
Operating expenses	**(992)**	**(201)**	**(714)**	**(1,907)**	(878)	(191)	(397)	(1,466)
Share of post-tax results of associates and joint ventures	**(2)**			**(2)**				
Profit/(loss) before tax	**851**	**(870)**	**(612)**	**(631)**	732	(142)	(433)	157

Note

a 2009 figures have been revised to reflect the transfer from UK & Ireland to Continental Europe of the Italian business, IVECO (representing £59m loss before tax)

Table of Contents

Financial review

Analysis of results by business continued

Barclays Wealth

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

Performance

2010

Barclays Wealth profit before tax increased 14% to £163m (2009: £143m).

Income increased 18% to £1,560m (2009: £1,322m) principally from growth in the High Net Worth businesses and higher attributable net interest income from the revised internal funds pricing mechanism.

Net interest income increased 35% to £678m (2009: £503m), mostly due to changes in internal funds pricing which gives credit for the behaviourally long-term deposits held by Barclays Wealth. The net interest margin increased reflecting an increase in the liabilities margin offset by a reduction in the liabilities margin asset margin. Customer accounts grew 17% to £44.8bn (2009: £38.4bn) and loans and advances to customers grew 24% to £16.1bn (2009: £13.0bn).

Net fee and commission income increased 10% to £869m (2009: £792m) primarily driven by higher transactional activity with High Net Worth clients.

Impairment charges reduced to £48m (2009: £51m).

Operating expenses increased 19% to £1,349m (2009: £1,129m). This was principally due to the impact of the growth in High Net Worth business revenues on staff and infrastructure costs and the start of Barclays Wealth s strategic investment programme. Expenditure in this programme was £33m in the first half of 2010 and £79m for the second half. This programme is focused on hiring client-facing staff to build productive capacity and investment in the facilities and technology required to develop our delivery to clients.

Total client assets, comprising customer deposits and client investments, were £163.9bn (2009: £151.2bn) with net new asset inflows of £6bn. Risk weighted assets increased 9% to £12.4bn (2009: £11.4bn) reflecting growth in loans and advances, impact of exchange rate movements and collateral management.

2009

Barclays Wealth profit before tax reduced 79% to £143m (2008: £671m). The reduction in profit was principally due to the sale of the closed life assurance business in 2008 (2008: profit before tax of £104m and profit on disposal of £326m). Results were also affected by the integration of Lehman Brothers North American businesses (Barclays Wealth Americas), which made a loss of £39m.

Total income increased 1% to £1,322m (2008: £1,312m).

	2010 £m	2009 £m	2008 £m
Income statement information			
Net interest income	**678**	503	485
Net fee and commission income	**869**	792	709
Net trading income/(loss)	**11**	7	(11)
Net investment income/(loss)	**2**	13	(333)
Net premiums from insurance contracts			136
Other income		7	26
Total income	**1,560**	1,322	1,012
Net claims and benefits incurred on insurance contracts			300
Total income net of insurance claims	**1,560**	1,322	1,312
Impairment charges and other credit provisions	**(48)**	(51)	(44)
Net operating income	**1,512**	1,271	1,268
Operating expenses excluding amortisation of intangible assets	**(1,320)**	(1,105)	(907)
Amortisation of intangible assets	**(29)**	(24)	(16)
Operating expenses	**(1,349)**	(1,129)	(923)
Profit on disposal of subsidiaries, associates and joint ventures		1	326
Profit before tax	**163**	143	671
Balance sheet information			
Loans and advances to customers	**£16.1bn**	£13.0bn	£11.4bn
Customer accounts	**£44.8bn**	£38.4bn	£42.3bn
Total assets	**£17.8bn**	£14.9bn	£13.2bn
Risk weighted assets	**£12.4bn**	£11.4bn	£10.3bn

Table of Contents

36

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

Net fee and commission income increased by 12% to £792m (2008: £709m) driven by Barclays Wealth Americas.

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

Impairment charges increased 16% to £51m (2008: £44m). This increase reflected the impact of the economic environment in 2009 on client liquidity and collateral values and the substantial increase in the loan book over the period from 2008 to 2009.

Operating expenses increased 22% to £1,129m (2008: £923m) principally reflecting the impact of the acquisition of Barclays Wealth Americas partially offset by the impact of the disposal of the closed life business in 2008.

Total client assets, comprising customer accounts and client investments were £151.2bn (31st December 2008: £145.0bn) with net new asset inflows of £3bn.

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

Financial review

Analysis of results by business continued

Investment Management

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

Performance

2010

Investment Management profit before tax of £67m (2009: £22m) principally reflected dividend income from the 19.9% holding in BlackRock, Inc., which was acquired as part of the consideration for the sale of Barclays Global Investors on 1st December 2009.

Total assets as at 31st December 2010 of £4.6bn (2009: £5.4bn) reflected the fair value of the Group s investment in 37.567 million BlackRock, Inc. shares.

The available for sale reserve impact of £1.1bn relating to this investment as at 31st December 2010 resulted in an adverse impact of approximately 20bps in the Core Tier 1 ratio over the year. The offsetting appreciation in the shares US Dollar value against Sterling of £0.3bn was hedged by foreign exchange instruments.

The holding was assessed for impairment by the Group as at 31st December 2010. This analysis identified that the reduction in fair value from the original acquisition value was not significant or prolonged in the light of an increase in share price through the second half of the year and ongoing price volatility and, as such, no impairment was recognised.

2009

Investment Management s 2009 results reflect the continuing operations of BGI. These consist of residual obligations under the cash support arrangements and associated liquidity support charges. Profit before tax on continuing operations for 2009 increased by £368m to £22m (2008: £346m loss) primarily due to lower liquidity support charges.

Total assets as at 31st December 2009 of £5.4bn reflected the fair value of the Group s investment in 37.567 million of BlackRock, Inc. shares.

	2010 £m	2009 £m	2008 £m
Income statement information			
Net interest (expense)/income	**(6)**	10	(38)
Net fee and commission income/(expense)	**4**	(2)	1
Net trading (loss)/income	**(19)**	20	(4)
Net investment income/(loss)	**100**	11	(29)
Other (loss)/income	**(1)**	1	(2)
Total income	**78**	40	(72)
Operating expenses	**(11)**	(17)	(274)
Loss on disposal of subsidiaries, associates and joint ventures		(1)	

Profit before tax	**67**	22	(346)
Balance Sheet Information			
Total assets	**£4.6bn**	£5.4bn	n/a
Risk weighted assets	**£0.1bn**	£0.1bn	n/a

Table of Contents

Head Office Functions and Other Operations

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

Performance

2010

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

Group segmental reporting is consistent with internal reporting to the Executive Committee and the Board, with inter-segment transactions being recorded in each segment as if undertaken on an arm s length basis. Adjustments necessary to eliminate inter-segment transactions are included in Head Office Functions and Other Operations.

Gilts held as part of the structural hedge portfolio were disposed of during the year realising net gains of approximately £500m, which were distributed out to the businesses through net interest income as part of the allocation of the share of the benefit of Group equity. In Head Office Functions and Other Operations these gains were recognised in net investment income.

Income decreased to a loss of £178m (2009: income of £28m). Net interest income improved to £35m (2009: £507m expense) with a significant decrease in the costs of the central funding activity as the money market dislocations eased. In addition, an increase of £336m from the reclassification consolidation adjustment on hedging derivatives from net trading loss was more than offset by the allocation to the businesses of the profit on disposal of gilts. Net fee and commission expense improved to £389m (2009: £418m) reflecting increases in fees for structured capital market activities to £239m (2009: £191m) partially offset by a reduction in fees paid to Barclays Capital for debt and equity raising and risk management advice to £73m (2009: £174m). Net trading loss increased

to £434m (2009: £291m) due to the reclassification to net interest income partially offset by the repatriation of capital from overseas leading to a reclassification of £265m of profit from the currency translation reserve to the income statement. Net investment income increased to £491m (2009: loss of £34m) predominantly due to the gains on disposal of gilts.

Operating expenses increased to £579m (2009: £570m) principally due to payment of a £194m settlement to US regulators in resolution of the investigation into Barclays compliance with US economic sanctions (see page 228), partially offset by a reduction in the bank payroll tax charge to £96m (2009: £225m) and a reduction of £59m in Financial Services Compensation Scheme charges.

Total assets increased to £20.9bn (2009: £6.4bn), largely due to a £7.4bn net increase in gilts held for the equity structural hedge and £6.8bn of covered bonds and other notes.

2009

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

Total income increased to £28m (2008: loss of £377m). Net interest income decreased to a loss of £507m (2008: income of £182m) primarily due to an increase in costs in central funding activity. Net fees and commission expense decreased to £418m (2008: £486m) reflecting adjustments to eliminate inter-segmental transactions, offset by increases in fees for structured capital market activities to £191m (2008: £141m) and in fees paid to Barclays Capital for debt and equity raising and risk management advice to £174m (2008: £151m). Other income increased £1,160m to £1,186m (2008: £26m), primarily reflecting gains on debt buy-backs and extinguishments.

Operating expenses increased to £570m (2008: £451m) reflecting a UK bank payroll tax charge of £190m (2008: £nil), partially offset by a reduction of £55m in the costs relating to an internal review of Barclays compliance with US economic sanctions to £33m (2008: £88m).

Total assets increased to £6.4bn (2008: £3.1bn).

	2010 £m	2009 £m	2008 £m
Income statement information			
Net interest income/(expense)	**35**	(507)	182
Net fee and commission expense	**(389)**	(418)	(486)
Net trading loss	**(434)**	(291)	(245)
Net investment income/(loss)	**491**	(34)	27
Net premiums from insurance contracts	**79**	92	119
Gains on debt buy-backs and extinguishments		1,164	
Other income	**39**	22	26
Total (loss)/income	**(179)**	28	(377)
Net claims and benefits incurred under insurance contracts	**1**		
Total (loss)/income net of insurance claims	**(178)**	28	(377)
Impairment charges and other credit provisions	**(2)**	(16)	(30)
Net (loss)/income	**(180)**	12	(407)
Operating expenses	**(579)**	(570)	(451)
Share of post-tax results of associates and joint ventures		1	
Profit on disposal of associates and joint ventures		7	
Loss before tax	**(759)**	(550)	(858)
Balance sheet information			
Total assets	**£20.9bn**	£6.4bn	£3.1bn
Risk weighted assets	**£0.6bn**	£0.9bn	£0.4bn

Table of Contents

Citizenship

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

Bob Diamond, Chief Executive

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

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

Contributing to growth

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

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

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

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

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

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

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

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

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

Supporting our communities

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

Citizenship

Contributing to growth

Direct contribution, employment and economic value added

Supporting growth today: customers and clients

Investing in tomorrow

Supporting our communities

Supporting social infrastructure

Increasing access to financial services

Investing in the community

Building a diverse workforce

Managing our environmental

footprint

The way we do business

Table of Contents

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

Supporting UK SMEs

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

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

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

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

Investing in our communities

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

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

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

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

Financing a low carbon economy

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

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

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

Table of Contents

Citizenship

continued

Our People

Global minimum standards

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

Performance management and compensation

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

Diversity and inclusion

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

Health and safety

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

Training

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

Total tax contribution

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

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

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

Note

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

Risk management

Barclays risk management strategy

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

At a strategic level, our risk management objectives are:

To identify the Group s significant risks.

To formulate the Group s Risk Appetite and ensure that business profile and plans are consistent with it.

To optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.

To ensure that business growth plans are properly supported by effective risk infrastructure.

To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.

To help executives improve the control and co-ordination of risk taking across the business.

The Group s approach is to provide direction on: understanding the principal risks to achieving Group strategy; establishing Risk Appetite; and establishing

Assigning responsibilities

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

The *Board* is responsible for approving Risk Appetite (see page 45), which is the level of risk the Group chooses to take in pursuit of its business objectives. The Chief Risk Officer regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Group Control Framework). It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set via the Group s Principal Risks Policy.

The *Board Risk Committee* (BRC) monitors the Group s risk profile against the agreed appetite. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the BRC is comfortable with them. After each meeting, the Chair of the BRC prepares a report for the next meeting of the Board. Barclays first established a separate Board Risk Committee in 1999 and all members are non-executive directors. The Finance Director and the Chief Risk Officer attend each meeting as a matter of course and the Chief Risk Officer has a dotted reporting line to the Chair. The BRC receives regular and comprehensive reports on risk methodologies and the Group s risk profile including the key issues affecting each business portfolio and forward risk trends. The Committee also commissions in-depth analyses of significant risk topics, which are presented by the Chief Risk Officer or senior risk managers in the businesses. The Chair of the Committee prepares a statement each year on its activities (see pages 144 and 145).

and communicating the risk management framework. The process is then broken down into five steps: identify, assess, control, report, and manage/challenge. Each of these steps is broken down further, to establish end to end activities within the risk management process and the infrastructure needed to support it (see panel below). The Group s risk management strategy is broadly unchanged from 2009.

Steps	Activity
Identify	Establish the process for identifying and understanding business-level risks.
Assess	Agree and implement measurement and reporting standards and methodologies.
Control	Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements. Monitor the operation of the controls and adherence to risk direction and limits. Provide early warning of control or appetite breaches. Ensure that risk management practices and conditions are appropriate for the business environment.
Report	Interpret and report on risk exposures, concentrations and risk-taking outcomes. Interpret and report on sensitivities and Key Risk Indicators. Communicate with external parties.
Manage and Challenge	Review and challenge all aspects of the Group s risk profile. Assess new risk-return opportunities. Advise on optimising the Group s risk profile. Review and challenge risk management practices.

The *Board Audit Committee* receives quarterly reports on control issues of significance and a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, the Group s policies and methodologies and the performance trends of peer banks. The Chair of the Board Audit Committee also sits on the Board Risk Committee. See pages 141 to 143 for additional details on the membership and activities of the Board Audit Committee.

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

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are given on pages 120 to 122. The terms of reference for each of the principal Board Committees are available from the Corporate Governance section at: *www.aboutbarclays.com.*

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

Risk management

Barclays risk management strategy continued

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

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

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

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

For further details on the management of each of the principal risks see pages 50 to 57.

Note

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

Table of Contents

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

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

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

The Principal Risks Framework:

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

Each of the Principal Risks, which are set out on pages 50 to 57, is owned by a senior individual within Barclays, known as the Group Principal Risk Owner (GPRO). The GPRO is required to document, communicate and maintain a risk control framework which makes clear the mandated control requirements in managing exposures to that Principal Risk, for every business across the firm.

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

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

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

Risk Appetite

Risk Appetite is defined as the level of risk that Barclays is prepared to sustain whilst pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented. Barclays framework combines a top-down view of its capacity to take risk with a bottom-up view of the business risk profile associated with each business area s medium term plans. The appetite is ultimately approved by the Board.

The Risk Appetite framework consists of two elements: Financial Volatility and Mandate & Scale .

Taken as a whole, the Risk Appetite framework provides a basis for the allocation of risk capacity across Barclays Group.

Financial Volatility

Financial Volatility is defined as the level of potential deviation from expected financial performance that Barclays is prepared to sustain at relevant points on the risk profile.

The Board sets the Group s financial volatility risk appetite in terms of broad financial objectives (ie top down) on through the cycle, 1 in 7 and 1 in 25 severity levels. The Group s risk profile is assessed via a bottom-up analysis of the Group s business plans to establish the financial volatility. If the projections entail too high a level of risk (i.e breach the top-down financial objectives at the through the cycle, 1 in 7 or 1 in 25 level), management will challenge each area to rebalance the risk profile to bring the bottom-up risk appetite back within top-down appetite. Performance against Risk Appetite usage is measured and reported to the Executive Committee and the Board regularly throughout the year.

To measure the risk entailed by the business plans, management estimates the potential earnings volatility from different businesses under various scenarios, represented by severity levels:

- expected loss: the average losses based on measurements over many years

- 1 in 7 (moderate) loss: the worst level of losses out of a random sample of 7 years

- 1 in 25 (severe) loss: the worst level of losses out of a random sample of 25 years

Risk management

Barclays risk management strategy continued

These potentially larger but increasingly less likely levels of loss are illustrated in the Risk Appetite concepts chart above. Since the level of loss at any given probability is dependent on the portfolio of exposures in each business, the statistical measurement for each key risk category gives the Group clearer sight and better control of risk-taking throughout the enterprise. Specifically, Barclays believes that this framework enables it to:

Improve management confidence and debate regarding the Group s risk profile

Re-balance the risk profile of the medium-term plan where breaches are indicated, thereby achieving a superior risk-return profile

Identify unused risk capacity, and thus highlight the need to identify further profitable opportunities

Improve executive management control and co-ordination of risk-taking across businesses

Mandate & Scale

The second element to the setting of risk appetite in Barclays is an extensive system of Mandate & Scale limits, which is a risk management approach that seeks to formally review and control business activities to ensure that they are within Barclays mandate (i.e. aligned to the expectations of external stakeholders), and are of an appropriate scale (relative to the risk and reward of the underlying activities). Barclays achieves this by using limits and triggers to avoid concentrations which would be out of line with external expectations, and which may lead to unexpected losses of a scale that would be detrimental to the stability of the relevant business line or of the Group. These limits are set by the independent Risk function, formally monitored each month and subject to Board-level oversight.

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

Barclays uses the Mandate & Scale framework to:

Limit concentration risk

Keep business activities within Group and individual business mandate

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

Ensure risk-taking is supported by appropriate expertise and capabilities

As well as Group-level Mandate & Scale limits, further limits are set by risk managers within each business unit, covering particular portfolios.

Risk Appetite and Stress Testing

Stress testing occurs throughout the Bank and it helps to ensure that our medium term plan has sufficient flexibility to remain appropriate over a multi-year time horizon during times of stress.

Stress testing allows us to analyse a specific potential economic scenario or event using defined macro and market based parameters. The results of a stress test, whether at a Group or business level, will produce an output which could be compared to a point in the curve of our Financial Volatility based statistical outcomes, although stress tests are scenario based and as such are not calibrated to a specific confidence level.

Given that the stress testing, Risk Appetite, and medium term planning timelines are all aligned, the outputs of stresses are used by risk functions throughout the Group to inform Risk Appetite (particularly at a business level). The outputs of stresses also feed into the setting of Mandate & Scale limits. For example, via the use of primary and secondary stresses in Market Risk, we identify and limit the scale of risks that DVaR would not automatically capture.

Reverse stress testing also supports our Risk Appetite framework. Reverse stress testing starts with defining a worst case set of metrics and deduces a scenario that could theoretically cause that situation to occur. This will help to ensure that we understand the tail risks across our books and explain what would have to happen to generate a change in strategy. Group reverse stress testing also identifies risks that in one business alone would not have been sufficient to be a critical event, thereby complementing the Financial Volatility and Mandate & Scale processes.

For further information on stress testing see page 48.

Modelling of risk

Barclays makes extensive use of quantitative estimates of the risks it takes in the course of its business. Risk models are used in a wide range of decisions, from credit grading, pricing and approval to portfolio management, risk appetite setting, economic capital allocation and regulatory capital calculations. The types of risks that are covered by such models include credit, market and operational risks.

The Group has a wide range of models in use, covering estimations of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default, (LGD) as well as many other types of risk besides credit risk. The models are developed and owned by each business unit. To minimise the risk of loss through model failure, the Group Model Risk Policy (GMRP) was developed. It is managed by the independent Group Risk function and is reviewed annually.

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

To ensure that the governance process is effective, and that management time is focused on the more material models, each model is provided with a materiality rating. The GMRP defines the materiality ranges for all model types, based on an assessment of the impact to the Group in the event of a model error. The final level of model sign-off is based on materiality, with all of a business unit s models initially being approved in business unit committees. The more material models are also approved at the Group Material Models Technical Committee, and the most material models require further approval by the Executive Models Committee, a subcommittee of Group Executive Committee. This process ensures that the most significant models are subject to the most rigorous review, and that senior management has a good understanding of the most material models in the Group. Although the final level of model sign-off will vary, depending on model materiality, the standards required by the GMRP do not change with the materiality level.

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

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

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

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

Within Barclays Capital, where models are used to value positions within the trading book, the positions are subject to regular independent price testing which covers all trading positions. Prices are compared with direct external market data where possible. When this is not possible, more analytic techniques are used, such as industry consensus pricing services.

Risk management

Barclays risk management strategy continued

These services enable peer banks to compare structured products and model input parameters on an anonymous basis. The conclusions and any exceptions to this exercise are communicated to senior levels of business management.

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

Stress testing

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

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

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

At the Group level, stress tests capture a wide range of macroeconomic variables that are relevant to the current environment, such as:

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

Note

a On 7th February 2011 CEBS was renamed the European Banking Authority

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

In 2010, the range of stress scenarios included the stress test set out by the FSA as part of its assessment of the Group s resilience to stressed credit risk, market risk and economic conditions over a five-year period. This stress scenario analysis took into account a wide range of factors, including:

- The Group s revenue generation potential given stressed macroeconomic variables such as GDP and interest rates;
- The effect of the scenario on the probability of default and possible losses given default within its loan book; and
- Possible declines in the market value of assets held in the trading books caused by the stress.

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

In addition, Barclays, along with 90 other banks, was included in the Committee of European Banking Supervisors (CEBS) stress test performed in July 2010. The stress test was designed to assess the resilience of the EU banking sector and each of the selected banks ability to absorb possible shocks on credit and market risks, including sovereign risks. Under the scenario considered, results indicated that Barclays would be well-placed to withstand the stress.

In 2010, Barclays integrated reverse stress testing into the Group wide stress testing process. Reverse stress testing aims to identify the conditions that would result in the business model no longer being viable, such as extreme macroeconomic downturn scenarios or specific idiosyncratic events. This is being used to help support the on-going risk management of the Group, for example reverse stress testing has been integrated into the Risk Appetite framework. This also supports the Group in meeting new regulatory requirements in regards to reverse stress testing.

Information on the Group s stress testing specifically relating to liquidity risk is set out on page 107.

Risk management

Risk factors

Risk Factors

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

The Group s approach to identifying, assessing, managing and reporting risks is formalised in its Principal Risks framework and supporting processes. A description of the Principal Risks framework is provided on page 45 and definitions of the 13 Principal Risks are provided in the table below. The risk categories relevant to operational risk disclosed on pages 113 and 114 are : People, Legal, Regulatory, Operations, Financial Crime, Technology, Financial Reporting and Taxation. This summary also includes discussions of the impact of business conditions and the general economy and regulatory changes which can impact risk factors and so influence the Group s results. The Principal Risks described below can potentially impact the Group s reputation and brand.

Business conditions and the general economy

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

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

The general recovery in the global economy resulted in an improvement in credit conditions in our main markets during 2010. In the UK, the economy recovered slightly during 2010 reflecting the lower than expected growth in unemployment rates, the sustained low interest rate environment and moderate GDP growth. However a slowdown in growth was evident in the fourth quarter which is likely to lead to uncertainty in the near term. In addition, persistent unemployment and inflation, fiscal tightening, the possibility of weakening house prices, and possible rising oil prices may have an adverse impact on the strength of the recovery which could increase the risk that a higher proportion of the Group s customers and counterparties may be unable to meet their obligations. Economic credit conditions have also continued to show signs of improvement in many other key geographies, although in Spain the housing sector remains depressed which led to significantly increased impairment in our Spain wholesale portfolios in 2010. Unemployment rates remain high in the US.

The business conditions facing the Group in 2011 are subject to significant uncertainties, most notably:

- the extent and sustainability of economic recovery particularly in the UK, US, Spain and South Africa;
- the dynamics of unemployment particularly in the UK, US, Spain and South Africa and the impact on delinquency and charge-off rates;
- the speed and extent of possible rises in interest rates in the UK, US, South Africa and the Eurozone;

- the possibility of any further falls in residential property prices in the UK, South Africa and Western Europe;
- the impact of potentially deteriorating sovereign credit quality;
- the potential for single name losses in different sectors and geographies where credit positions are sensitive to economic downturn;
- the potential impact of increasing inflation on economic growth and corporate profitability;
- possible deterioration in our remaining credit market exposures, including commercial real estate, leveraged finance and a loan to Protium Finance LP (Protium);
- changes in the value of Sterling relative to other currencies, which could increase risk weighted assets and therefore raise the capital requirements of the Group;
- continued turmoil in the Middle East and North Africa region could result in loss of business in the affected countries, increased oil prices, increased volatility and risk aversion to this region; and
- the liquidity and volatility of capital markets and investors appetite for risk, which could lead to a decline in the income that the Group receives from fees and commissions.

Regulatory changes

As noted in the section on Supervision and Regulation (pages 115 to 119), 2010 has seen significant regulatory change. This has been, and remains, the subject of close management attention. Where regulatory change has strategic implications this will tend to affect more than one Principal Risk factor. Such issues are dealt with on a Group wide basis by cross-disciplinary teams working under an accountable executive reporting to senior management. Issues dealt with in this manner in 2010 included:

- The Independent Commission on Banking (ICB): The ICB has been charged by the UK Government with reviewing the UK banking system. Its findings are expected by September 2011. Although the ICB has yet to make recommendations, and it is not possible to predict what the Government s response to any recommendations that are made will be, there is a possibility that the ICB could recommend change to the structure of UK banks which may require Barclays to make major changes to its structure and business.
- Recovery and Resolution Plans: there has been a strong regulatory focus on resolvability in 2010, both from UK and international regulators. TheGroup has been engaged, and continues to be engaged, with the authorities on taking forward recovery planning and identifying information that would be required in the event of a resolution.
- The Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA): the DFA will have an impact on the Group and its business. The full scale of this impact remains unclear as many of the provisions of the Act require rules to be made to give them effect and this process is still under way. Barclays has taken a centralised approach to monitoring this process and to ensuring compliance with the rules that are developed as a result.

Risk management

Risk factors continued

A summary of the Group s 13 principal risks is as follows

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
1. Wholesale Credit Risk **and** **2. Retail Credit Risk**		
Credit Risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. This can also arise when an entity s credit rating is downgraded, leading to a fall in the value of Barclays investment in its issued financial instruments.	The Board and management have established a number of key committees to review credit risk management, approve overall Group credit policy and resolve all significant credit policy issues. These comprise: the Board Risk Committee, the Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee. Barclays constantly reviews its concentration in a number of areas including, for example, portfolio segments, geography, maturity, industry and investment grade. Diversification is achieved through setting maximum exposure guidelines to individual counterparties sectors and countries, with excesses reported to the Risk Oversight Committee and the Board Risk Committee. For further information see pages 64 to 70.	Specific areas and scenarios where credit risk could lead to higher impairment charges in future years include: **Credit Market Exposures** Barclays Capital holds certain exposures to credit markets that became illiquid during 2007. These exposures primarily relate to commercial real estate, leveraged finance and a loan to Protium. The Group actively managed down some of these exposures in 2010. For further information see pages 88 to 92. **Sovereign Risk** EU deficits approached very high levels during 2010, leading to a loss of market confidence in certain countries to which the Group is exposed. The Group has put certain countries on watch list status with detailed monthly reporting to the Wholesale Credit Risk Management

Committee.

For further information see page 93.

Economic Uncertainty

Conditions have continued to show signs of improvement in many key markets, although the UK has experienced a slowdown in growth in the fourth quarter, US unemployment rates remain high and the Spanish housing sector continues to be depressed, impacting our wholesale and retail credit risk exposures.

In particular, in Spain, the Group has experienced elevated impairment across its operations, following a marked reduction in construction activity and shrinking consumer spending. The Group has reduced its credit risk appetite to the most severely affected segments of the economy. In particular, new lending to the property and construction sector ceased and workout team resources have been increased significantly.

For further information see pages 75 to 80.

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
3. Market Risk		
Market Risk is the risk that the Group s earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The Group is exposed to market risk through traded market risk, non-traded interest rate risk and the pension fund.	The Board approves market risk appetite for trading and non-trading activities, with limits set within this context by the Group Market Risk Director. The head of each business market risk team is responsible for implementing the Barclays Market Risk Control Framework which sets out how market risk should be identified, measured, controlled, reported and reviewed. Oversight and challenge is provided by business committees, Group committees and the central Group market risk team. Non-traded interest rate risk is hedged with the external market by a business treasury operation or Group Treasury. For further information see pages 94 to 101.	**Traded Market Risk Exposures** While the Group is exposed to continued market volatility, Barclays Capital s trading activities are principally a consequence of supporting customer activity. Primary stress testing applies stress moves to each of the major asset classes. Most asset class stress limits were, at some point during 2010, near to their limit. There was one instance of an excess to limit in relation to equity risk in March 2010. This was appropriately escalated and remediated promptly. Barclays Capital s 2010 market risk exposure, as measured by average total DVaR decreased to £53m (2009: £77m). For further information see pages 95 and 96. **Non-traded Interest Rate Risk** The Group is exposed to three main types of non-traded interest rate risk: fixed rate loans and deposits that are not hedged or matched; structural risk due to variability of earnings on structural product and equity balances which have no contractual maturity and an interest rate which does not move in line with the base rate; and margin compression. Fixed rate loan risk is mitigated by hedging the risk with the external market either via Group Treasury, or a business treasury operation. Structural risk and margin compression are hedged by equity and structural hedges managed by Group Treasury. The maturities of these hedges were extended during 2010.

Due to economic concerns in the third quarter, gilts purchased as part of the equity structural hedge extension were sold. The duration extension process was resumed towards the end of 2010 and is expected to be completed by the end of 2011.

For further information see pages 97 to 99.

Pension Fund Risk

Barclays could be required or might choose to make extra contributions to the pension fund. Financial details of the pension fund are in Note 28.

Table of Contents

Risk management

Risk factors continued

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
4. Capital Risk		
Capital Risk is the risk that the Group has insufficient capital resources to: ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set out by the UK FSA and US Federal Reserve; ensure locally regulated subsidiaries can meet their minimum regulatory requirements; support the Group s Risk Appetite and economic capital requirements; and support the Group s credit rating.	Primary responsibility for managing Capital Risk rests with the Group Treasury Committee, which has defined and implemented a Capital Risk governance framework. The Committee monitors the Group s actual and forecast capital positions on both a pre and post stress basis. Stress testing considers the impact to capital resources and requirements as a result of macroeconomic stresses. The Committee also considers major risks to the capital forecast such as changes to the regulatory requirements. The Group has a number of regulated legal entities within the UK and overseas. Local management has primary responsibility for ensuring these entities comply with their local capital requirements. Where necessary, injections of capital may be made. Such injections are approved by Group Treasury Committee. For further information see pages 102 to 106.	**Increasing Capital Requirements** There have been a number of recent developments in regulatory capital requirements which are likely to have a significant impact on the Group. Most significantly, during 2010, the Capital Requirement Directives 2 and 3 and the guidelines from the Basel Committee for strengthening capital requirements (Basel III) have been finalised. Aligned to this, markets and credit rating agencies now expect equity capital levels significantly in excess of the current regulatory minimum. As a result, and in anticipation of the future regulatory changes, the Group continues to build its capital base and actively manage its risk weighted assets. As at 31st December 2010, the Group s Core Tier 1 Capital ratio was 10.8% (2009: 10.0%). For further information see pages 103, 104 and 118.
5. Liquidity Risk		
Liquidity Risk is the risk that the Group is unable to meet its obligations as they fall due	The Group maintains a substantial liquidity buffer comprised of deposits with central banks and investments in highly liquid securities or deposits.	**Inability To Meet Obligations As They Fall Due,** **At Reasonable Cost**

resulting in: an inability to support normal business activity; failing to meet liquidity regulatory requirements; or rating agency concerns.	Stress reporting for a number of liquidity scenarios is run on a daily basis. These tests measure the survival periods under Barclays defined stress scenarios. Similar stresses are run for key entities within the Group as well as at the Group level. Since June 2010, the Group has also reported its liquidity position against backstop Individual Liquidity Guidance provided by the FSA. Calibration of the Group s liquidity framework anticipated final FSA rules and is therefore broadly consistent with current FSA standards. Daily reporting monitors a number of indicators of stress as well as daily cash activity.	As a result of sudden, large and potentially protracted increases in cash outflows, the cash resources of the Group could be severely depleted. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, ratings downgrades or loan drawdowns. This could result in: limited ability to support client lending, trading activities and investments; forced reduction in balance sheet and sales of assets; inability to fulfil lending obligations; and regulatory breaches under the liquidity standards introduced by the FSA on 1st December 2009. These outflows could be the result of general market dislocations or specific concerns about Barclays. For further information see pages 107 to 112.

Table of Contents

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
6. People Risk		
People risk arises from failures of the Group to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements.	People Risk is mitigated through the operation of the People Risk Framework (PRF). The PRF consists of Group wide policies which mandate the minimum controls that all businesses globally need to operate to mitigate their people risks and covers the following areas: Recruitment Pre-employment screening Employment agreements Performance management Reward Discipline, Capability and Grievance Health and Safety Exit management Employee feedback	**Compensation and People Retention Risk** During 2010, external regulatory developments in relation to remuneration continued to impact the People Principal Risk. On 17th December 2010, the FSA published its final Remuneration code following the July 2010 Consultation Paper. The code was updated in order to implement the remuneration rules required by the Capital Requirements Directive (CRD 3) and the Financial Service Act 2010. The code applies to remuneration paid from 1st January 2011, including remuneration in respect of 2010 performance. Barclays remuneration approach has been reviewed in detail and enhancements made as appropriate to ensure continued compliance with the FSA Code. During 2010, Barclays developed a Group wide policy formalising the role of risk functions in remuneration activities and ensuring regulatory requirements are fulfilled. An independent review of Barclays approach was conducted on behalf of the Board Risk Committee by a third party. The review concluded Barclays approach is market leading and satisfies regulatory requirements.

Hiring former employees of the statutory auditor

Conformance with the policies is monitored by the HR Risk Committee through regular conformance reviews and quarterly key indicators. Further oversight of the management of People Risk is provided by the Board Remuneration Committee and the Group Operating Committee.

For further information see pages 147 to 163.

7. Legal Risk

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

Business may not be conducted in accordance with applicable laws around the world.

Contractual obligations may either not be enforceable