BARCLAYS PLC
Form 20-F
March 13, 2013

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, 2012

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 ordinary shares	New York Stock Exchange

* 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℠ ETN	NYSE Arca
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

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

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® Long Extended Russell 1000® TR Index ETN	NYSE Arca
iPath® Long 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® 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

iPath® US Treasury Long Bond Bull ETN	NYSE Arca
iPath® US Treasury Long Bond Bear ETN	NYSE Arca
iPath® Pure Beta Broad Commodity ETN	NYSE Arca
iPath® Pure Beta S&P GSCI®-Weighted ETN	NYSE Arca
iPath® Pure Beta Cocoa ETN	NYSE Arca
iPath® Pure Beta Coffee ETN	NYSE Arca
iPath® Pure Beta Cotton ETN	NYSE Arca
iPath® Pure Beta Sugar ETN	NYSE Arca
iPath® Pure Beta Aluminum ETN	NYSE Arca
iPath® Pure Beta Copper ETN	NYSE Arca
iPath® Pure Beta Lead ETN	NYSE Arca
iPath® Pure Beta Nickel ETN	NYSE Arca
iPath® Pure Beta Crude Oil ETN	NYSE Arca
iPath® Seasonal Natural Gas ETN	NYSE Arca
iPath® Pure Beta Agriculture ETN	NYSE Arca
iPath® Pure Beta Grains ETN	NYSE Arca
iPath® Pure Beta Softs ETN	NYSE Arca
iPath® Pure Beta Industrial Metals ETN	NYSE Arca
iPath® Pure Beta Energy ETN	NYSE Arca
iPath® Pure Beta Livestock ETN	NYSE Arca
iPath® Pure Beta Precious Metals ETN	NYSE Arca
iPath® US Treasury 5-year Bull ETN	NYSE Arca
iPath® US Treasury 5-year Bear ETN	NYSE Arca
iPath® S&P 500 Dynamic VIX ETN	NYSE Arca
iPath® Inverse S&P 500 VIX Short-Term FuturesTM ETN (II)	NYSE Arca
iPath® GEMS IndexTM ETN	NYSE Arca
iPath® GEMS Asia 8 ETN	NYSE Arca
iPath® Asian and Gulf Currency Revaluation ETN	NYSE Arca
iPath® S&P MLP ETN	NYSE Arca
Barclays ETN+ S&P 500® Dynamic VEQTOR ETN	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
Barclays ETN+ Shiller CAPE™ ETNs	NYSE Arca

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	12,242,633,551
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 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 ¨

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 ¨

SEC Form 20-F Cross reference information

Form 20-F item number		Page and caption references in this document*
1	**Identity of Directors, Senior Management and Advisers**	Not applicable
2	**Offer Statistics and Expected Timetable**	Not applicable
3	**Key Information**	
	A. Selected financial data	166, 168, 305-306
	B. Capitalization and indebtedness	Not applicable
	C. Reason for the offer and use of proceeds	Not applicable
	D. Risk factors	72-79
4	**Information on the Company**	
	A. History and development of the company	31, 262 (Note 38)-263 (Note 39), 307, 348, 364
	B. Business overview	i (Market Data), 1-4, 154-160, 172*, 199-202 (Note 1), 214-217 (Note 15), 245-246 (Note 30)
	C. Organizational structure	262 (Note 38)
	D. Property, plants and equipment	232-233 (Note 20), 234-235 (Note 23)
4A	**Unresolved staff comments**	Not applicable
5	**Operating and Financial Review and Prospects**	
	A. Operating results	124, 154-160, 166-188, 199-272 (critical accounting policies, estimates & judgement)
	B. Liquidity and capital resources	86-87, 105, 126-150, 170, 196, 214-217 (Note 15), 247-250 (Note 31), 250 (Note 32), 263-265 (Note 40), 288-290, 297-301, 353
	C. Research and development, patents and licenses, etc.	Not applicable
	D. Trend information	
	E. Off-balance sheet arrangements	265-267 (Note 41)
	F. Tabular disclosure of contractual obligations	331*
	G. Safe harbor	i (Forward-looking statements)
6	**Directors, Senior Management and Employees**	
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	B. Compensation	39-68, 257-261 (Note 37), 268-270 (Note 43),
	C. Board practices	6-37, 50
	D. Employees	38, 175, 177, 179, 181, 183, 184, 187, 188
	E. Share ownership	39-68, 61-62, 254-256 (Note 36), 268-270 (Note 43), 324-325*
7	**Major Shareholders and Related Party Transactions**	
	A. Major shareholders	319
	B. Related party transactions	268-270 (Note 43), 246, 361 (Note p)
	C. Interests of experts and counsel	Not applicable
8	**Financial Information**	
	A. Consolidated statements and other financial information	30, 191-272, 304-310, 347-361
	B. Significant changes	272 (Note 46)
9	**The Offer and Listing**	
	A. Offer and listing details	305
	B. Plan of distribution	Not applicable
	C. Markets	305-306
	D. Selling shareholders	Not applicable
	E. Dilution	Not applicable
	F. Expenses of the issue	Not applicable
10	**Additional Information**	
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	B.	Memorandum and Articles of Association	307-310
	C.	Material contracts	15, 31, 50, 58, 250 (Note 32)
	D.	Exchange controls	314
	E.	Taxation	311-314
	F.	Dividends and paying assets	Not applicable
	G.	Statement by experts	Not applicable
	H.	Documents on display	314
	I.	Subsidiary information	262 (Note 38)
11	**Quantitative and Qualitative Disclosure about Market Risk**		80-153, 274-303
12	**Description of Securities Other than Equity Securities**		
	A.	Debt Securities	Not applicable
	B.	Warrants and Rights	Not applicable
	C.	Other Securities	Not applicable

	D. American Depositary Shares	315-316
13	**Defaults, Dividends Arrearages and Delinquencies**	Not applicable
14	**Material Modifications to the Rights of Security Holders and Use of Proceeds**	Not applicable
15	**Controls and Procedures**	
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	B. Management s annual report on internal control over financial reporting	33-34
	C. Attestation report of the registered public accounting firm	191
	D. Changes in internal control over financial reporting	34
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16B	**Code of Ethics**	318, Exhibit 11.1
16C	**Principal Accountant Fees and Services**	23, 317 (External auditor objectivity and independence: Non-Audit Services), 271 (Note 44)
16D	**Exemptions from the Listing Standards for Audit Committees**	Not applicable
16E	**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**	250 (Share Repurchase), 32
16F	**Change in Registrant s Certifying Accountant**	Not applicable
16G	**Corporate Governance**	318
17	**Financial Statements**	Not applicable (See Item 8)
18	**Financial Statements**	Not applicable (See Item 8)
19	**Exhibits**	Exhibit Index

* 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.

Barclays PLC and Barclays

Bank PLC 2012 Annual

Report on Form 20-F

The term Barclays PLC Group or the Group means Barclays PLC together with its subsidiaries and the term Barclays Bank PLC Group means Barclays Bank PLC together with its subsidiaries. Barclays and Group are terms which are used to refer to either of the preceding groups when the subject matter is identical. The term Company , Parent Company or Parent refers to Barclays PLC and the term Bank refers to Barclays Bank PLC. In this report, the abbreviations £m and £bn represent millions and thousands of millions of pounds sterling respectively; the abbreviations $m and $bn represent millions and thousands of millions of US Dollars respectively; m and bn represent millions and thousands of millions of euros respectively and C$m and C$bn represent millions and thousands of millio of Canadian dollars respectively.

Unless otherwise stated, the income statement analyses compare the 12 months to 31 December 2012 to the corresponding 12 months of 2011 and balance sheet comparisons, relate to the corresponding position at 31 December 2011. 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 367-378. A hard copy can be provided on request by contacting Barclays Investor Relations, Barclays PLC, 1 Churchill Place, London E14 5HP.

Certain non-IFRS measures

Barclays management believes that the non-IFRS measures included in this document provide valuable information to readers of its financial statements because they enable the reader to identify a more consistent basis for comparing the business performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Group. 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. Key non-IFRS measures included in this document are:

- Adjusted profit/(loss) before tax is the non-IFRS equivalent of profit/(loss) before tax as it excludes the impact of own credit; gains on debt buy-backs; impairment and disposal of the investment in BlackRock, Inc.; the provision for Payment Protection Insurance redress payments and claims management costs (PPI redress); the provision for interest rate hedging products redress and claims management costs (interest rate hedging products redress); goodwill impairments; and gains and losses on acquisitions and disposals. The regulatory penalties relating to the industry-wide investigation into the setting of interbank offered rates have not been excluded from adjusted measures. A reconciliation of IFRS and Adjusted profit/(loss) before tax is presented on page 326 for the Group and on pages 327-329 for each business;

- Adjusted profit/(loss) after tax represents profit/(loss) after tax excluding the post-tax impact of own credit; gains on debt buy-backs; impairment and disposal of the investment in BlackRock, Inc.; the provision for PPI redress; the provision for interest rate hedging products redress; goodwill impairments; and gains and losses on acquisitions and disposals. A reconciliation is provided on page 326 for the Group and on pages 327-329 for each business;

- Adjusted profit/(loss) after tax and non-controlling interests represents adjusted profit/(loss) after tax less profit attributable to non-controlling interests. The comparable IFRS measure is profit/(loss) after tax and non-controlling interests. A reconciliation is provided on page 326;

- Adjusted income and total income/(expense) net of insurance claims on an adjusted basis represents total income/(expense) net of insurance claims excluding the impact of own credit and gains on debt buy-backs. A reconciliation is provided on page 326 for the Group and on pages 327-329 for each business;

Adjusted net operating income represents net operating income excluding the impact of own credit, gains on debt buy-backs and gain/(loss) on disposal of the strategic investment in BlackRock, Inc. A reconciliation is provided on page 326 for the Group and on pages 327-329 for each business;

Adjusted operating expenses represents operating expenses excluding the provision for PPI redress, provision for the sale of interest rate hedging product redress and goodwill impairment. A reconciliation is provided on page 326 for the Group and on pages 327-329 for each business;

Adjusted other net income/(expense) represents other net income/(expense) excluding gains and losses on acquisitions and disposals. A reconciliation is provided on page 326 for the Group and on pages 327-329 for each business;

Adjusted cost: income ratio represents cost: income ratio excluding the impact of own credit, gains on debt buy-backs, gain on disposal of strategic investment in BlackRock, Inc., the provision for PPI redress, provision for the sale of interest rate hedging product redress, and goodwill impairment. The comparable IFRS measure is cost: income ratio, which represents operating expenses to income net of insurance claims. A reconciliation of the components used to calculate adjusted cost: income ratio to their corresponding IFRS measures is provided on page 326 for the Group and on pages 327-329 for each business;

Adjusted compensation: net operating income ratio represents compensation: net operating income ratio excluding the impact of own credit, gains on debt buy-backs and gain on disposal of strategic investment in BlackRock, Inc. A reconciliation is provided on page 326 for the Group;

Adjusted basic earnings per share represents adjusted profit after tax and non-controlling interests (set out on page 326) divided by the basic weighted average number of shares in issue. The comparable IFRS measure is basic earnings per share, which represents profit after tax and non-controlling interests, divided by the basic weighted average number of shares in issue;

Adjusted return on average shareholders equity represents adjusted profit after tax and non-controlling interests (set out on page 326) divided by average equity. The comparable IFRS measure is return on average shareholders equity, which represents profit after tax and non-controlling interests, divided by average equity;

Adjusted return on average tangible shareholders equity represents adjusted profit after tax and non-controlling interests (set out on page 326) divided by average tangible equity. The comparable IFRS measure is return on average tangible shareholders equity, which represents profit after tax and non-controlling interests, divided by average tangible equity;

Adjusted return on average risk weighted assets represents adjusted profit after tax (set out on page 326), divided by average risk weighted assets. The comparable IFRS measure is return on average risk weighted assets, which represents profit after tax divided by average risk weighted assets;

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 disclosing a measure of balance sheet leverage 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. The comparable IFRS measure is the ratio of total assets to total shareholders equity. The calculation of adjusted gross leverage, as well as total assets to total shareholders equity, is presented on page 132;

Adjusted effective tax rate is a non-IFRS measure representing the tax charge on adjusted profit/(loss) before tax. The comparable IFRS measure is effective tax rate, which represents the tax charge on profit/(loss) before tax;

Total incentive awards granted are non-IFRS measures as they represent incentive awards granted as opposed to the income statement charge, which reflects the charge for employees actual services provided to the Group during the relevant calendar year. These non-IFRS measures have been presented as they provide a consistent basis for comparing the bonus pool between financial periods. A reconciliation of total incentive awards to the income statement charge for performance costs is provided on page 46;

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are calculated according to definitions and methodologies detailed in the standards provided by the Basel Committee on Banking Supervision. The original guidelines released in December 2010 (Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring , December 2010) were revised for the calculation of the LCR ratio in January 2013 (Basel 3: The Liquidity Coverage Ratio and liquidity risk monitoring tools , January 2013). The results of both the December 2010 and January 2013 guidelines have been included in the report. The LCR and NSFR metrics are regulatory ratios that are not yet finalised in local regulations and, as such, represent non-IFRS measures. These definitions and methodologies used to calculate the metrics are subject to further revisions ahead of their respective implementation dates and our interpretation of these calculations may not be consistent with other financial institutions.

Pro forma risk weighted assets (RWAs), pro forma Common Equity Tier 1 (CET1) ratio on both a transitional and fully loaded basis and the CRD IV leverage ratio are regulatory measurements that are not yet required to be disclosed and, as such, represent non-IFRS measures. They have been calculated on the basis of our current interpretation of the new capital requirements regulation and capital requirements directive that implement Basel 3 proposals within the EU (known as CRD IV), including transitional provisions in line with the FSA s statement on CRD IV transitional provisions in October 2012, assuming they were applied as at 1 January 2013. The methodologies for calculating these measurements are not yet finalised: they are subject to further revisions ahead of their implementation date and our interpretation of these calculations may not be consistent with other financial institutions. For more information on the calculation of these measurements and the impacts of Basel 3, see pages 130-134. See pages 131-132 for information on our Core Tier 1 and RWAs, calculated on the basis that currently applies to the Group under applicable regulatory requirements.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Group s plans and its current goals and expectations relating to its future financial condition and performance. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as may , will , seek , continue , aim , anticipate , target , projected estimate , intend , plan , goal , believe , achieve or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group s future financial position, income growth, assets, impairment charges, business strategy, capital ratios, leverage, payment of dividends, projected levels of growth in the banking and financial markets, projected costs, commitments in connection with the Transform Programme, estimates of capital expenditures and plans and objectives for future operations and other statements that are not historical fact.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, UK domestic, Eurozone and global macroeconomic and business conditions, the effects of continued volatility in credit markets, market related risks such as changes in interest rates and foreign exchange rates, effects of changes in valuation of credit market exposures, changes in valuation of issued notes, the policies and actions of governmental and regulatory authorities (including requirements regarding capital and Group structures and the potential for one or more countries exiting the Eurozone), changes in legislation, the further development of

standards and interpretations under IFRS and prudential capital rules applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, the outcome of current and future legal proceedings, the success of future acquisitions and other strategic transactions and the impact of competition, a number of such factors being beyond the Group s control. As a result, the Group s actual future results may differ materially from the plans, goals, and expectations set forth in the Group s forward-looking statements.

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

Market and other data

This document contains information, including statistical data, about certain 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.

Use of Internet addresses

This document contains inactive textual addresses of internet websites operated by us and third parties. Reference to such websites is made for informational purposes only, and information found at such websites is not incorporated by reference into this document.

About Barclays

About Barclays

Barclays is a major global financial services provider engaged in personal banking, credit cards, corporate and investment banking, and wealth and investment management with an extensive international presence in Europe, the Americas, Africa and Asia. With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs approximately 140,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

Our focus

Under the leadership of Antony Jenkins, as CEO, Barclays commenced a Strategic Review in the fourth quarter of 2012, and the outcome of the review was announced in February 2013. The review is part of a long-term programme to transform the culture and performance of Barclays over the next three to five years, which we refer to as the Transform Programme.

Barclays Strategic Review concluded that we will:

- Focus solely on activities that support customers and clients in geographic markets and businesses where Barclays has scale and competitive advantage
- Focus investment in the UK, US and Africa, while maintaining an appropriate presence across Europe and Asia to support our global investment banking franchise
- Restructure Barclays European retail operations to focus on the mass-affluent customer segment
- Reposition Barclays European and Asian Equities and Investment Banking Division businesses to reflect the market opportunities and maintain a relevant proposition for our clients
- Close the Structured Capital Markets business unit
- Manage Risk Weighted Assets (RWAs) more efficiently through a run-off of legacy assets in Europe and the Investment Bank and invest in high-return businesses such as UK mortgages, Barclaycard and Wealth and Investment Management
- Reduce total costs significantly across the Group by operating more efficiently

Our goal

Becoming the Go-To bank

Our goal is to build not only a sustainable, trusted business, but a business which customers and clients consider as the first choice for answers and solutions their Go-To bank.

Customers and clients will benefit from our focus on doing business in the right way, putting them firmly in the centre of all that we do.

In coming years, we will re-establish Barclays as a benchmark brand which our colleagues will value throughout their careers.

For Barclays and our shareholders, Go-To means a more efficient way of doing business and developing deeper relationships that sustainably improve return on shareholder investment.

How Barclays does business

Our objective is to create and deliver long term sustainable value for all our stakeholders in the right way.

We fulfil our purpose by delivering the fundamental functions of a bank to our customers and clients for which we receive interest income and/or fees.

Our competitive advantage

Barclays competitive advantage is created by the scale and diversity of our businesses and the quality, character and relationships of our people.

Scale and diversity allow us to build sustainable businesses by delivering operational excellence, investing in innovation, managing our risks and allocating scarce resources, including capital, efficiently across our portfolio of businesses. Our people allow us to cultivate deeper relationships with our customers and clients by bringing the best of Barclays to each.

As we refresh our goal, purpose and values and rebalance our objectives across multiple stakeholders, we believe we can become the bank of choice for people regardless of the transaction they are looking to make.

About Barclays continued

How our Group creates value

Barclays operates a universal banking model through which we seek to build strong and stable relationships with our customers and clients by meeting a wide range of their needs across different locations. These multi-dimensional strategies allow Barclays to offer a greater range of products and services and achieve both a smoother income stream and sustainable returns.

Our Retail and Business Banking businesses operate in a regional model, focusing on delivering targeted solutions to individuals and small businesses. Barclaycard, the Investment Bank, Corporate Banking and Wealth and Investment Management leverage their offerings to provide comprehensive solutions across borders.

Where possible, we have encouraged Group functions to take advantage of synergies through the sharing of ideas and collaboration from cross-functional working groups.

How our businesses create value

Business type	Primary income source	Description
Retail and Business Banking	Interest and fee income	We accept customer deposits in exchange for interest payment. We lend these funds, for an interest charge, to individuals and businesses looking to grow and make meaningful contributions to the economy.
Barclaycard	Interest income and transaction fees	We facilitate and simplify the flow of funds between customers and businesses for a small percentage of the transaction and, in the case of credit cards, we earn interest income on credit balances.
Investment Bank	Trading income and fee income	We provide clients with financial and transaction advice, assistance with capital raising, trade execution and risk management for which we earn trading and fee income.
Corporate Banking	Interest and fee income	We provide clients with banking, cash management and financing services, in exchange for interest and fees, to facilitate growing businesses ability to conduct business domestically and internationally.
Wealth and Investment Management	Interest and fee income	We help affluent customers grow and protect their wealth through advisory and investment services, for which we earn a fee, and private and international banking, on which we earn interest.

The Group is structured around the following businesses:

UK Retail and Business Banking (UKRBB)

UKRBB is our UK-based high street retail bank network and brand presence for the Group. UKRBB provides customer referrals for Barclaycard, Wealth and Investment Management and Corporate Banking; and retail banking platforms and infrastructure.

UKRBB has over 15 million personal customers, one million of whom are classified as mass-affluent and serves over 750,000 businesses. Our strategy is to develop and deliver simple and transparent products, run on scalable infrastructure and we invest heavily to try to enhance our customers experiences.

In October, Barclays agreed to acquire the deposits, mortgages and business assets of ING Direct UK and the transaction completed in March 2013. It is a good fit with our existing business and will be integrated into UKRBB.

We have put the customer in control by developing services and propositions that they can personalise to suit their needs. Our new current account proposition, Features Store, allows customers to tailor their banking relationship across a range of free and paid for features, whilst over 400,000 customers have taken advantage of the ability to personalise their debit card.

Barclays Mobile Banking app, Pingit and Text Alerts were launched with the aim of making customers lives much easier. These services help people to do their everyday banking, track payments and to send and receive money at any time, wherever they are. We also changed to a customer service based incentive scheme for our frontline staff, to ensure that our customers remain at the heart of our business.

Europe Retail and Business Banking (Europe RBB)

Europe RBB offers a full range of banking, investment and insurance products tailored to meet our customers financial needs. We provide services to over 1.5 million retail customers and businesses in Europe.

Within our customer base, we focus on the mass-affluent segment and offer a differentiated proposition. Our business leverages the expertise of Barclays other Retail and Business Banking franchises to benefit our client base as well as to exploit synergies across our non-retail European businesses.

In 2012, we took advantage of the expertise of our other Retail and Business Banking franchises to better serve customers and made good progress against our long term vision of making our customers lives much easier. For instance, we simplified some of our most manual customer processes and launched mobile banking to allow customers in Spain, Italy and France to access their accounts on the move.

We also introduced a system into our French network that allows staff to quickly determine a customer s investment profile and monitor their portfolios in real time. This system saves time, improves customer service and enhances our oversight over advisory services.

Africa

Barclays in Africa comprises a local Retail and Business Bank, along with a local presence for Barclays global businesses Barclaycard, Corporate Banking, Investment Bank and Wealth and Investment Management. Africa provides the Group with emerging market exposure and a promise of growth. Together, we serve over 14.3 million customers and clients across 12 countries.

In 2012, we consolidated our Barclays Africa and Absa banking operations into a single management structure. In 2013, subject to the receipt of regulatory approvals, the majority of Barclays Africa businesses and Absa will be brought under one legal entity to create a leading pan-African financial services business.

Our One Africa strategy focuses on broadening services in leading markets and investing in new geographies.

As part of our goal to make customers and clients lives much easier, we continued to drive innovation, for example, by rolling out several new online banking services to customers across Africa.

We deployed our global, regional and local capabilities to the benefit of our corporate clients in landmark deals, such as the partnership of Kenya Airways and Barclays Bank of Kenya with Visa to relaunch an airline co-branded credit card. Other major deals included the inaugural $0.5bn Zambia Sovereign benchmark issuance, that was 20 times oversubscribed; and project financing of $1.5bn for ExxonMobil/NNPC to develop 27 oil wells in Nigeria.

Life insurance products have been launched in Botswana, Mozambique, Zambia and Ghana via our bancassurance model, through the Barclays branch network. Two new Islamic banking products have been launched in Kenya by leveraging Group capabilities and synergies.

Barclaycard

Barclaycard provides the Group with exposure to the fast growing global payments industry and is an important source of new relationships to Barclays for both individual and business customers.

We serve 29 million retail and business customers across the world, including the United Kingdom, United States, Germany, South Africa through Absa Card and Norway, Sweden and Denmark through the EnterCard joint venture.

Barclaycard is investing in core consumer cards issuing to gain share in all markets, rebalancing towards high-return business payments and continuing to lead in payment innovation to meet evolving customer needs.

Barclaycard received numerous awards in 2012, including the Moneyfacts: Best Card Provider 2012 award in the UK and Forrester Voice of the Customer award in the US.

We have a heritage of innovation, starting from the launch of the first credit card in the UK in 1966. Since 2011, Barclaycard has launched several new products to meet evolving customer needs, including Freedom and Cashback consumer cards in the UK, Google Adwords for UK SMEs, Barclaycard Plus for online consumer spending in Germany and the world s first social media credit card, Barclaycard Ring in the US.

Digital payments are a major part of our innovation and in 2012 we enabled over 750,000 mobile phones to make payments (using PayTag) across three countries and helped increase contactless transactions by over 250% year on year in the UK.

About Barclays continued

Investment Bank

Barclays integrated universal banking model, with a presence in 50 countries, allows us to meet the needs of our clients by connecting capabilities from across the Group. The Investment Bank aims to be the Go-To bank for corporate and institutional clients, providing them with the products and services they need to invest, grow and manage risk.

Through our client-focused flow business we provide diversity of income and risk to the Group and are able to deliver market execution services for retail, wealth and corporate customers.

Our Investment Banking Division provides a full suite of banking services to corporations, governments and institutions worldwide. Services include arranging and underwriting debt and equity issuance, providing advice on mergers and acquisitions, corporate finance and restructurings, making active markets for securities across global debt and equity exchanges and delivering strategic risk management solutions.

Our Markets team provides execution and risk management across the full range of asset classes including equity and fixed income, currency and commodity (FICC) products.

We facilitate client transactions on stock, options and futures exchanges globally and provide prime brokerage services, including clearing, financing and securities lending, to institutional clients. We are active market-makers for securities across every asset class, helping to provide liquidity to the world s financial markets.

We also provide access to derivative products allowing organisations to hedge exposure to movements in interest rates, currencies and commodity prices.

A combined Markets team was established October 2012, integrating our FICC, Equities and Distribution divisions. This new structure will enable us to deliver more joined up solutions for our clients, and deliver greater synergies across product groups and trading and distribution teams.

Our global, multi asset Research team delivers actionable ideas and innovative products to our clients, partnering with them to help ensure they make informed investment decisions. Our expertise in debt, equity and economic research provides our clients with impartial, insightful advice on global and regional companies, markets and topics.

Our clients include multi-national corporates, sovereign governments and supranational bodies and financial institutions, including banks, pension funds and insurance firms.

We help corporate clients to achieve growth and job creation in the real economy, governments to deliver their stability and growth plans, and institutions to meet the long term investment needs of their clients.

In 2012, we were once again recognised for the strength of our client focus and were awarded Best US Investment Bank and Best UK Investment Bank by Euromoney.

Note

a Source: Charterhouse Research based on 2,076 interviews with companies turning over between £5m and £1bn carried out in Q4 2012.

Corporate Banking

Corporate Banking is an integral part of Barclays universal banking offering. We help over 40,000 corporations achieve their ambitions. This includes multinational corporates and financial institutions globally, and domestic corporations in the UK and South Africa. Corporate Banking has stable revenues and is self-funded.

We work closely with clients to fully understand their business and build long term, broad-based relationships. As a result, in the UK no other bank achieved a higher rating for overall client satisfaction[a].

We continue to strive for ever better client servicing, and in 2012 a Global Corporates team was established jointly between Corporate Banking and the Investment Bank. The objective is to strengthen existing client relationships and provide more corporate banking solutions to the treasuries of our largest multinational clients.

In 2012 we launched the new Cash Management offering, Pingit for Corporates, providing clients with more efficient and convenient ways to manage payments. We also continued to invest in our client servicing model.

We continue to focus on products that are important to our clients, and therefore invest in our Cash Management and Trade Finance capabilities. Key initiatives are underway, and in 2012, we launched our cash management platform Barclays.net, and invested in Trade Finance hubs in key locations. We are also in the process of enhancing an integrated Corporate Banking offering with Absa across Africa.

Wealth and Investment Management

Wealth and Investment Management (W&IM) provides a full range of wealth management services to affluent and high-net-worth clients globally, including banking, credit, investments and advisory services.

We will be the Go-To wealth manager for clients by helping them to better understand, organise and invest their wealth.

We believe the best way to support clients is to have deep knowledge of their full financial position. Amongst other techniques, we use the principles of behavioural finance to tailor investment and structuring solutions for each client through use of our proprietary Financial Personality Assessment tool.

In addition to providing comprehensive wealth management services to affluent and high-net-worth clients, we bring the best of all areas of Barclays to these clients, be it retail, business, corporate or investment banking.

2012 marked the third year of W&IM s five year strategic investment programme, known as Project Gamma, to transform our business through improvements to client experience and productivity. It continues to progress well, with 2012 seeing continued improvement in both these areas.

In 2012 we launched a new digital client portal, which allows clients to self-serve more effectively, when and how they prefer. In addition, we initiated more detailed client reporting, voice biometrics for identification purposes, an upgraded portfolio management and construction tool, a more streamlined onboarding of new clients and quicker and simpler credit applications.

Governance

The governance process of Barclays and reports from each of the Board Committees presenting how the Board support the delivery of the strategy.

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Corporate governance report

Dear Shareholder

This is my first report to you, as Chairman, on corporate governance at Barclays. I joined the Board with effect from 1 September 2012, succeeding Marcus Agius as Chairman on 1 November 2012. The context for my appointment was, as is well-known, the changes to the Board in the wake of the announcement in June 2012 of penalties relating to the industry-wide investigation into the setting of interbank offered rates. That announcement, and the events that followed, inevitably dominated the second half of the year and the after effects continue to influence the Board s agenda.

What is meant by corporate governance?

Taking a step back, what is meant by corporate governance? The UK Corporate Governance Code (the Code) is based on the widely-accepted definition of corporate governance as the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The Code makes clear that corporate governance is about what the board of a company does and how it sets the company s values. That is something that has been brought into sharp focus for Barclays during 2012. Barclays has a well-defined and well-structured corporate governance framework in place to support the Board s aim of achieving long term and sustainable shareholder value. But however robust the framework, it is imperative that it is supported by the right culture, values and behaviours, both at the top and throughout the entire organisation. In 2012, Barclays faced much criticism of the values and behaviours it has demonstrated. We are unanimous as a Board that we must accept this criticism and seek ways in which we can do better in future, with the aim of achieving a leadership position amongst our industry peers. I regard the independent review of Barclays business practices, led by Anthony Salz, which we announced in July 2012, and the work instigated by Antony Jenkins on culture and values as part of the Transform Programme, as providing a solid foundation on which we can build and move forward to become best in class. You will read more about each of these important initiatives elsewhere in the Annual Report and, later in this corporate governance report, Sir Michael Rake, Deputy Chairman and Senior Independent Director, reports on how Board governance responded to the LIBOR announcement.

How is good governance achieved?

Good and effective corporate governance is also very much dependent on the skills and experience of individuals on the Board and how well they work together as a whole to achieve long term value for shareholders. A great deal is demanded and expected of our Directors, particularly given the systemic importance of financial institutions such as Barclays to the global economy and the impact we have on the societies in which we operate. As Chairman, I am responsible for the effective performance of the Board and, in that regard, one of my areas of focus since joining the Board has been to ensure that we have a strong and well-functioning Board, comprised of individuals not only with the right abilities in terms of technical or business experience, but with the personal qualities required to be effective stewards of the business and the dedication and commitment to the company, particularly in times of stress. I was closely involved in the process to appoint a new Chief Executive and I am confident that, in appointing Antony Jenkins, we have the right person to lead the company, to deliver our strategy of becoming the Go-To bank and to implement the significant cultural and behavioural changes that we, as a Board, want to achieve. I have also sought to reinforce the non-executive presence on the Board and to ensure that the Board is both balanced and diverse. We have revisited the range of skills and competencies that we require around the Board table and these are set out on page 18 below. The Board needs to have non-executive Directors with financial services experience but also access to other skills and experiences, particularly in the management of culture and cultural change. Tim Breedon and Diane de Saint Victor have joined the Board as non-executive Directors since I joined the Board and I anticipate that we will make further appointments during the course of 2013.

How is risk management being enhanced?

In looking at the corporate governance structures in place, it is clear to me that Barclays has been well served by having, for many years, a Board Risk Committee focused on credit, counterparty, market, capital and liquidity risk. However, a major source of losses for Barclays and all banks in recent years has been from operational risk and, in particular, mis-selling of financial products. We need to strengthen Board-level governance over these areas in 2013 and accordingly, we have created a Board Conduct, Reputation and Operational Risk Committee. Its responsibilities will include governance over operational risk, conduct risk, reputation matters and Barclays corporate responsibility strategy. It will subsume the current Board Citizenship Committee.

How do Board Committees support good governance?

The report that follows describes how Barclays applied the principles of the Code during 2012. Board Committees play a crucial role in the effectiveness of our corporate governance framework and Sir Michael Rake and David Booth report below on the activities of the Board Audit Committee and Board Risk Committee respectively. And Sir John Sunderland reports separately in the Remuneration Report on how the Board Remuneration Committee has overseen remuneration policy, how we link remuneration to our strategy and to long term outcomes and how we ensure that we are not incentivising inappropriate risk-taking.

What are the priorities for 2013?

We are determined as a Board and as a company to make progress during 2013 and to do everything in our power to regain the trust of our stakeholders: our commitment to implementing the recommendations of the Salz Review is affirmation of our determination.

Sir David Walker

Chairman

5 March 2013

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Corporate governance report

Leadership

The role of the Board

The principal responsibility of the Board is to promote the long term success of Barclays by creating and delivering sustainable shareholder value. The Board leads and provides direction for management by setting strategy and overseeing its implementation by management. The Board seeks to ensure that, while the ultimate focus is long term growth, management also delivers on short term objectives, striking the right balance between the two. In setting and monitoring the execution of Barclays strategy, consideration is given to the impact that those decisions will have on Barclays obligations to various stakeholders, such as shareholders, employees, suppliers and the community in which Barclays operates as a whole.

The Board is also responsible for ensuring that an effective system of internal control is maintained and that management maintains an effective risk management and oversight process across the Group, so that growth is delivered in a controlled and sustainable way. In addition, the Board is responsible for determining and promoting Barclays collective vision of its purpose, values, culture and behaviours.

Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group s strategy, approval of risk appetite, capital and liquidity matters, major acquisitions, mergers or disposals, Board membership, financial results and governance issues, including the approval of the corporate governance framework. A full formal schedule of matters specifically reserved to the Board can be found on Barclays website at Barclays.com.

Corporate Governance Framework

Board Enterprise Wide Risk Committee

A Board Enterprise Wide Risk Committee was established at the end of January 2013.

Notes

a Known as the Board Financial Risk Committee with effect from 31 January 2013.
b Known as the Board Conduct, Reputation and Operational Risk Committee with effect from 31 January 2013.
The names of the Directors and their full biographical details, including the skills and experience they each bring to the Board, can be found on pages 35-37.

To assist the Board in carrying out its functions and to ensure there is independent oversight of internal control and risk management, the Board has delegated certain responsibilities to Board Committees, which are comprised of independent non-executive Directors and, in some cases, the Chairman. The Chairman of each Board Committee reports to the Board on the matters discussed at Board Committee meetings. Each Board Committee has agreed Terms of Reference approved by the Board, which can be found on Barclays website.

More information on the role of the Board and its Committees can be found in Corporate Governance in Barclays , which is available online at Barclays.com

Corporate governance report

Leadership continued

Roles

Role of the Chairman

The Chairman is responsible for the overall operation and governance of the Board. Sir David Walker, the Chairman, provides leadership and manages the Board to ensure that Barclays satisfies its legal, regulatory and stewardship responsibilities. The Chairman sets the Board s agenda, in consultation with the Group Chief Executive and Company Secretary, taking full account of the issues and concerns of Board members. Board agendas are structured to allow adequate and sufficient time for the discussion of the items on the agenda, in particular, strategic matters. The Chairman is also responsible for facilitating and encouraging active engagement and appropriate challenge by Directors, particularly on matters of risk and strategy or other major proposals, by drawing on Directors skills, experience and knowledge.

It is the responsibility of the Chairman to ensure effective communication with shareholders and other stakeholders and to ensure that members of the Board develop and maintain an understanding of the views of major investors and other key stakeholders. Details of how Barclays engages with its shareholders and other stakeholders can be found on pages 28-29.

The full role profile for the Chairman can be found in Barclays Charter of Expectations, which is available on Barclays website.

Sir David Walker is also Chairman of the Board Corporate Governance and Nominations Committee and the Board Citizenship Committee. He is a member of the Board Remuneration Committee and, although not a member, will attend a number of the Board Audit and Board Risk Committee meetings each year to observe the Committees in action and assess their effectiveness.

Role of the Group Chief Executive

The Group Chief Executive, Antony Jenkins, has responsibility for recommending the Group s strategy to the Board and for implementing the strategy agreed by the Board, making and implementing operational decisions and managing the business day-to-day.

The Board has delegated this responsibility to him and he is accountable to the Board. He is supported by the Executive Committee, which he chairs.

Role of the non-executive Directors

Non-executive Directors are independent of management. Their role is to effectively and constructively challenge management and monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board.

They are also responsible for exercising appropriate oversight through scrutinising the performance of management in meeting agreed goals and objectives and monitoring performance.

Role of the Senior Independent Director

Sir Michael Rake is Deputy Chairman and Senior Independent Director. He was appointed as Deputy Chairman in July 2012, at the height of events following the LIBOR announcement, having been Senior Independent Director since October 2011. As Senior Independent Director, Sir Michael s role is to provide a sounding board for the Chairman and provide support for the Chairman in the delivery of his objectives. He also serves as a trusted intermediary for the Directors, when necessary. He is available to shareholders should the occasion arise where there is a need to convey concerns to the Board other than through the Chairman or

During 2012, Sir Michael Rake played a significant role in the wake of the announcement of penalties relating to the industry-wide investigation into the setting of interbank offered rates. Subsequent to the announcement of the resignation of Marcus Agius as Chairman, Sir Michael was in contact with shareholders and other relevant stakeholders, including Barclays regulators, to understand their views and concerns relating to the LIBOR announcement and the resignation of the Chairman. Further meetings and discussions were held with shareholders and other stakeholders after the ensuing

the Group Chief Executive. The Senior Independent Director is also expected to work with the Chairman and other Directors or shareholders, as required, where the stability of the Board or Barclays is threatened.

announcement of the resignation of Bob Diamond as Chief Executive. As Deputy Chairman, Sir Michael Rake has taken a lead role in the Board s governance response to the LIBOR announcement and he reports on that on page 11.

Company Secretary

The Company Secretary, Lawrence Dickinson, works closely with the Chairman, the Group Chief Executive and the Board Committee Chairmen in setting the annual forward calendar of agenda items for the meetings of the Board and its Committees. He also ensures that accurate, timely and appropriate information flows within and to the Board, the Board Committees and between the Directors and senior management in general.

Board and Board Committee meeting papers are delivered a week before the meeting via a secure electronic system, which can be accessed by Directors using tablet computers. After each meeting, the Chairman meets with the Company Secretary to agree actions to be followed up and to discuss the effectiveness of the meeting. Details of the role of the Company Secretary and the support provided to the Board can be found in Barclays Charter of Expectations.

Full role profiles for the non-executive Directors and Senior Independent Director can be found in Barclays Charter of Expectations.

How the Board operates

The Board meets regularly and there are eight scheduled meetings each year, including an annual strategy meeting. When necessary, and if circumstances dictate, additional Board meetings are held. In 2012, there were 15 additional meetings held at short notice to discuss matters such as changes to Board composition, issues arising from the LIBOR announcement, taxation matters and corporate transactions. In total, the Board met 23 times during the year. The Chairman met privately with the non-executive Directors before each scheduled Board meeting to discuss any matters they wished to raise at the meeting.

Where Directors are unable to attend meetings, usually because of illness or long-standing prior engagements, they are encouraged to give the Chairman their views or comments on the matters to be discussed. Following the meeting, the Chairman or the Company Secretary briefs any Director not present on the discussions and any decisions taken. Details of Board meeting attendance in 2012 can be found in the table below. During the year, the non-executive Directors met the time commitment specified in their letters of appointment and committed significantly more time during the period of stress Barclays experienced in July and August 2012.

Attendance

	Independent	Scheduled meetings eligible to attend	Additional meetings eligible to attend
Group Chairman			
Marcus Agius (to 31 October 2012)	On appointment		
Sir David Walker (from 1 September 2012) [c]	On appointment		
Executive Directors			
Robert E Diamond (to 3 July 2012) [b]	Executive Director		
Antony Jenkins (from 30 August 2012)	Executive Director		
Chris Lucas [b]	Executive Director		
Non-executive Directors			
David Booth [b]	Independent non-executive Director		
Tim Breedon (from 1 November 2012)	Independent non-executive Director		
Alison Carnwath (to 24 July 2012) [ab]	Independent non-executive Director		
Fulvio Conti [ab]	Independent non-executive Director		
Simon Fraser	Independent non-executive Director		
Reuben Jeffery [b]	Independent non-executive Director		
Sir Andrew Likierman [b]	Independent non-executive Director		
Dambisa Moyo [b]	Independent non-executive Director		
Sir Michael Rake [b]	Independent non-executive Director		
Sir John Sunderland [b]	Independent non-executive Director		
Lawrence Dickinson Secretary			

Attended Did not attend

Notes

a Unable to attend a scheduled meeting owing to a prior commitment.

b Unable to attend certain additional meetings held at short notice owing to prior commitments.

c Appointed to the Board with effect from 1 September 2012 and as Chairman with effect from 1 November 2012.

Corporate Governance in Barclays

All of our corporate governance practices have been brought together in one document, Corporate Governance in Barclays. This framework provides the basis for promoting the highest standards of corporate governance in Barclays. Corporate Governance in Barclays is available on our website, Barclays.com.

Charter of Expectations

The role profiles, responsibilities, time commitments, key competencies and behaviours we expect of our Directors, together with the key indicators of high performance, are set out in our Charter of Expectations, which is available on our website, Barclays.com.

Corporate governance report

Leadership continued

Board balance and diversity

Balance of non-executive and executive Directors

Board gender balance

Length of tenure of non-executive Directors

Industry/background experience[a]

1	Financial services	6
2	Accountancy/financial expert	2
3	Political/regulatory contacts	5
4	Current or recent Chairman/CEO	4
5	International (US)	2
6	International (Europe)	2
7	International (RoW)	1
8	Retail/marketing	1

Note

a Individual Directors may fall into one or more categories.

Geographical mix of non-executive Directors

Board activity in 2012

The Board s agenda in 2012 was dominated by the changing regulatory environment and, in the latter half of 2012, by consideration of the future direction and shape of the business and its culture and values in light of both the external environment and in the aftermath of the LIBOR announcement. Key activities for the Board during the year included:

- reviewing strategic options open to the Group in its different business areas in light of the regulatory and economic environment.
- receiving updates from each of Barclays principal businesses and discussing their progress against agreed strategy.
- discussing the implications of a statement by HMRC concerning the repurchase of debt by Barclays.
- considering and approving the sale of Barclays interest in BlackRock, Inc.
- discussing and agreeing Barclays One Africa strategy, involving the combination of the majority of Barclays operations in Africa with Absa.
- considering the announcement of penalties relating to the industry-wide investigation into the setting of interbank offered rates and the subsequent events.
- discussing changes in the composition of the Board, including approving the appointment of a new Chairman and a new Chief Executive.
- reviewing a report on compliance and internal audit lessons learned from the LIBOR incident.
- discussing and reviewing progress of the work implemented by Antony Jenkins as part of the Transform Programme, including a review of business performance, costs, funding and liquidity matters and a discussion of Barclays purpose, values and behaviours.
- considering and approving Barclays risk appetite, liquidity risk appetite and the Group s capital plan.

¡ receiving regular updates on global economic conditions and regulatory developments and the outlook for the industry.

During 2012, the Board held two informal meetings with representatives from the FSA to ensure that all Directors had the opportunity to hear first-hand from Barclays principal regulator and exchange views. The chart on page 18 illustrates how the Board allocated its time during 2012.

Priorities for 2013

In 2013, the Board s priority will be providing oversight of and challenge to the progress of delivery of the actions and financial and non-financial commitments Barclays has made as part of its Strategic Review, which were announced in February 2013.

Board governance

responding to the LIBOR announcement

In response to the announcement in June 2012 and subsequent events, the Board set up three specific sub-committees of the Board, chaired by me in my capacity as Deputy Chairman and Senior Independent Director.

LIBOR Employee Investigation Review Committee

The purpose of this Committee, which comprised me, Sir John Sunderland and Marcus Agius, who was succeeded following his retirement by Sir David Walker, was to provide a level of Board oversight in respect of the review of the conduct of certain current and former employees in relation to LIBOR. The Committee s role was to satisfy itself that proper processes had been followed and that outcomes were appropriate. To assist the Committee in fulfilling this responsibility, the Committee appointed an independent adviser, John Turnbull from Linklaters LLP, who reviewed the scope and methodology of the review and the resulting outcomes.

We met four times during the second half of 2012 to consider the progress of the review and the outcomes. At the conclusion of the review, 13 current employees were subject to disciplinary action, including 5 who were dismissed. In total, deferred compensation amounting to £24.6m was clawed back from 15 current and former employees as a result of the review. This excludes any sums voluntarily surrendered by individuals. The Board Remuneration Committee considered the wider application of claw back and further details are in the Remuneration Report. The Committee was satisfied that a thorough and fair process was conducted and that the outcomes of the review were appropriate in each individual case. This view was supported by our independent adviser.

Business Practices Review Committee

The Business Practices Review Committee comprises me, David Booth and Sir John Sunderland and was established following Barclays announcement in July 2012 that Anthony Salz would conduct an independent review of Barclays business practices (the Salz Review). The purpose of the Committee is to oversee the progress of the Salz Review and report to the Board on progress, to consider any recommendations arising from the Salz Review and to oversee any action to be taken as a result. The Committee met twice in the second half of 2012 to check on the progress of the review and has held further meetings in early 2013. The Committee will meet again to discuss the recommendations of the Salz Review and Barclays response, which are due to be published prior to the 2013 AGM. In addition to the formal meetings of the Committee, I have also met with Anthony Salz directly on a number of occasions.

Regulatory Investigations Committee

In the fourth quarter of 2012, the Board established a Regulatory Investigations Committee comprising me, Antony Jenkins, Sir John Sunderland and Sir David Walker. The primary purpose of this Committee is to oversee certain regulatory investigations, to consider the findings of those investigations and to direct the scope and conduct of those investigations as appropriate, including directing and overseeing any remediation activities and considering whether any disciplinary action is required in respect of any Barclays employee. The Committee met four times in 2012 and will continue to meet in 2013. The Committee has appointed an independent external adviser, John Turnbull from Linklaters LLP, to assist it in its deliberations. Sir David Walker assumed chairmanship of the Committee in early 2013.

Sir Michael Rake

Deputy Chairman and Senior Independent Director

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Effectiveness

Board composition, qualification and independence

The composition, experience and balance of skills on the Board are regularly reviewed to ensure that there is the right mix on the Board and its committees and that they are working effectively. There are currently 13 Directors on the Board, which comprises an independent Chairman, two executive Directors and ten independent non-executive Directors. The current members of the Board have a wide range of skills and experience. Diversity, including gender diversity, is important for a Board to be effective. A chart showing the gender representation on the Board can be found on page 10. More information on Barclays Board diversity policy can be found on page 19.

The balance of the Board is illustrated on page 10

Director independence

The Board Corporate Governance and Nominations Committee and the Board consider and review the independence of each non-executive Director on an annual basis as part of the Directors performance evaluation. In carrying out the review, consideration is given to factors such as length of tenure and the ability of the Director to provide objective challenge to management. The behaviours that the Board considers to be essential indicators of independence are set out in Barclays Charter of Expectations. Following the annual review for 2012, the Board concluded that each of the non-executive Directors reviewed continues to demonstrate those behaviours and is considered by the Board to be independent.

Directors external activities and conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of Barclays, unless that conflict is first authorised by the Directors. This includes potential conflicts that may arise when a Director takes up a position with another company. Barclays Articles of Association allow the Board to authorise such potential conflicts, and there is in place a procedure to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all the circumstances. Prior to taking on additional responsibilities or external appointments, Directors are obliged to obtain authorisation and it is their responsibility to ensure that they will be able to meet the time commitment expected of them in their role at Barclays. All potential conflicts approved by the Board are recorded in an Interests Register, which is reviewed on an annual basis by the Board Corporate Governance and Nominations Committee to ensure that the procedure is working effectively. Following a review of the Interests Register in early 2013, the Committee concluded that all the potential conflicts as registered have been considered thoroughly and appropriately.

Executive Directors may take up only one FTSE 100 non-executive directorship and are allowed to retain any fees they receive for such appointments. Antony Jenkins and Chris Lucas do not hold any such directorships.

Director re-election

With the exception of Sir Andrew Likierman, who will be standing down at the Company s Annual General Meeting (AGM) to be held on 25 April 2013, all Directors including Sir David Walker, Antony Jenkins, Tim Breedon and Diane de Saint Victor, who were all appointed since the last AGM, will each submit themselves for re-election at the AGM. Biographical details of each of the Directors, together with details of their skills and experience, may be found on pages 35-37. Following a rigorous performance evaluation of each Director and the Board as a whole, excluding recent appointees Diane de Saint Victor and Tim Breedon, all Directors are considered by the Board to be fully effective.

For more detailed information on Board evaluation please see pages 16-17

Succession planning and Board appointments

The Board recognises the need to ensure that the Board and executive management are always well resourced, with the right people in terms of skills and experience to deliver the Company s strategy. Board composition is regularly reviewed to ensure the Board is refreshed progressively. Factors considered include length of tenure, background, experience, including industry and geographical experience, and diversity.

The length of tenure of the current non-executive Directors and their geographical experience and background is illustrated on page 10

The Board Corporate Governance and Nominations Committee is responsible for both executive and non-executive Director succession planning and recommends new appointments to the Board.

More details on the role of the Board Corporate Governance and Nominations Committee are given on pages 18-19

In July 2012, the Company announced that Marcus Agius would resign as Chairman and that a successor was being sought. Following a search, led by Sir John Sunderland with the assistance of MWM Consulting, an external search agency, Sir David Walker was appointed as a non-executive Director with effect from 1 September 2012 and succeeded Marcus Agius as Chairman with effect from 1 November 2012. Following the resignation of Bob Diamond in July 2012, a search for a new Group Chief Executive commenced, led by the then Chairman, Marcus Agius and with the close involvement of the then Chairman-designate, Sir David Walker and the Deputy Chairman, Sir Michael Rake. The search was conducted with the assistance of Spencer Stuart, an external search agency. Antony Jenkins was subsequently appointed as a Director and as Group Chief Executive with effect from 30 August 2012. Sir John Sunderland and Sir David Walker report on the search for a new Chairman and a new Group Chief Executive, respectively, on the following pages.

Tim Breedon was appointed as a non-executive Director with effect from 1 November 2012, having been identified in early 2012 as a potential candidate by the Board Corporate Governance and Nominations Committee itself, which had concluded there was a need to appoint a current or recent Chief Executive to the Board. Diane de Saint Victor was appointed as a non-executive Director with effect from 1 March 2013, having been identified as a potential candidate by MWM Consulting. Both were assessed against the required skills and competencies that the Board Corporate Governance and Nominations Committee had identified as being desirable. Tim was previously Chief Executive of Legal & General Group plc and has over 25 years experience of working in the insurance industry. He brings to the Board a significant knowledge of regulatory issues and a wealth of financial services experience in addition to his experience as a chief executive. Diane is General Counsel of ABB and has a background in legal and regulatory matters and in leading cultural change. Her experience will bring a valuable perspective to the Board as the Transform Programme is implemented and Barclays new Purpose and Values are embedded.

The external agencies named above have no other connection with Barclays other than to provide executive recruitment services.

Appointing a new Chairman

Following the resignation of Marcus Agius as Chairman in July 2012, the Board asked me to take the lead in finding a successor. An external search agency was briefed on the essential and desirable experience and personal attributes required for the role, which were agreed beforehand by the Board. It was clear to us that we needed to appoint an experienced chairman, with financial services experience and strong governance credentials, who could provide the Board with effective leadership and who would command the respect of both fellow Directors and external stakeholders. Given the resignation of Bob Diamond as Chief Executive, the Board was committed to appointing a new Chairman as quickly as possible. It was clear that any incoming Chief Executive would need to know the identity of the new Chairman given the pivotal importance of their relationship to the effectiveness of the Board. It was also clear that, given the events of 2012, the minimum time commitment required of the Chairman would increase from roughly 60% of a full-time role to 80% of a full-time role.

A long list of candidates, both internal and external, was reviewed and discussed by the non-executive Directors during July, with the list being narrowed to a shortlist of two candidates. Both candidates then had individual meetings with each non-executive Director and with Chris Lucas, Group Finance Director, and feedback on each candidate was obtained. I also took soundings on the candidates from a number of stakeholders, including Barclays principal regulators and certain major institutional shareholders. The non-executive Directors met a number of times to provide feedback on their meetings with each candidate and to discuss the personal references.

Our unanimous view was that Sir David Walker was the right candidate to be appointed as Chairman of Barclays. Sir David has significant experience in financial services, coupled with a wealth of experience as both a director and as a chairman. He has an impeccable reputation for governance, with an excellent understanding and experience of UK boardroom and corporate governance issues and the role of a chairman. The Board approved Sir David s appointment as a non-executive Director and as Chairman-designate in early August and he subsequently joined the Board with effect from 1 September 2012, succeeding Marcus Agius as Chairman with effect from 1 November 2012.

I am delighted that we were able to quickly secure the services of Sir David as Chairman: he commands great respect within the financial services industry and has brought immense experience, integrity and knowledge to the role.

Sir John Sunderland

Independent non-executive Director

Appointing a new Group Chief Executive

The process to appoint a new Group Chief Executive was initially led by my predecessor, Marcus Agius, in conjunction with Sir Michael Rake, the Deputy Chairman, and other members of the Board Corporate Governance and Nominations Committee, although I was closely involved from the announcement of my appointment as Chairman-designate in early August 2012.

An external search firm was engaged to identify candidates against the role specification and the skills, experience and personal qualities the Board had agreed were essential and desirable for the role of Group Chief Executive. An extensive list of global, potential candidates was reviewed, with a shortlist of candidates, both internal and external, put forward to the Board for discussion during July 2012. After meetings between several candidates and the then Chairman, the Deputy Chairman and the Group HR Director, the candidate list was narrowed further to three potential candidates, who each then met individually with me and with Barclays non-executive Directors.

The non-executive Directors on the Board met in mid-August 2012 to allow Directors to provide feedback on their meetings with each candidate. It became clear from our discussions that Antony Jenkins was the candidate that best fit the role requirements and had the vision required to take Barclays forward, with the support of the Board and the Executive Committee. I approached a number of our key stakeholders, including some of our major shareholders and representatives of our principal regulators, to discuss the proposed appointment and to gauge their views. A sub-committee of the Board, comprising Marcus Agius, Sir Michael Rake and Sir John Sunderland, was appointed with delegated authority to finalise the terms of the appointment, which was announced on 30 August 2012.

I am pleased that we were able to implement such a thorough and rigorous process and settle the leadership of Barclays quickly from a strong field of candidates.

Sir David Walker

Chairman

Corporate governance report

Effectiveness continued

Executive Directors service contracts and non-executive Directors terms of appointment

On appointment, executive Directors are given a one year rolling service contract. The Chairman and the non-executive Directors have a letter of appointment that sets out the terms and conditions of their Directorship, including the fees payable and the expected time commitment. Each non-executive Director is expected to commit a minimum of 20 days per annum

to the role. Additional time commitment is required to fulfil roles as Board Committee members and/or Board Committee chairmen, as applicable. On average, the time commitment of non-executive Directors is in the range of 30 36 days per annum, although they typically devote considerably more time to Barclays duties and did so during 2012, particularly in connection with the search for a new Chairman and a new Chief Executive.

Board induction and professional development

Induction

Newly appointed Directors are provided with a bespoke induction programme to further their understanding and their knowledge of Barclays, its operations and staff. The Chairman, with the support of the Company Secretary, is responsible for the induction of new Directors and for the ongoing professional development of all Directors. Induction programmes are tailored to each new Director, depending on the experience and background of the Director. For example, on his appointment to the Board, Sir David Walker s induction programme took into account his later role as Chairman and included the following items:

¡ an induction pack providing background information on Barclays operations and policies;

¡ sessions with each of the executive Directors and members of the Executive Committee;

¡ meetings with the senior executives responsible for each of the Group s principal businesses, including the Investment Bank, Retail and Business Banking, Wealth and Investment Management and Africa, focusing on the challenges and opportunities faced by each business;

Professional development

Barclays offers a programme of ongoing professional development for existing Directors. Personal development logs are maintained for each non-executive Director, which record external and internal briefings and other events that each attends, such as internal management conferences. During 2012, non-executive Directors attended briefing sessions on Long Term Incentive Plans and on the Investment Bank s fixed income and prime services businesses. They also attended sessions demonstrating the use of new technology in Barclays branch network. Members of the Board Audit Committee attended briefing sessions on algorithmic trading and members of the Board Risk Committee attended briefing sessions on operational risk and on the Investment Bank s balance sheet. Directors are asked for input on potential topics for ongoing professional development, which informs the planned programme.

In addition to the above, independent professional advice is available to the Directors at Barclays expense. During 2012, an independent adviser was engaged to advise the LIBOR Investigation Employee Review Committee and the Regulatory Investigations Committee.

An annual review of Barclays Director induction and development programmes is carried out by the Board Corporate Governance and Nominations Committee to ensure that they are appropriate and fit for purpose. More information on Barclays Board induction and ongoing Director development can be found in Corporate Governance in Barclays .

¡ meetings with key personnel in central support functions, including compliance, corporate development, finance, risk management, citizenship and sustainability, internal audit and corporate affairs; and

¡ meetings with key external stakeholders, such as major institutional shareholders and regulators.

This initial induction programme will be supplemented with a programme of business visits over a period of 12 18 months, including visits to selected UK and overseas operational centres.

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Corporate governance report

Effectiveness continued

Evaluation Statement

A summary of the Board s progress against the actions arising from its 2011 Board Effectiveness Review can be found below:

Theme	Action Taken
Ensuring that the Board continues to have an appropriate range and balance of skills, experience and diversity	Board composition is reviewed regularly. In 2012, a revised skills matrix was developed against which the Board Corporate Governance and Nominations Committee assessed the current composition of the Board and identified the skills and experience to be sought in new appointments. Appointments were made to the Board and to Board Committees during 2012 to maintain the balance of skills required. A renewed emphasis was given to gender diversity on the Board following the departure of Alison Carnwath and Diane de Saint Victor joined the Board in early 2013.
Continuing to develop an appropriate process for succession planning for key Board and senior executive management positions	Executive succession planning, including succession planning for Board and Executive Committee roles, was a regular agenda item for the Board Corporate Governance and Nominations Committee during 2012. During 2012, a revised approach to talent management and the outcomes of a review of succession planning for senior strategic roles were presented to the Board Corporate Governance and Nominations Committee.
Enabling the Board to have greater interaction with Executive Committee members to gain an enhanced understanding of the challenges and opportunities they face in their businesses	There has been greater interaction between the Board and members of the Executive Committee, by way of presentations to the Board on the evening before Board meetings, followed by dinners over which key issues are discussed in greater depth. The Board also visited Barclays operations in New York twice during 2012, to gain first-hand experience of Barclays US businesses.
Ensuring that the Board has visibility of talent amongst senior executive management	Three senior talent events took place in 2012, which enabled the Board to meet and interact with senior executives at the level below Executive Committee in order to increase the Board s visibility of potential future leaders.
Continuing to ensure that timely and high-quality information flows to the Board and to Board Committees	A weekly update note from the Group Chief Executive is circulated to Board members, covering key issues and developments, including regulatory matters, trading and senior appointments. This provides up-to-date information to Directors outside the formal Board meeting reports.

Increasing use has been made of a secure electronic system to deliver meeting papers and other information to Directors securely and quickly via tablet computers.

Evaluation of Board performance

To improve the effectiveness of the Board and its Committees, as well as that of each individual Director, a formal and rigorous Board review is undertaken on an annual basis. This review has been externally facilitated since 2004. This formal process enables the Board to monitor trends in responses to questions and track progress made against action plans. On an annual basis, Barclays approach to Board evaluation is benchmarked against the practices of other companies in the FTSE 20 to ensure that Barclays remains at the forefront of best practice. The Board Corporate Governance and Nominations Committee is responsible for overseeing the process and for monitoring any action plans on behalf of the Board.

For 2012, the Board evaluation process was conducted by Egon Zehnder International (Egon Zehnder), who used a short questionnaire covering similar themes to previous years evaluations, although the main part of the evaluation process took the form of structured interviews with Directors and members of the Executive Committee. While Egon Zehnder is an executive search agent, it did not undertake any Barclays Board searches during the year and the Board believes that it provides an impartial and objective board evaluation service.

The 2012 Board evaluation reviewed the events of 2012, in particular, those culminating in the resignations of Marcus Agius and Bob Diamond. The voting at Barclays 2012 AGM was also considered as part of the evaluation process and Egon Zehnder held interviews with a selection of Barclays major shareholders. The substantial changes in the Board in 2012 inevitably complicated the performance evaluation process, but key themes were identified and form the basis of the action plan for 2013 as follows:

- Enhancing the relationship between the Board and the Executive Committee following changes in both Board and Executive Committee composition in 2012;
- Ensuring that the working relationship between the Chairman and CEO is strong in recognition of the critical importance of this relationship to the effectiveness of the Board as a whole;
- Ensuring that the Board has greater line of sight into the views of key stakeholders. Informal meetings with Barclays regulators have started and will continue, in both the UK and US;
- Rebuilding trust with stakeholders with regard to Barclays remuneration policy, particularly in light of voting at the 2012 AGM. Extensive consultation took place with stakeholders during 2012 and will continue into 2013;
- Ensuring that an appropriate balance of skills, experience and diversity on the Board is maintained. Two new non-executive Directors have been recently appointed and further appointments are envisaged in 2013;
- Further improving the quality of information flows to the Board to achieve an appropriate balance between data and analysis; and
- Enhancing succession planning for key Board positions, in particular, continuing to ensure that the Board builds its knowledge and understanding of the depth of talent in the business.

Corporate governance report

Effectiveness continued

Board Corporate Governance and Nominations Committee Report

It is essential that the Board and its Committees are properly constituted and balanced in terms of skills, experience and diversity.

Sir David Walker

Chairman, Board Corporate Governance and Nominations Committee

Member	Independent	Meetings eligible to attend
Sir David Walker Chairman[a] (from 1 September 2012)	On appointment	
Marcus Agius (to 31 October 2012)	On appointment	
David Booth	Yes	
Alison Carnwath (to 24 July 2012)	Yes	
Sir Michael Rake	Yes	
Sir John Sunderland	Yes	

Lawrence Dickinson Secretary

Attended Did not attend

Note

a Member of the Committee since 1 September 2012, becoming Chairman from 1 November 2012.

Committee composition, skills and experience

In addition to the Chairman, there are three non-executive Directors on the Committee, being the Chairmen of the main Board Committees. The names of the members of the Committee are set out opposite, together with attendance at meetings in 2012. The Group Chief Executive also attends each meeting, although is not involved in decisions relating to Chief Executive succession.

Committee responsibilities and how they were discharged in 2012

The Committee is responsible for reviewing the composition of the Board and Board Committees to ensure they are properly constituted and balanced in terms of skills, experience and diversity. In addition to this, it:

¡ recommends to the Board the appointment of new Directors;

¡ considers succession plans for the Chairman, Executive and other key positions, such as roles on the Executive Committee and other senior roles;

¡ monitors corporate governance issues and developments to ensure that Barclays is in line with best practice guidelines; and

¡ agrees and monitors the annual Board Effectiveness Review and tracks any actions arising.

The Committee s full terms of reference are available on the corporate governance section of Barclays website.

The Committee met four times in 2012, including an additional meeting solely to review and discuss Board composition. The chart below shows how the Committee allocated its time. In 2012, the Committee focused primarily on Board composition and succession planning for roles below the Board level. Key activities undertaken by the Committee in 2012 were:

Board composition

¡ reviewing the structure, size and composition of the Board and the principal Board Committees, looking at the need to refresh the Board and at the balance and diversity of skills and experience on the Board. In reviewing the composition of the Board, a skills analysis was carried out using a revised skills matrix agreed by the Committee in 2012, which set out the core competencies and skills that it would be desirable to have on the Board, such as financial services, experienced chief executives from other companies and industries, accountancy, retail and marketing and experience of the main geographic markets in which Barclays operates, along with the target weightings for each. Following a review of the composition of the Board, the Committee approved the appointment of Tim Breedon as a non-executive Director with effect from 1 November 2012 and the appointment of Diane de Saint Victor as a non-executive Director with effect from 1 March 2013.

¡ carried out a review of progress against Board diversity targets and discussed and agreed a Board Diversity Policy, recommending it to the Board for its approval.

¡ considered and recommended changes to Board Committee composition during the year. The Committee recommended the appointment of David Booth to the Board Remuneration Committee with effect from 1 July 2012 to provide cross-membership between the Board Remuneration and Board Risk Committees. Drawing on reviews by the Committee, the Board as a whole considered and approved the appointment of Sir John Sunderland as Chairman of the Board Remuneration Committee, recommended the appointment of Tim Breedon as a member of the Board Risk Committee and Board Remuneration Committee and the appointment of Sir David Walker as a member of the Board Remuneration Committee and as a member and Chairman of the Board Corporate Governance and Nominations Committee and Board Citizenship Committee.

Succession planning

- discussed succession planning for the position of Chief Executive and for the Executive Committee and reviewed potential candidates for these roles;
- reviewed the Group s succession and talent management programme below Board level;
- reviewed and discussed the processes, overall methodology and contingency plans in place for senior strategic roles; and
- received updates on Barclays graduate recruitment and training programme, including an update on gender diversity.

Corporate governance

- reviewed Barclays corporate governance disclosures in the 2011 annual report and considered the proposed disclosures for the 2012 annual report;
- reviewed and discussed Barclays approach to Board and Committee induction and development;
- received updates on significant corporate governance developments in the UK and EU and how these might impact Barclays;
- carried out an annual review of the Directors Interests Register to ensure that an effective process for authorising conflicts is in place and authorised conflicts have been dealt with appropriately;
- reviewed and discussed issues raised at corporate governance meetings held with institutional investors and investor bodies; and
- reviewed the effectiveness of the Committee and proposed changes to its terms of reference following a review against best practice.

Board effectiveness

- discussed and approved the proposed actions to be taken in response to the findings of the 2011 Board Effectiveness Review. The Committee also reviewed reports on the status of the action plan to monitor the progress being made;
- reviewed the status of actions being taken in response to the findings of the FSA s review of Barclays Board governance as part of its Core Prudential Programme, on which it reported in early 2012; and
- reviewed the market for board effectiveness facilitators and agreed to re-appoint Egon Zehnder.

Statement on diversity policy

Board diversity, in particular, gender diversity, continues to be a topic of much discussion. The Board believes that diversity is important for board effectiveness. However, diversity is much more than the issue of gender, and includes diversity of skills, experience and background. In response to Lord Davies s report on Women on Boards, Barclays published a Board Diversity Policy in April 2012, which sets out Barclays approach to diversity on the Board. The Board Diversity Policy can be found in the Corporate Governance section of Barclays website. All Barclays Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. Nevertheless the Board is aiming to ensure that at least 20 per cent of the Board is made up of women by the end of 2013 and for that position to have exceeded 25 per cent by the end of 2015. Women currently represent 15% of the Board. Diversity in relation to

employees of the Barclays Group is covered by Barclays Equality and Diversity Charter and more information on diversity across Barclays can be found in the People section on page 38.

Committee Effectiveness

The performance of the Committee is reviewed each year as part of the Board Effectiveness Review.

Following the 2011 annual effectiveness review of the Committee, the Committee improved the induction process for its new members by committing to implement a bespoke induction for any new member, to be agreed by the Company Secretary with the Chairman and the new member. The Committee also provided more opportunities for members to bring items onto the Committee agenda, such as including the Committee s annual forward agenda with the papers for each meeting.

The 2012 review concluded that the Committee continues to operate effectively, although there was a slight diminution in the overall score.

Priorities for 2013

In 2013, the Committee will continue to carry out regular reviews of the balance of skills and experience on the Board against the skills matrix that has been developed and will seek to make further progress towards achieving the Board diversity targets that have been set. Executive succession will continue to be high on the Committee s agenda.

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Accountability

Board Audit Committee Chairman s Report

June 2012 saw the announcement of the penalties imposed on Barclays relating to the industry-wide investigation into the setting of interbank offered rates and this impacted the Committee s agenda.

Sir Michael Rake

Chairman, Board Audit Committee

Attended Did not attend

Note

a Unable to attend one meeting owing to prior commitments.

Board Risk Committee allocation of time		%	
		2012	2011
1	Control issues	**13**	4
2	Financial results	**31**	42
3	Internal audit matters	**14**	6
4	External audit matters	**6**	6
5	Business control environment	**14**	23
6	Other (including Governance and Compliance)	**22**	19

Sir Michael Rake, Chairman of the Board Audit Committee, reports on how the Board Audit Committee discharged its responsibilities during 2012.

Chairman s overview of 2012

The work of the Committee in 2012 has seen us address three main themes. First, accounting judgements, particularly in respect of provisions to be made for product mis-selling. Secondly, the impact on the systems and controls in place at each of Barclays businesses arising from increasing regulatory demands and rising consumer expectations. And thirdly, the remediation programmes in place to enhance our internal control and regulatory compliance systems and procedures. June 2012 saw the announcement of the penalties imposed on Barclays relating to the industry-wide investigation into the setting of interbank offered rates and this impacted the Committee s agenda in the second half of the year. I report on all of these matters in more detail below.

The approach of our regulators to regulation has continued to be intensive and intrusive, particularly in anticipation of the implementation of the new twin-peaks model of regulation in the UK and the additional focus on conduct risk and outcomes for consumers. During 2012, I held a number of meetings with Barclays regulators in UK and US to discuss our approach to financial reporting, internal controls and regulatory compliance and to hear from them what they expect of the Board Audit Committee and Barclays in this regard. I also interacted regularly with the lead audit partner of Barclays external auditors.

I reported after each Committee meeting to the Board on the main matters discussed in Committee meetings to ensure that all Directors were kept informed of the Committee s agenda. I also made myself available if any Director wished to discuss any particular matters with me in more detail.

Committee composition, skills and experience

Membership of the Committee and attendance at meetings held in 2012 is set out opposite. Tim Breedon joined the Committee with effect from 1 March 2013. Sir Andrew Likierman and I are the designated financial experts on the Committee for the purposes of the US Sarbanes-Oxley Act, although each member of the Committee has a depth of financial expertise and collectively, the Committee has considerable financial and financial services experience on which to draw. More information on the skills and experience of the Committee members may be found in the Directors biographies on pages 35-37. The Committee is conscious of the need to keep its knowledge up to date and, in early 2012, Committee members attended two briefing sessions on algorithmic trading, covering both the principles of algorithmic trading and the control mechanisms in place.

Ahead of each Committee meeting, I held a private meeting with the members of the Committee at which we discussed any particular items that they wished to raise during the meeting. I also made myself available if any Committee member wished to discuss any particular matters with me and I was in regular contact with management, including the Group Finance Director and Chief Internal Auditor during 2012.

Committee responsibilities and how they were discharged in 2012

The Committee is responsible for:

- monitoring the integrity of the Group s financial reporting and satisfying itself that any significant financial judgements made by management are sound;
- monitoring the Group s internal controls, including internal financial controls; and
- monitoring and reviewing the activities and performance of the internal and external auditor, including monitoring their independence and objectivity.

You can obtain the Committee s full terms of reference on the corporate governance section of Barclays website.

The Committee met 10 times in 2012 and the chart opposite shows the way in which we allocated our time. Committee meetings were attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer and General Counsel, as well as representatives from the businesses and other functions from time to time. The external auditor attended each meeting and the Committee held regular private sessions with the Chief Internal Auditor and the external auditor, which were not attended by management. These private sessions allowed us to discuss matters directly with the audit teams.

The main matters and areas of judgement we reviewed and considered during 2012 were as follows:

Financial Reporting and Significant Financial Judgements

With the support of the external auditor, the Committee assessed whether suitable accounting policies had been adopted, whether management had made appropriate estimates and judgements and whether disclosures were balanced and fair. The main areas of focus in 2012 and matters where we specifically considered the judgements that had been made are set out below:

- We considered the presentation of the financial statements and in particular, the presentation of adjusted performance and the adjusting items, including own credit, provisions for product mis-selling redress and the gain on the disposal of Barclays interest in BlackRock, Inc. We discussed the treatment of the LIBOR penalties and agreed with management s judgement that these should not be treated as an adjusting item;
- We received reports on the assumptions underlying the provisions made for product mis-selling redress, specifically PPI and Interest Rate Hedging Products. The trend in PPI claims has proved to be volatile during 2012, resulting in provisions being taken in both the first quarter and the third quarter. A provision for Interest Rate Hedging Products was taken at the half-year. We were content after due challenge and debate with the assumptions made and the judgements applied. As part of reviewing the results for 2012, we considered a recommendation from management that further provisions should be taken in respect of PPI and Interest Rate Hedging Products in the financial results for 2012 and, having reviewed the trend data and provisioning assumptions, agreed with management s recommendation;
- In reviewing the results for 2012, we reviewed the assessments made for goodwill impairment and confirmed, based on management s expectations of future performance of certain businesses, that no goodwill impairment charges were required in 2012;
- We also reviewed the judgements made in respect of tax, in particular, deferred tax assets in Spain and the US, including their recoverability. We supported management s assumptions, based on current forecasts. We reviewed the level of tax provisioning in light of ongoing discussions with HMRC. We believe that the current level of provisions is reasonable;

- At the request of the Board we considered whether the 2012 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess Barclays performance, business model and strategy. We were satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable;

- We reviewed the Group s credit impairment charges, which have reduced overall in 2012, to satisfy ourselves with the appropriateness of the provision;

- We received reports from the Investment Bank Valuations Committee on the processes followed and the judgements made in valuing certain asset classes, in particular, those assets where there is little or no market data. We were content with the rigour of the processes and the resulting valuations;

- Given ongoing uncertainties in the Eurozone, we reviewed and agreed enhanced disclosure of Barclays exposures in selected Eurozone countries, including sovereign debt exposures, and Barclays disclosures in respect of re-denomination risk for certain countries;

- We reviewed disclosures on litigation and competition and regulatory matters contained in Barclays full and half-year results and trading statements, in particular, the statements made with respect to investigations by the Financial Services Authority, Serious Fraud Office, US Department of Justice, and the US Securities and Exchange Commission s investigation into Barclays relationships with third parties who assist it to win or retain business. We also reviewed the disclosure made in respect of civil claims made in connection with Barclays role in the setting of interbank offered rates; and

- We received an update on future accounting standards changes and the potential impact that these may have on Barclays financial statements, particularly the impact of IFRS 10 *Consolidated Financial Statements* and IAS 19 *Employee Benefits.* Some of these new accounting standards will apply for the financial year 2013 and we will continue to assess the impact on our financial statements.

Internal control

To discharge our responsibility to review the effectiveness of the Group s internal controls, we received specific control environment reviews from each of the businesses, we reviewed control issues of Group level significance and specific control issues and also received regular reports on regulatory and compliance matters. Some of the specific matters we reviewed in 2012 are set out below:

- We reviewed the control environment of each of our principal businesses: Europe RBB; UKRBB; Africa; Investment Bank; Barclaycard; Corporate Banking; and Wealth and Investment Management. Given the planned integration of Absa and Barclays Africa, which is a major change programme, we were particularly concerned to understand the potential impact on resources in those businesses as they integrate and automate and standardise processes and controls;

- Technology remained an area of specific focus in 2012, particularly in view of a number of well-publicised IT failures at certain banks and the impact of such failures on business continuity. We regularly reviewed specific IT-related control issues and also the progress of the remediation workthat is under

Corporate governance report

Accountability continued

Board Audit Committee Chairman s Report continued

way to address them. We also received an update on cyber-security threats and the defences Barclays has in place against cyber attacks;

- The control environment in the Investment Bank was regularly reviewed, including reviewing the specific action plans that are in place to enhance the control environment and in particular, to enhance the Compliance function. We will continue to review this important workstream in 2013;

- We received regular updates on compliance matters. These included updates on the actions being taken to comply with the Deferred Prosecution Agreement (DPA) entered into as part of the settlement with US authorities following an investigation into Barclays compliance with US sanctions and US Dollar payment practices: all of the actions required by the DPA were completed in 2012. Further details of Barclays compliance with the DPA may be found in the Risk management Supervision & Regulation section;

- We also received a number of updates on Anti-Bribery and Corruption, Anti-Money Laundering and Client Assets compliance. More details of Barclays Clients Assets compliance may be found in the Risk management Supervision & Regulation section of this report;

- We were updated on the arrangements Barclays has in place for employees to raise concerns and received reports on any incidents reported and investigated. There was a small increase in the number of reports and concerns raised by employees following the LIBOR announcement, although no new material issues were raised. We continue to regard employee reports as a valuable source of information that helps identify fraud, inappropriate behaviour and control weaknesses; and

- We received an update on the likely direction to be taken by the Conduct Business Unit of the FSA in respect of the governance of conduct risk and will be considering this further in 2013.

Further details of the Group s system of internal control and risk management, including the main features of our internal control and risk management systems in relation to the financial reporting process, are included in the Directors Report on pages 30-32 and in the Risk management section on pages 273-303.

Oversight of Internal Audit and External Audit

Internal Audit

To fulfil our responsibility to monitor the effectiveness of the internal audit function, we received regular reports from the Chief Internal Auditor, setting out the Internal Audit function s view of the control environment and performance against any key indicators. We also regularly reviewed the Internal Audit Plan, any changes proposed and the level of resourcing available to the Internal Audit function.

A new Chief Internal Auditor was appointed in early 2012 and during the year provided the Committee with his views on the resourcing and effectiveness of the Internal Audit function. 2012 has seen a change in methodology in order to improve the effectiveness of internal audit by focusing audit resources on high-risk auditable entities. In particular, the audit coverage of the Investment Bank has been increased. Given the change in audit methodology, we reviewed and approved the annual Internal Audit plan for 2013 in early 2013.

The Chief Internal Auditor updated the Committee on the work that Internal Audit will carry out as a result of the LIBOR settlement, in order to meet the requirements of the Commodity Futures Trading Commission (CFTC) Order. Regular audits of the LIBOR-setting process will be carried out on a six-monthly basis and a third party audit will also be conducted. We received the first of these reports in late 2012.

Internal Audit s self-assessment of conformance, which we reviewed in the fourth quarter of 2012, evidenced that the function generally conforms to the standards set by the Institute of Internal Auditors. During 2013, an external assessment of the performance of the Internal Audit function will be conducted and the results will be reported to the Committee.

External Audit

It is our responsibility to monitor the performance, objectivity and independence of the external auditor. Each year, we agree the audit plan with the auditor to ensure that the coverage is focused and that there is appropriate overlap with the work of Internal Audit. We also agree the terms of the engagement letter and approve, on behalf of the Board, the fees payable for the audit.

To discharge our responsibility to assess the performance and effectiveness of the auditor, we carried out a survey in the fourth quarter of 2012, seeking views from key stakeholders across the Group. The survey gathered views on the performance and effectiveness of PricewaterhouseCoopers (PwC). The results were reported to the Committee in early 2013 to help inform the Committee s deliberations on the auditor s performance and whether the auditor should be recommended for re-appointment. A more detailed follow-up survey will be conducted at the end of the first quarter of 2013 following completion of the year-end audit.

PwC and its predecessor firms has been Barclays auditor for many years, since 1896, although the lead audit partner now rotates every five years. Based on the 2012 survey results and the Committee s own interactions with PwC, the Committee concluded that it continues to be fully satisfied with the performance of PwC and that PwC continues to be objective and independent. The auditor s objectivity and independence is supported by Barclays policy on non-audit services provided by the auditor, which is described on page 23. PwC also provides specific assurance to the Committee on the arrangements it has in place to maintain its independence and objectivity. The Committee has therefore recommended to the Board and to shareholders that PwC should be re appointed as the Group s auditors at the AGM on 25 April 2013. The Committee recognises however that the length of tenure of auditors is under increasing scrutiny and is therefore considering, in light of the new requirement in the Code that the external audit contract is put out to tender at least every ten years, how and when a tender process might be implemented, particularly given the transitional provisions suggested by the Financial Reporting Council (FRC). A recommended course of action will be proposed to the Board during 2013.

Objectivity and independence of the external auditor

The Committee s responsibility to monitor and review the objectivity and independence of the external auditor is supported by a policy to govern the non-audit services that may be provided by the external auditor. The policy sets out the circumstances in which the external auditor may be permitted to undertake non-audit services. Allowable services are pre-approved up to but not including £100,000, or £25,000 in the case of certain taxation services. Any non-audit service that exceeds these thresholds requires approval from me as Chairman of the Committee and must be robustly justified and, if appropriate, tendered, before it is approved. I closely review all requests for approval, particularly any which concern taxation-related services, and specifically tax advisory services, where our approach is not to use the auditor unless there is a very strong case for not seeking an alternative supplier. The Committee receives a quarterly report on non-audit services undertaken by the auditor so that it can monitor the types of services being provided and the fees incurred.

A breakdown of the fees paid to the auditor for non-audit work may be found in note 44 on page 271. Significant categories of engagement undertaken in 2012 include tax compliance services for assignments initiated pre January 2011 in connection with our expatriate and international assignees and attest and assurance services in connection with the production of a report attesting to the effectiveness of controls in place at some of Barclays US based entities. In each case, approval was only given after a full and thorough assessment of the value case for using the auditor and of the skills and experience that the auditor would bring to each assignment. I also satisfied myself that there were safeguards in place to protect the objectivity and independence of the auditor.

Further details of the non-audit services that are prohibited and allowed under our policy can be found on page 317.

Committee Effectiveness

The performance of the Committee is reviewed each year as part of the Board Effectiveness Review. This year s review concluded that the Committee continues to operate effectively, although there was a slight diminution in the overall score.

Priorities for 2013

For 2013, I anticipate the Committee s areas of focus to be driven primarily by the changing regulatory environment, particularly as the new regulatory regime in the UK is implemented. We will also be seeking to ensure that the control remediation programmes we already have in place are delivered, in addition to having oversight of any action plans that arise from the controls workstream of the Transform Programme.

Sir Michael Rake

Chairman, Board Audit Committee

Corporate governance report

Accountability continued

Board Risk Committee Chairman s Report

We have been looking to take a more holistic view of risk management, so that we have an enterprise wide view of risk management that goes beyond the management of financial risks.

David Booth

Chairman, Board Risk Committee

Member	Independent	Meetings eligible to attend
David Booth (Chairman)	Yes	
Tim Breedon (from 1 December 2012)	Yes	
Reuben Jeffery[a]	Yes	
Sir Andrew Likierman	Yes	
Dambisa Moyo[a]	Yes	
Sir Michael Rake[a]	Yes	

Lawrence Dickinson Secretary

Attended Did not attend

Note

a Unable to attend meetings because of prior commitments.

Board Risk Committee allocation of time		%
	2012	2011
1 Risk profile/Risk appetite (including capital and liquidity management)	**61**	45
2 Key risk issues	**18**	38
3 Internal control/Risk policies	**6**	6
4 Regulatory frameworks	**5**	4
5 Other (including Remuneration and Governance issues)	**10**	7

David Booth, Chairman of the Board Risk Committee, reports on how the Committee discharged its responsibilities in 2012. From 31 January 2013, the Committee was renamed the Board Financial Risk Committee and oversight of operational risk was assumed by the Board Conduct, Reputation and Operational Risk Committee.

Chairman s overview of 2012

2012 has been another challenging year for the Committee. Global economic conditions, particularly in the Eurozone, have driven much of our agenda. We have been looking to take a more holistic view of risk management, partly in response to regulatory pressure so that we have an enterprise wide view of risk management that goes beyond the management of financial risks, such as credit risk, market risk and funding risk. I held a number of meetings with Barclays regulators in the UK and US during 2012 to discuss our approach to risk management and to understand better our regulators areas of focus and how this might impact the remit of the Committee.

I continued this year to request that representatives from the business, that is, business unit employees with day-to-day operational responsibility for risk management, attend Committee meetings and present on specific issues. This provided the Committee with a valuable insight into how risk management principles are implemented in the business and gives a sense of the risk management culture in the business.

I submitted a report after each Committee meeting to the Board, to ensure that all Board members were aware of the Committee s areas of focus. I continued to liaise with Sir Michael Rake, Chairman of the Board Audit Committee, to ensure that both Committees had appropriate oversight of risk and control matters. I also met regularly with the Chief Risk Officer, the Chief Internal Auditor and the Group Treasurer. In July 2012, I joined the Board Remuneration Committee, which provides an opportunity for me to provide direct input into remuneration decisions from the perspective of risk management and control.

Committee composition, skills and experience

Membership of the Committee and attendance at meetings held in 2012 is set out opposite. The Committee individually and collectively has experience in finance and financial risk management and that experience and knowledge was strengthened further in late 2012 with the appointment of Tim Breedon to the Committee. More information on the skills and experience of the Committee members may be found in the Directors biographies on pages 35-37. The Committee is keen to ensure that it has sufficient knowledge and information to be able to discharges its responsibilities effectively and during 2012, Committee members attended two specific briefing sessions, the first on operational risk management, in light of increased regulatory focus in this area, and the second an in-depth review of the Investment Bank s balance sheet.

Committee responsibilities and how they were discharged in 2012

During 2012, the Committee was responsible for:

¡ recommending to the Board the total level of risk the Group is prepared to take (risk appetite) to achieve the generation of shareholder value;

¡ monitoring risk appetite, including setting limits for individual types of risk, e.g., credit, market, funding risk and operational risk;

¡ monitoring the Group s risk profile;

¡ ensuring that management properly identifies principal risks and that they are being appropriately managed;

- ensuring that risk is taken into account during the due diligence phase of any strategic transaction; and

- providing input from a risk perspective into the deliberations of the Board Remuneration Committee.

You can obtain the Committee s full terms of reference on the corporate governance section of Barclays website. More information on risk management and the internal control framework is included in the Directors Report on pages 30-32 and in the Risk management section on pages 273-303.

The Committee met 10 times in 2012 and the chart opposite shows the way in which we allocated our time. Committee meetings were attended by management, including the Group Finance Director, Chief Internal Auditor, Chief Risk Officer and General Counsel. The external auditor also attended each meeting. From time to time, senior management below Board and Executive Committee level, including representatives of the risk management function at both Group and business unit level, attended meetings for specific items. The Chief Internal Auditor, in addition to providing input on risk and control matters presented to the Committee, also presented a regular, formal report on risk control issues.

The way in which the Committee discharged its responsibilities during 2012 is described below:

Risk Profile/Risk Appetite

We considered the following matters in 2012:

- The Chief Risk Officer presented a quarterly Group Risk Profile Report, providing an update on credit, market, funding and liquidity and operational risk in each of Barclays main businesses. Given the continuing uncertainties in the Eurozone, our discussions focused primarily on the potential impact of the Eurozone debt crisis, Eurozone sovereign risk and redenomination risk in our European businesses. We received specific reports on Eurozone sovereign risk, including details of Barclays scenario planning in the event of a country exiting the Euro. In addition, we discussed the potential impact on our businesses of failure to resolve the US Fiscal Cliff. We were also updated on specific country risk for countries where the economic outlook may be worsening or where there is risk to our businesses arising from political instability;

- The Group Treasurer provided a quarterly update on capital and liquidity. During 2012, given market conditions and the ongoing uncertainty in the Eurozone, we held two additional meetings specifically to discuss liquidity risk appetite and Barclays liquidity risk management framework. In view of the external environment, and taking into account the potential stresses on Barclays following the announcement of the penalties imposed relating to the industry-wide investigation into the setting of interbank offered rates, for a time over the summer we asked management to implement a revised liquidity risk management framework, in order to extend the time horizon period for Barclays liquidity and to reduce our overall balance sheet leverage. Also during 2012 we agreed to a revised limit framework for Barclays US repo business. Further details of Barclays liquidity risk management framework can be found in the Risk management section. The Group Treasurer also updated the Committee on regulatory changes in liquidity rules, on the introduction of new facilities, such as the Funding for Lending Scheme and on the potential impact of CRD IV;
- We considered and approved the scenarios for Barclays internal stress testing exercise, including a reverse stress test, and later reviewed the results. The stress tests included a potential Eurozone break-up scenario. As in previous years, the stress testing exercises demonstrated that Barclays remains well-capitalised and profitable in a stress scenario; and

- We considered risk appetite for 2013 and recommended it to the Board for approval. Taking a 1 in 7 scenario and a 1 in 25 scenario, we assessed the performance of agreed financial volatility parameters in those scenarios to establish if there are any potential constraints. While the financial volatility parameters are largely unchanged from the prior year, some were recalibrated. The proposed risk appetite for 2013 also allows for a higher level of non-credit losses, given the impact in 2012 of such losses, for example, product mis-selling redress. The Committee will monitor risk appetite for 2013 and may revisit it in light of the Transform Programme.

Key Risk Issues

Some of the other specific matters we considered in 2012 were:

- We undertook two specific country and business risk reviews in 2012. We reviewed our operations in India, where we primarily have Investment Banking business and support activities. From that discussion, we asked for loan to deposit ratios on a country by country basis to be reported to the Committee as a key indicator. We also reviewed our business in South Africa in view of the weak economic outlook there and the difficult political environment, which present a number of challenges, particularly in terms of operational risk management. The Committee was content with the actions being taken by management to address these challenges although asked to be kept informed of the progress of certain remediation programmes;

- After the significant trading losses experienced at JPMorgan in 2012, we received a report from management on their understanding of what occurred in this incident and an assessment of the risk management systems and controls in place over any similar trading activity at Barclays. After due consideration, the Committee was satisfied with management s assessment that appropriate systems and controls are in place;

- We received a regular report on the progress of the enhancements that are being made to risk management systems and controls in our Investment Bank business in the US. The Committee will continue to monitor progress in 2013;

- In view of continuing weak global economic conditions, we were updated on Barclays credit rating strategy and on the potential impact on Barclays credit ratings should the UK s credit rating be downgraded. Having discussed and assessed the position, the Committee supported the recommended credit rating strategy and associated programme of engagement with ratings agencies;

- Each year the Committee reviews Tax Risk. In early 2012, HMRC issued a statement concerning the tax treatment of a repurchase of debt by Barclays. In light of that announcement, in its discussion on Tax Risk the Committee focused on tax risk in Barclays Structured Capital Markets business and on the steps being taken to enhance Barclays compliance with both the letter and spirit of its obligations under the HMRC Code of Practice. After discussion and challenge, the Committee was satisfied with the actions being taken by management and asked to be promptly advised should tax risk limits require further review; and

Corporate governance report

Accountability continued

Board Risk Committee Chairman s report continued

¡ We were updated on Barclays Leveraged Finance business, in particular, the performance of the portfolio and the level of refinancing risk, which has reduced since the end of 2011. Having reviewed the status, the Committee was content with the actions being taken by management to monitor and mitigate refinancing risk.

Internal Control and Risk Management Framework

The Committee conducted its annual review of the Group s internal control and risk management framework (GICAF) to ensure it remains fit for purpose and concluded that it remained so. More details on the GICAF and the Principal Risks Policy can be found in the Directors Report on pages 30-32 and in the Risk management section on pages 273-303. During 2012, we were updated on conduct risk and the potential areas of focus for the Conduct Business Unit of the FSA. This new focus on conduct risk is likely to have an impact on Barclays Principal Risks Policy and we will assess how conduct risk is reflected in Barclays risk management framework.

The Committee spent a significant amount of time on operational risk matters in 2012, including a specific in-depth briefing session on operational risk and the development of our operational risk management framework. During the year we discussed the effectiveness of the operational risk control framework and whether Barclays control environment is effective relative to the size and complexity of the business. With input from Barclays Internal Audit, we subsequently looked in more detail at five businesses, Absa, Barclays Africa, Investment Bank US, Wealth & Investment Management US and Continental Europe, to assess the general control environment and the resulting levels of operational risk in the context of any growth plans for those businesses. We were satisfied that any growth plans for those businesses are appropriate to the control environment.

Due diligence

The Committee reviewed the due diligence process followed for the acquisition of certain portfolios from Edcon Proprietary Limited and ING Direct UK, to satisfy itself that the due diligence process in each case was thorough. This included reviewing the impact of each transaction on Barclays risk profile and risk appetite. In both cases, the Committee concluded that the due diligence process had been thorough and that the size and the impact of the acquisitions could be accommodated within the Group s agreed risk appetite.

Remuneration

The Committee provided input to the Board Remuneration Committee on the risk metrics to be used to determine financial performance and reviewed the risk function s view of performance, which was used to inform remuneration decisions for 2012. The risk perspective took into account specific matters, such as product mis-selling redress, the penalties relating to the industry-wide investigation into the setting of interbank offered rates and, at the Committee s request, internal control issues. The Remuneration Report on page 39 includes more detail on how risk is taken into account in remuneration decisions.

Committee Effectiveness

As part of the annual Board Effectiveness Review, the performance of the Committee is assessed. This year s review concluded that the Committee continues to operate effectively and there was a slight improvement in the overall score.

Priorities for 2013

I expect the Committee in 2013 to continue to focus on monitoring the risk to Barclays business from the ongoing weak economic conditions in its main geographies. We will also maintain our focus on capital and liquidity, particularly in view of the implementation of CRD IV. The Committee will also seek to understand and act upon any changes required to Barclays risk management framework that might arise as a consequence of the new regulatory regime in the UK.

David Booth

Chairman, Board Risk Committee

Board Citizenship Committee Report

While retaining its responsibility for oversight of Barclays citizenship strategy, the Committee in 2013 will focus on developing Barclays approach to conduct

risk.

Sir David Walker

Chairman, Board Citizenship Committee

Committee composition, skills and experience

The Committee was established in August 2011 and during 2012 was responsible for the oversight of Barclays conduct with regard to its corporate and societal obligations and its reputation as a responsible corporate citizen. The Committee was also responsible for:

¡ Reviewing and monitoring the effectiveness of Barclays citizenship strategy, including the management of significant reputational, social and environmental issues; and

¡ Ensuring the fulfilment of the Board s objective to protect and enhance the brand and reputation of Barclays and ensuring that Barclays is Treating Customers Fairly (TCF).

From the end of January 2013, the Committee was renamed the Board Conduct, Reputation and Operational Risk Committee. You can obtain the Committee s full terms of reference on the corporate governance section of Barclays website.

During 2012, the Committee comprised two non-executive Directors and the Chairman, who chaired the Committee. Membership of the Committee is set out opposite, together with attendance at meetings in 2012. Sir David Walker joined the Committee on his appointment to the Board on 1 September 2012 and took over as Chairman of the Committee on 1 November 2012. Tim Breedon joined the Committee with effect from 1 February 2013 and Diane de Saint Victor joined the Committee with effect from 1 March 2013.

Committee responsibilities and how they were discharged in 2012

The Committee met twice in 2012. The chart opposite shows how the Committee allocated its time at those meetings. During the year, the Committee conducted the following business:

- Reviewed the citizenship disclosure in the 2011 Annual Report;
- Received an update on Barclays citizenship strategy and discussed the five-year citizenship plan;
- Reviewed the plans for the 2012 Barclays Citizenship Day;
- Reviewed the activities of the Global Investment Committee, which manages Barclays community investment programme;
- Conducted in-depth reviews of regional citizenship activity in Barclays businesses in the UK, US and Africa;
- Received updates on specific areas of focus such as supply chain management, human rights, complaints and agricultural commodities trading;
- Reviewed and approved Barclays reputational risk control framework and policy; and
- Received an update on Barclays TCF agenda and discussed the progress made against objectives.

Committee Effectiveness

The performance of the Committee was reviewed as part of the Board Effectiveness Review. The review concluded that the Committee had operated effectively, although it was recognised that it was in its first full year of operation and its role and responsibilities will become more defined in future.

Priorities for 2013

With effect from 31 January 2013, the Committee s remit was broadened to include conduct, reputation and operational risk and it was renamed the Board Conduct, Reputation and Operational Risk Committee. It will retain responsibility for oversight of Barclays citizenship strategy. The Committee is expected to focus in 2013 on developing Barclays approach to conduct risk in the context of the UK regulator s new focus on conduct risk and outcomes for consumers.

Corporate governance report

Relations with Shareholders

Shareholder type	
Institutional Shareholders	Barclays Investor Relations is dedicated to managing long term relationships with institutional investors and sell-side analysts. A structured Investor Relations programme is in place to ensure regular communication with shareholders and access to the Group Chief Executive and Group Finance Director as well as senior management from across the business.
	Shareholder engagement is spread throughout the year, with particular focus around results periods, which provide the opportunity for regular dialogue with current and prospective investors. Approximately half of our investor engagement is conducted by executive management, with the remainder led by Barclays Investor Relations.
	In addition to the global programme of investor meetings, Barclays also participates regularly in investor conferences designed to provide access to a wider audience. Barclays also hosts seminars for investors and analysts on business specific topics led by senior management. Relationships with sell-side analysts are maintained through regular dialogue with Investor Relations and formal briefings with executive management.
	Views expressed by shareholders are communicated effectively to the Board. The Chairman and Senior Independent Director also meet regularly with Barclays larger shareholders to hear their views on corporate governance matters, including remuneration and Board composition.
Debt Investors	A dedicated Debt Investor Relations team within Investor Relations was set up in the autumn of 2012, with the aim of proactively engaging with fixed income investors and credit analysts in a way that presents a single (equity and debt) face to the market. The team has led numerous meetings, including supporting Treasury in the global marketing of the Contingent Capital Notes issuance in November 2012, and is the primary contact for credit rating agencies.
	The Debt Investor Relations team has also launched a new debt focused section in the Investor Relations section of Barclays website, which provides information on the Group s capital, funding and liquidity positions as well as credit ratings. During 2013, Debt Investor Relations will continue to work closely with Treasury to deliver structured, targeted and disciplined debt investor engagement.

Private Shareholders

Barclays has a large private shareholder base and understands the need to treat all shareholders fairly, following industry best practice in terms of disclosure.

We recently re-consulted all of our private shareholders on how they would like to receive their shareholder information. We believe that communicating electronically with our shareholders ensures that they receive regular, up to date information about Barclays directly to their inbox. For example, we email all Barclays e-view members with our quarterly financial results and dividend information. They can also vote online for AGMs, view any transactions on their shareholding, instantly update their personal and bank details and receive an electronic dividend tax voucher. It is also beneficial for the environment and lowers costs for Barclays. We therefore actively encourage private shareholders to join Barclays e-view. Shareholders can sign up to Barclays e-view at www.eviewsignup.co.uk. We also encourage our private shareholders to hold their shares in Barclays Sharestore, where shares are held electronically in a cost-effective and secure environment.

We maintain a dedicated email address and Barclays Shareholder Helpline with our registrars so that our shareholders can easily contact them if they have any questions about their shareholding. In order to ensure that the registrar provides the highest quality of service to our shareholders, we regularly monitor their operational performance via monthly meetings at which management information on transactions undertaken by the registrar are discussed in detail, together with service level reports.

We are aware that, sometimes, shareholders do not keep their personal details on the shareholder register up to date. We recently conducted a tracing process using our search agent, Prosearch, to reunite over 24,000 Barclays Sharestore members identified by the registrar as having lost contact with us, with their shares and unclaimed dividends. As at 31 December 2012, we had returned £1.8m of unclaimed dividends to our shareholders.

A wide range of information for all our shareholders can be found on our website Barclays.com. We ensure that all documents produced for investor events are provided on the Investor Relations section of our website.

Private shareholders can discuss their concerns with us by email: privateshareholderrelations@barclays.com or in writing to Shareholder Relations at Barclays PLC, 1 Churchill Place, London E14 5HP.

Remuneration

Sir John Sunderland, who became Chairman of the Remuneration Committee in July 2012, reports on the Board Remuneration Committee s activities during 2012 in the remuneration report on pages 39-68.

Relations with Shareholders

Understanding the views of shareholders

Part of the Chairman s responsibility is ensuring that there is effective communication with shareholders. The Chairman is in regular contact with institutional shareholders and reports back to the Board on any significant issues that are raised. The Group Chief Executive, Group Finance Director and Senior Independent Director also had regular contact with shareholders during 2012 and the Chairman of the Board Remuneration Committee also held a series of meetings with key shareholders to discuss the Group s remuneration structure and policy.

During 2012, the Board received the results of an investor audit, conducted by one of Barclays investor relations advisers, which set out views gathered from interviews with a number of Barclays investors on Barclays strategy, priorities, businesses, capital, funding and liquidity and management. It also provided a view on the outlook for stock market conditions. Directors receive a weekly briefing note from the Group Chief Executive, which includes share price and market information. Analyst notes are made available to Directors on a regular basis.

Engaging effectively with investors

Barclays understands the need to engage with its investors in a meaningful way and for such communication to be transparent to facilitate a mutual understanding of respective objectives. Interaction with investors falls into four main areas: institutional shareholders, debt investors, private shareholders and the AGM.

General shareholder information can be found on Barclays website, Barclays.com/investor relations

AGM

The Board as a whole understands the importance of communicating effectively with shareholders and is committed to the constructive use of the AGM to meet with shareholders, hear their views and to answer their questions. All Directors are required to attend the AGM. They all attended the 2012 AGM which was held on Friday, 27 April 2012. The Chairman as well as the Chairmen of the Board Committees were available to answer shareholders questions. In accordance with best practice, all resolutions were considered on a poll, which was conducted by the registrar and monitored by independent scrutineers. The results, along with proxy votes lodged prior to the meeting, were made available on our website the same day. The votes cast at the meeting represented 60-67% of all the shares in issue and all resolutions were approved.

The 2013 AGM, will be held on Thursday, 25th April 2013 at the Royal Festival Hall in London. The Notice of AGM can be found in a separate document, which is sent out at least 20 working days before the meeting. The Notice of AGM and the accompanying circular, which sets out a clear explanation of each resolution to be proposed at the meeting, can also be found at www.Barclays.com/AGM. The resolutions will be considered on a poll and the results will be announced via the Regulatory News Service and made available on our website on the same day.

Shareholders unable to attend the AGM are encouraged to vote in advance of the meeting via www.barclays.com/investor relations/vote. They may also submit questions to the Board by writing to Shareholder Relations at the address given above.

Sir David Walker

Chairman

5 March 2013

Directors report

Profit and dividends

The loss for the financial year, after taxation, was £236m (2011: £3,951m profit). The final dividend for 2012 of 3.5p per share will be paid on 15 March 2013 to shareholders whose names were on the Register of Members at the close of business on 22 February 2013. With the interim dividends totalling 1.0p per ordinary share, paid in June, September and December 2012, the total distribution for 2012 is 6.5p (2011: 6.0p) per ordinary share. The interim and final dividends for 2012 amounted to £793m (2011: £728m).

Board of Directors

The names of the current Directors of Barclays PLC, along with their biographical details, are set out on pages 35-37 and are incorporated into this report by reference. Bob Diamond, Alison Carnwath and Marcus Agius left the Board with effect from 3 July 2012, 24 July 2012 and 31 October 2012 respectively. Sir David Walker, Antony Jenkins and Tim Breedon joined the Board on 1 September 2012, 30 August 2012 and 1 November 2012 respectively. There were no other changes to Directors in 2012. Diane de Saint Victor was appointed as a Director with effect from 1 March 2013.

Appointment and retirement of Directors

The appointment and replacement of Directors is governed by the Company s Articles of Association (the Articles), the UK Corporate Governance Code (the Code), the Companies Act 2006 and related legislation. The Articles may only be amended by a special resolution of the shareholders.

The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Under the Articles, any such Director holds office only until the next AGM and may offer himself/ herself for re-election. The Articles also require that at each AGM at least one-third (rounded down) of the Directors retire by rotation. The retiring Directors are eligible to stand for re-election. The Code recommends that all Directors of FTSE 350 companies should be subject to annual re-election, and all Directors will stand for election or re-election at the 2013 AGM with the exception of Sir Andrew Likierman, who having served on the Board for nine years, will retire at the 2013 AGM and will not offer himself for re-election.

Directors indemnities

The Company maintains Directors and Officers liability insurance which gives appropriate cover for any legal action brought against its Directors. In addition, qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2012 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Creditor payment policy

Barclays policy follows the Department for Business, Innovation & Skills Prompt Payment Code, copies of which can be obtained from the Prompt Payment Code website at www.promptpaymentcode.org.uk. The trade creditor payment days for Barclays Bank PLC for 2012 were 38 days (2011: 37 days[a]). This is an arithmetical calculation based on the Companies Act regulations and does not necessarily reflect our practice, nor the experience of any individual creditor.

Note

a The 2011 figure is restated as the figure reported in the 2011 Directors Report did not include data from all business divisions.

Political donations

The Group did not give any money for political purposes in the UK or the rest of the EU nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. Absa Group Limited, in which the Group has a majority stake, made donations totalling £185,666 in 2012 (2011: £224,158) in accordance with its policy of making political donations to the major South African political parties as part of their Democracy Support Programme. The Group made no other political donations in 2012.

In accordance with the US Federal Election Campaign Act, Barclays provides administrative support to a federal Political Action Committee (PAC) in the USA funded by the voluntary political contributions of eligible Barclays employees. The PAC is not controlled by Barclays and all decisions regarding the amounts and recipients of contributions are guided by a steering committee comprised of eligible contributors. Contributions to political organisations reported by the PAC during the calendar year 2012 election cycle totalled $63,564 (2011 $43,436).

Charitable donations

Barclays provides funding and support to over 8,500 charities, voluntary organisations and social enterprises ranging from small local organisations, such as Bikeworks, which provides disadvantaged young people in London with training to help them develop key skills to find employment in the cycling industry, to international organisations such as CARE International. The Group committed £32.1m in support of the community in the UK (2011: £30.3m), including charitable donations of £22.5m (2011: £22.6m).

Environment

In 2011 we launched the Barclays Climate Action Programme a four-year plan which focuses on addressing environmental issues where we believe we have the greatest potential to make a difference. The Programme focuses on managing our own carbon footprint and reducing our absolute carbon emissions, developing products and services to help enable the transition to a low-carbon economy, and managing the risks of climate change to our operations, clients, customers and society at large. We invest in improving the energy efficiency of our operations and offset the emissions remaining through the purchase of carbon credits. We also have a long standing commitment to managing the environmental and social risks associated with our lending practices, which is embedded into our Credit Risk processes. A governance structure is in place to facilitate clear dialogue across the business and with suppliers around issues of potential environmental and social risk. More details may be found on our website at www.barclays.com/citizenship.

We are currently preparing for the forthcoming mandatory carbon reporting regulations coming into force in April 2013, requiring all UK companies listed on the London Stock Exchange to disclose their global emissions in the Director s Report. We are awaiting the publication of the finalised requirements of the legislation by the UK Government but do not foresee any significant challenges in adhering to the new regulation.

Essential contracts or arrangements

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

Contracts of significance

Barclays provided BlackRock, Inc. with customary warranties and indemnities in connection with the sale of Barclays Global Investors (BGI) to BlackRock, Inc. in 2009. Barclays continued to provide indemnities in respect of certain of BGI s fully collateralised securities lending activities until 30 November 2012 and will continue to provide support in respect of certain BGI cash funds until December 2013.

Research and development

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

Share capital

Share capital structure

The Company has Ordinary Shares in issue. The Company s Articles also allow for the issuance of Sterling, US Dollar, Euro and Yen preference shares (preference shares). No preference shares have been issued as at 28 February 2013 (the latest practicable date for inclusion in this report). Ordinary shares therefore represent 100% of the total issued share capital as at 31 December 2012 and at 28 February 2013. Details of the movement in Ordinary Share capital during the year can be found in Note 32 on page 250.

On 31 October 2008, Barclays PLC issued, in conjunction with a simultaneous issue of Reserve Capital Instruments issued by Barclays Bank PLC, warrants (the Warrants) to subscribe for up to 1,516.9 million new Ordinary Shares at a price of £1.97775. As at 31 December 2012 there were unexercised Warrants to subscribe for 379.2 million Ordinary Shares. On 13 February 2013 Barclays PLC and Barclays Bank PLC announced that they had entered into an agreement with Deutsche Bank AG and Goldman Sachs International (the Warrantholders) pursuant to which the Warrantholders had agreed to exercise in aggregate 379.2m outstanding Warrants. As a consequence of this agreement no other Warrants remain outstanding. Details of changes to the share capital structure which have taken place since the year end are detailed in Note 46 Events After the Balance Sheet Date.

Directors report continued

Exercisability of rights under an employee share scheme

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

Special rights

There are no persons holding securities that carry special rights with regard to the control of the Company.

Substantial shareholders[a]

Substantial shareholders do not have different voting rights from those of other shareholders. Information provided to the Company by substantial shareholders pursuant to the Financial Services Authority s (FSA) Disclosure and Transparency Rules (DTR) is published via a Regulatory Information Service and is available on the Company s website. As at 31 December 2012, the Company had been notified under Rule 5 of the DTR of the following holdings of voting rights in its shares.

Person interested	Number of Barclays Shares	% of total voting rights attaching to issued share capital[b]
His Highness Sheikh Mansour Bin Zayed Al Nahyan[c]	858,546,492	7.02
Qatar Holding LLC[d]	813,964,552	6.65
BlackRock, Inc.[e]	805,969,166	7.06
Legal & General Group plc[f]	480,805,132	3.99
The Capital Group Companies Inc[g]	371,944,325	3.04

Notes

a Significant shareholders for the last 3 years are shown on page 319.

b The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the DTR.

c Total shown comprises (1) 758,437,618 shares that are legally owned by PCP Gulf Invest 3 Limited, which is wholly owned by Nexus Capital Investing Limited (NCIL). NCIL is in turn wholly owned by Abu Dhabi International United Investments LLC, which is in turn wholly owned by His Highness Sheikh Mansour Bin Zayed Al Nahyan (HHSM); and (2) 100,108,874 cash- settled options referencing ordinary shares that are legally owned by Yas Capital Limited (YCL), which is, in turn, wholly owned by HHSM. YCL has no right to acquire or exercise any voting rights in Barclays PLC. Following an increase during February 2013 in issued share capital to which voting rights are attached, the Company was notified on 4 March 2013 that, in aggregate, HHSM is indirectly interested in 783,509,699 ordinary shares, comprising 758,437,618 shares held by PCP Gulf Invest 3 Limited and 25,072,081 cash-settled options referencing ordinary shares held by YCL, representing 6.09% of total voting rights attaching to issued share capital.

d Qatar Holding LLC is wholly-owned by Qatar Investment Authority.

e Total shown includes 8,003,236 contracts for difference to which voting rights are attached.

f Legal & General Group plc s interest is held by Legal & General Assurance (Pensions Management) Limited.

g The Capital Group Companies Inc (CG) holds its shares via CG management companies and funds. On 30 January 2013, the Company was notified that CG was interested in 492,653,250 shares, representing 4.02% of total voting rights attaching to issued share capital.

Powers of the Directors to issue or buy back the Company s shares

The powers of the Directors are determined by the Companies Act 2006 and the Company s Articles. The Directors are authorised to issue and allot shares, and to repurchase shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2012 AGM. It will be proposed at the 2013 AGM that the Directors be granted new authorities to allot and buy-back shares.

Repurchase of shares

The company did not repurchase any of its Ordinary Shares during 2012 (2011: none). As at 28 February 2013, the Company had an unexpired authority to repurchase Ordinary Shares up to a maximum of 1,220,174,570 Ordinary Shares.

Change of control

Warrants issued by Barclays PLC provided that if there is a change of control of Barclays PLC following a takeover bid, Barclays PLC must (so far as legally possible) use all reasonable endeavours to cause the corporation which then controls Barclays PLC to execute a deed poll providing that holders of the Warrants shall have the right (during the period in which the Warrants are exercisable) to exercise the Warrants into the class and amount of shares and other securities and property receivable upon such a takeover by the holders of the number of Ordinary Shares as would have been issued on exercise of the Warrants had such Warrants been exercised immediately prior to the completion of such takeover. The Warrants contained provisions for the adjustment of the gross number of Ordinary Shares in the event of the occurrence of certain dilutive events including, amongst others, extraordinary dividends, bonus issues, alterations to the nominal value of Ordinary Shares and rights issues. All outstanding Warrants were excercised on 13 February 2013.

There are no other significant agreements to which the Company is a party that are affected by a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Risk management and internal control

The Directors have responsibility for ensuring that management maintain an effective system of risk management and internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Barclays is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The Group Internal Control and Assurance Framework (GICAF) is the overarching framework that sets out Barclays approach to internal governance. It establishes the mechanisms and processes by which the Board directs the organisation, through setting the tone and expectations from the top, delegating its authority and monitoring compliance. The purpose of the GICAF is to identify and set minimum requirements in respect of the main risks to achieving the Group s strategic objectives and to provide reasonable assurance that internal controls are effective. The key elements of the Group s system of internal control, which is aligned to the recommendations of The Committee of Sponsoring Organizations of the Treadway Commission (COSO), are set out in the risk control frameworks relating to each of the Group s Key Risks and in the Group operational risk framework. As well as incorporating our internal requirements, these reflect material Group-wide legal and regulatory requirements relating to internal control and assurance. The GICAF is reviewed and approved on behalf of the Group Chief Executive by the Group Governance and Control Committee at least annually. The Board Risk Committee also reviews the GICAF annually.

Effectiveness of internal controls

The Directors review the effectiveness of the system of internal control semi-annually. An internal control compliance certification process is conducted throughout the Group in support of this review. Key controls are also assessed on a regular basis for both design and operating effectiveness. Issues arising out of business division risk and control assessments are considered to identify pervasive themes. Where appropriate, individually significant issues or those affecting more than one business division may be categorised as having Group level significance and are reported to the Board Audit Committee via the Group Governance and Control Committee. The Board Audit Committee monitors resolution of any identified control issues of Group level significance through to a satisfactory conclusion. In addition, regular reports are made to the Board Audit Committee by management, internal audit and the finance, compliance and legal functions covering in particular financial controls, compliance and other operational controls.

Risk management and internal control framework

Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance Internal Control: Revised Guidance for Directors on the UK Corporate Governance Code published by the Financial Reporting Council (the Turnbull Guidance). These processes include an attestation procedure which requires all significant processes and identified material risks to be assessed and recorded, together with the related key controls by the Heads of Divisions, Businesses and Functions. As part of this, specific consideration is given to relevant information, including as a minimum, legal entities; any open control issues; any outstanding internal and external audit findings; regulatory reviews and any outstanding regulatory compliance matters; compliance with Group level policies; records of operational incidents and loss/risk events; experience of all types of fraud; and any other material control-related matters that have been raised either by management or via independent/external review. The status of any remediation in connection with these matters is also considered. The results of this attestation procedure were reported to the Board Audit Committee in February 2013, when it was noted that although several of the Group Key Risk Owner attestations received refer to outstanding control design/operating effectiveness issues, these had all been assessed against risk appetite and none of these had prevented the Heads of Divisions, Businesses or Functions from providing a Turnbull statement. All these issues had identified remediation tasks and attributed timescales for resolution (or timescales being determined).

The Board regularly reviews these processes through its principal Board Committees. Regular risk reports are made to the Board covering risks of Group significance including credit risk, market risk, funding risk, operational risk and legal risk. The Board Risk Committee receives reports covering the Principal Risks as well as reports on risk measurement methodologies and risk appetite. Further details of risk management procedures are given in the Risk management section on pages 273-303.

As discussed in the Risk management section of the Annual Report a number of matters were public during the course of 2012 which related to failings in the design and/or operation of certain controls other than those over financial reporting. Whilst the matters were disclosed in 2012, the failings giving rise to those issues occurred in prior periods. Management has reviewed the specific control processes impacted and concluded that these are now designed and operating effectively. Areas of ongoing control remediation are not considered to constitute material control failings.

Controls over financial reporting

A framework of disclosure controls and procedures is in place to support the approval of the Group s financial statements. The Legal and Technical Review Committee is responsible for reviewing the Group s financial reports and disclosures to ensure that they have been subject to adequate verification and comply with legal and technical requirements, and reports its conclusions to the Disclosure Committee. The Disclosure Committee, which is chaired by the Group Finance Director, considers the content, accuracy and tone of the disclosures, reporting its conclusions to the Group Executive Committee and the Board Audit Committee, both of which review its conclusions and provide further challenge. Finally, the Board reviews and approves results announcements and the Annual Report for publication and ensures that appropriate disclosures have been made. This governance process is in place to ensure both management and the Board are given sufficient opportunity to review and challenge the Group s financial statements and other significant disclosures before they are made public. It also provides assurance for the Group Chief Executive and Group Finance Director when providing certifications as required under the Sarbanes-Oxley Act 2002 and recommended by the Turnbull Guidance.

Throughout the year ended 31 December 2012, and to date, the Group has operated a system of risk management and internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Management s report on internal control over financial reporting

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

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

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

Directors report continued

Management has assessed the effectiveness of Barclays PLC Group s and Barclays Bank PLC Group s internal control over financial reporting as of 31 December 2012. In making its assessment, management has utilised the criteria set forth by COSO. Management concluded that, based on its assessment, the internal control over financial reporting was effective as of 31 December 2012. Our independent registered public accounting firm has issued a report on the Group s internal control over financial reporting, which is set out on page 191.

The system of internal financial and operational controls is also subject to regulatory oversight in the UK and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk review section on pages 154-160.

Changes in internal control over financial reporting

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

Going concern

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

The Directors have assessed, in the light of current and anticipated economic conditions, the Group s ability to continue as a going concern. The Directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing accounts.

Disclosure of information to auditor

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company s auditors are unaware and that each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company s auditors are aware of that information.

Directors Responsibilities

The following statement, which should be read in conjunction with the report of the independent registered public accounting firm set out on page 191, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

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

The Directors consider that, in preparing the accounts on pages 192-272, and the additional information contained on pages 80-160, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Directors are satisfied that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company s performance, business and model.

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

The Directors are responsible for the maintenance and integrity of the Company s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

The Directors confirm to the best of their knowledge that:

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

(b) The management report, which is incorporated into the Directors Report on pages 30-34, includes a fair review of the development and performance of the business and the position of Barclays PLC and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Lawrence Dickinson

Company Secretary

5 March 2013

Barclays PLC

Registered in England, Company No. 48839

Board of Directors

1. Sir David Walker (73)

Chairman

Skills and experience

Sir David joined the Board as a non-executive Director on 1 September 2012, and was appointed as Chairman on 1 November 2012. He began his career in 1961 with Her Majesty s Treasury, where, with a period on secondment to the International Monetary Fund in Washington (1969-1973), he served until 1977. From 1977-1993, Sir David held several key positions at the Bank of England where, in 1981, he became one of four Executive Directors of the Bank. From 1988-92 he was Chairman of the Securities & Investment Board and, ex officio, a nominated member of the Council of Lloyd s over the same period. He was a non-executive member of the Court of the Bank of England from 1988-1993. Sir David was a non-executive board member of the former CEGB and subsequently of National Power plc between 1984 and 1994. He was formerly Chairman of Reuters Venture Capital, Vice-Chairman of the Legal and General Group and was Chairman of the London Investment Bankers Association for four years until June 2004. Sir David joined Morgan Stanley in 1994, where he was Chairman and CEO, Morgan Stanley International, and subsequently Chairman. At the end of 2005, he retired as Chairman but remained a Senior Advisor until the end of August 2012.

Since 2007 Sir David has completed two reports and made recommendations in respect of the private equity industry and corporate governance at financial institutions. He also co-led the independent review of the report that the FSA produced into the failure of Royal Bank of Scotland and was a member of the four-person Committee chaired by Lord Woolf (former Lord Chief Justice) into ethical business conduct in BAE Systems plc, which reported in May 2008.

Other principal external appointments

Sir David has been a member of the Group of Thirty (G30) since 1993: he is a trustee of the Group and was Treasurer from 1997-2004. He is also a trustee of the Cicely Saunders Foundation and was Chairman of the Business Leaders Group of the East End charity Community Links from 1995-2011.

Committee membership

Member of the Board Remuneration Committee, the Board Corporate Governance & Nominations Committee and the Board Conduct, Reputation and Operational Risk Committee since 1 September 2012; Chairman of the Board Corporate Governance and Nominations Committee and Board Conduct, Reputation and Operational Risk Committee since 1 November 2012; Chairman of the Board Enterprise Wide Risk Committee since its formation in January 2013.

Board of Directors continued

2. Antony Jenkins (51)

Group Chief Executive; Executive Director

Skills and experience

Antony was appointed Group Chief Executive on 30 August 2012, having previously been Chief Executive of Barclays Retail and Business Banking business since November 2009. He started his career at Barclays in 1983, where he completed the Barclays Management Development Programme before going on to hold various roles in retail and corporate banking. He moved to Citigroup in 1989, working in both London and New York. In January 2006, he rejoined Barclays as Chief Executive of Barclaycard, where he led a revival in the fortunes of the business. He joined the Barclays Executive Committee in November 2009.

Other principal external appointments

Member of the Board of Directors of the Institute of International Finance from February 2013. Between February 2009 and February 2013, Antony represented Barclays as a Non-executive Director on the Board of Absa, the Group s South African banking subsidiary. He was also on the Board of Visa Europe Ltd between October 2008 and December 2011.

Committee membership

Chairman of the Group Executive Committee

3. David Booth (58)

Non-executive Director

Skills and experience

David joined the Board in May 2007 as a non-executive Director. David has extensive banking industry knowledge and experience, having previously been employed by Morgan Stanley from 1982 to 1992, and again from 1995 to 1997. David held various key positions within the company, including Head of Government Bond Trading, Head of Mortgage Trading, Sales and Finance and Head of Global Operations and Technology. Having retired from the Management Committee of Morgan Stanley in 1997, David now manages his own venture capital investments.

Other principal external appointments

President of East Ferry Investors, Inc.

Committee membership

Chairman of the Board Financial Risk Committee since January 2010 (member since January 2008); Member of Board Corporate Governance and Nominations Committee since January 2010; Member of the Board Remuneration Committee since July 2012; Member of the Board Enterprise Wide Risk Committee since its formation in January 2013.

4. Tim Breedon (55)

Non-executive Director

Skills and experience

Tim was appointed to the Board as a non-executive Director with effect from 1 November 2012. He was Group Chief Executive of Legal & General Group plc (L&G), until June 2012. Tim joined L&G in 1987, holding a number of roles before joining the board as Group Director (Investments) in 2002 and becoming Group Chief Executive in 2006. He remained an adviser to L&G, primarily with responsibilities in connection with Solvency II, until 31 December 2012.

Other principal external appointments

Tim served as Chairman of the Association of British Insurers (ABI) between July 2010 and July 2012, having been a director since 2007. He was also chairman of the UK Government s non-bank lending taskforce, an industry-led taskforce that looked at the structural and behavioural barriers to the development of alternative debt markets in the UK, reporting its conclusions and recommendations in March 2012. Tim was a Director of the Financial Reporting Council from 2004 to 2007. He also served as a Director on the Board of the Investment Management Association between 2004 and 2005. Non-executive Director at the Ministry of Justice since December 2012.

Committee membership

Member of the Board Financial Risk Committee and the Board Remuneration Committee with effect from 1 December 2012; Member of the Board Conduct, Reputation and Operational Risk Committee with effect from 1 February 2013; Member of the Board Audit Committee with effect from 1 March 2013.

5. Fulvio Conti (65)

Non-executive Director

Skills and experience

Fulvio joined the Board in April 2006 as a non-executive Director. Fulvio has significant financial and business experience from a career spanning over 35 years, and is currently CEO and General Manager of Enel SpA, the Italian energy company, where he was previously Chief Financial Officer from 1999 to 2005. During his career, Fulvio held the role of General Manager and CFO of Telecom Italia SpA from 1996-1998 and CFO for various private and government owned entities in Italy, was in charge of finance at Montedison-Compart, and was CFO of Montecatini. He has also held positions in finance and operations in various affiliates of Mobil Oil Corporation in Italy and Europe, where he spent his initial career spanning over 20 years.

Other principal external appointments

Director of ENDESA SA since June 2009; Director of AON PLC since January 2008; Director of the Italian Institute of Technology since October 2011; President of Eurelectric since June 2011; Independent Director of RCS MediaGroup S.p.A. since April 2012 and Vice President of Confindustria since June 2012.

Committee membership

Member of the Board Audit Committee since September 2006.

6. Simon Fraser (53)

Non-executive Director

Skills and experience

Simon joined the Board in March 2009 as a non-executive Director. He has extensive experience of the fund management industry, having started his career at Fidelity International where he spent 27 years. During this time, Simon was President of the Investment Solutions Group and President of the Retirement Institute. He held a number of other positions during his time at Fidelity International, including President, European & UK Institutional Business, Global Chief Investment Officer, Chief Investment Officer for Asia Pacific and Chief Investment Officer of the European Investment Group.

Other principal external appointments

Director of Fidelity European Values PLC since July 2002; Director of Fidelity Japanese Values PLC since May 2000; Chairman of The Merchants Trust PLC since May 2010; Chairman of Foreign & Colonial Investment Trust PLC since May 2010; Non-executive Director of Ashmore Group Plc since February 2012.

Committee membership

Member of the Board Audit Committee since May 2009; Member of the Board Remuneration Committee since May 2009.

7. Reuben Jeffery III (59)

Non-executive Director

Skills and experience

Reuben joined the Board in July 2009 as a non-executive Director. Reuben has been CEO of Rockefeller & Co., Inc. since 2010 and has a broad range of banking and government experience. He previously served in the US government as Under Secretary of State for Economic, Energy and Agricultural Affairs (2007-2009), as Chairman of the Commodity Futures Trading Commission (2005-2007); and as a Special assistant to the President on the staff of the National Security Council (2004-2005). Previous to his government service, Reuben spent eighteen years at Goldman, Sachs & Co. (1983-2001) where he was managing partner of Goldman

Sachs in Paris (1997-2001) and led the firm s European Financial Institutions Group in London (1992-1997). Prior to joining Goldman Sachs, Reuben was a corporate attorney with Davis Polk & Wardwell.

Other principal external appointments

Member of the International Advisory Council of the China Securities Regulatory Commission; Member of the Advisory Board of TowerBrook Capital Partners LP; Member of the Board of Directors of the Financial Services Volunteer Corps.

Committee membership

Member of the Board Financial Risk Committee since January 2010.

8. Chris Lucas (52)

Group Finance Director; Executive Director

Skills and experience

Chris was appointed Group Finance Director and became a member of the Executive Committee in April 2007. He is responsible for a number of Group functions including Finance, Investor Relations, Treasury, Tax, Corporate Development and Corporate Secretariat. Chris joined Barclays from PricewaterhouseCoopers LLP, where he was UK Head of Financial Services and Global Head of Banking and Capital Markets. Chris has an extensive finance and accounting background, having spent most of his career working across financial services, including three years in New York as Head of the US Banking Audit Practice for Barclays for the 1999-2004 financial years and subsequently held similar roles for other global financial services organisations. Chris has announced that he has decided to retire from the Company and has agreed to remain in his role until a successor has been appointed and an appropriate handover has been completed. It is expected that this process will take a considerable time to complete.

Other principal external appointments

None held.

9. Sir Andrew Likierman (69)

Non-executive Director

Skills and experience:

Sir Andrew joined the Board in September 2004 as a non-executive Director. He has wide ranging experience within both public and private sectors and academia, and is currently Dean of the London Business School and Chairman of the National Audit Office. Sir Andrew has held a number of high-profile roles, including 10 years spent as Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury. Sir Andrew also has a wealth of non-executive experience that includes serving as a non-executive Director of the Bank of England. In his professional capacity, Andrew has held the presidency of the Chartered Institute of Management Accountants, served as a member of the Financial Reporting Council for several years and was a member of the Cadbury Committee on UK Corporate Governance. Sir Andrew will retire from the Board at the 2013 AGM, having completed nine year s service on the Board this year.

Other principal external appointments:

Trustee of the Institute for Government since September 2008; Chairman of

Applied Intellectual Capital Inc. (2006-2008); Non-executive Director of the Bank of England (2004-2008); Non-executive Director and Vice-Chairman of the Tavistock and Portman NHS Trust (2004-2008).

Committee membership:

Member of the Board Audit Committee since September 2004; Member of the Board Financial Risk Committee since September 2004.

10. Dambisa Moyo (44)

Non-executive Director

Skills and experience:

Dambisa joined the Board in May 2010 as a non-executive Director. She is an international economist and commentator on the global economy, with a background in financial services. Dambisa worked for the World Bank from 1993 to 1995. After completing a PhD in Economics, she worked for Goldman Sachs for eight years until November 2008 in the debt capital markets, hedge funds coverage and global macroeconomics teams.

Other principal external appointments:

Non-executive Director of SABMiller PLC since June 2009; Non-executive Director of Barrick Gold Corporation since April 2011; Non-Executive Director of Lundin Petroleum AB (publ) until May 2012.

Committee membership:

Member of the Board Financial Risk Committee since 2010; Member of the Board Conduct, Reputation and Operational Risk Committee since August 2011.

11. Sir Michael Rake (65)

Deputy Chairman and Senior Independent Director

Skills and experience:

Sir Michael joined the Board in January 2008 as a non-executive Director, and was appointed Senior Independent Director in October 2011 and Deputy Chairman in July 2012. Sir Michael has significant non-executive experience, both as a chairman and board member of listed companies. With over 30 years spent with KPMG, Sir Michael has substantial financial and commercial experience gained in Continental Europe and the Middle East. He was Senior Partner of the UK firm from 1998-2002 and Chairman of KPMG International from 2002-2007.

Other principal external appointments:

Chairman of BT Group plc since 2007; Chairman of easyjet Plc since January 2010 (Deputy Chairman June 2009-December 2009); Director of the Financial Reporting Council (2007-2011); Director of the McGraw-Hill Companies since 2007; Chairman of the UK Commission for Employment and Skills (2007-2010); Chairman of Business in the Community (2004-2007).

Committee membership:

Chairman of the Board Audit Committee since March 2009 (member since January 2008); Member of the Board Financial Risk Committee since May 2009; Member of Board Corporate Governance and Nominations Committee since May 2009; Member of the Board Enterprise Wide Risk Committee since its formation in January 2013.

12. Sir John Sunderland (67)

Non-executive Director

Skills and experience:

Sir John joined the Board in June 2005 as a non-executive Director. He has extensive business and Board level experience, having spent forty years with Cadbury Schweppes PLC, where he became Chief Executive in 1996 and subsequently Chairman in 2003. Sir John has significant experience as a Director of UK listed companies, and has also held a number of similar positions in trade and professional bodies, including the Confederation of British Industry and the Chartered Management Institute.

Other principal external appointments:

Chairman of Merlin Entertainments Limited since December 2009; Director of the Financial Reporting Council from 2004 to 2011; Adviser to CVC Capital Partners; Association Member of BUPA; Governor of Reading University Council; Chancellor of Aston University; non-executive Director of AFC Energy plc; Deputy President of the Chartered Management Institute until 2009 (President 2007-2008); Deputy President of the CBI until June 2008 (former member and President).

Committee membership:

Member of the Board Remuneration Committee in 2005 (Chairman since July 2012); Member of the Board Corporate Governance and Nominations Committee since 2006, Member of the Board Conduct, Reputation and Operational Risk Committee since August 2011; Member of the Board Enterprise Wide Risk Committee since its formation in January 2013.

13. Diane de Saint Victor (58)

Non-executive Director

Skills and experience:

Diane was appointed as a non-executive Director with effect from 1 March 2013. She is currently General Counsel and Company Secretary and a member of the Group Executive Committee of ABB Limited (ABB), the publicly listed international power and automation technologies company based in Switzerland, where her responsibilities include Head of Legal and Integrity Group. She was formerly Senior Vice President and General Counsel of EADS, the European aerospace and defence company.

Other principal external appointments:

None held

Committee Membership:

Member of the Board Conduct, Reputation and Operational risk Committee with effect from 1 March 2013.

People

Throughout the challenges faced by Barclays during 2012 our colleagues have showed tremendous resilience and resolve in the face of external criticism and uncertainty. Colleagues continue to rise to these challenges and embrace ways of working that are aligned to the new values and behaviours. They welcome the Transform Programme and the chance to become the Go-To bank.

We recognise that it is our colleagues who will implement our plans to deliver the Go-To bank. By living our values every day they will make Barclays the bank we want it to be, a place where people want to join and a place where colleagues want to stay and develop their careers.

Successful employment relationships are built on mutual benefit and trust, and a more engaged workforce is always a more productive one. We build trust through regular two-way communications, both informally, and through our Employee Opinion Surveys. These help us understand our colleagues views and concerns, and enable us to take their views into account as we deliver the Go-To ambition.

The 2012 Employee Opinion Survey was completed by 84% of our colleagues in advance of the announcement of the penalties in respect of LIBOR and EURIBOR rates. For the first time, we asked the same core set of questions across all our divisions, which will allow us to measure our progress going forward. These include whether our people feel proud to work for Barclays, would recommend it as a place to work, and whether they believe in the goals and objectives of the company. Collectively, these questions allow us to understand the degree to which employees are engaged with the company. The overall score for engagement was 73%, which is broadly in-line with the global benchmarks. The continuation of regular and open dialogue between the Group Chief Executive and the Executive Committee and colleagues, in events such as regular global Town Halls, will be important in ensuring colleagues are well informed, understand the bank s objectives and remain engaged and connected with the future of Barclays.

Our Partnership approach to industrial relations where we have maintained regular and constructive dialogue with more than 30 unions, works councils and staff associations across the globe, plays a key role in building and maintaining trust with our colleagues. Where we have had to restructure our business and this has resulted in job losses, we have worked closely with employee representatives to avoid compulsory redundancies where possible, ensuring colleagues leaving Barclays have been supported and treated with respect.

Barclays colleagues remain focused on serving customers and clients as reflected in our 2012 business results. This focus is supported by a distinctive culture underpinned by a common purpose, and clearly articulated set of values and behaviours. We believe that leadership behaviour drives culture, which in turn impacts all aspects of organisational performance. A group of Barclays Values Leaders from all businesses and levels will deliver Barclays Purpose and Values training to all employees. In addition a group-wide, standard and assured induction will be designed and implemented to ensure our colleagues will understand and be engaged in who we are and how we work together .

We will assess business unit and individual performance against our goals through a balanced scorecard for the bank. This will measure not just what we deliver, but also how we do business, our impact as a company, and adherence to our values.

Our People processes, specifically those linked to Performance Management, Reward, Talent (including promotions and mobility), Leadership and Learning are subject to increased focus and, where appropriate, standardisation, as we devise clear strategies for each to support the Transform Programme and strongly reflect the Barclays Values and Behaviours. We will continue to base variable remuneration on individuals performance ratings and the performance of their business. We will also continue to encourage our people to be involved and to share in our success by regularly inviting them to participate in our all

employee share plans. Further details of our approach to remuneration are included in the Remuneration Report on pages 39-68.

We have established a global Diversity and Inclusion strategy to create an environment that ensures we treat people fairly and understand how to let people from all backgrounds feel able to contribute to Barclays.

We have clear objectives to: increase representation and decrease turnover of under-represented populations at senior levels; maintain a positive climate of inclusion and engagement; and increase external recognition as a diverse and inclusive organisation. We have a wide range of initiatives in place to achieve our mission, including training for all employees, workplace and working practice adjustments for persons with disabilities, and identification of high potential women with relevant programmes to support their career development and retention.

We are proud that many of our initiatives have received external recognition around the world. Examples of this external recognition include being ranked second in the UK Business Disability Forum benchmark and our Cultural Diversity Network being awarded Network of the Year by Race for Opportunity. We recognise there is more to be accomplished and will focus on the following priorities for 2013 and beyond:

- Full scale deployment of our Unconscious Bias programme to our global Managing Director population;
- Continued momentum towards our 2015 Board-level female representation target of 25%; and
- Identifying opportunities to make lives easier for diverse customers, following the success of initiatives such as Talking ATMs in 2012.

We continue to provide a range of opportunities and tailored training programmes for graduates recruiting a total of 1,100 graduates during 2012 onto our global graduate programmes. We also continued to play an active role in addressing societal challenges around employability in 2012. For instance, our innovative Apprenticeship Programme, which seeks to contribute to addressing the problem of youth unemployment in the UK, has recently recruited its 500th apprentice. We are committed to recruiting a total of 1,000 apprentices by the middle of 2013. The Big Barclays Apprentice Conversation was an event that provided our apprentices the opportunity to meet and speak with senior leaders, including the Executive Committee and Antony Jenkins. Providing this two-way exchange of ideas and views will help us tailor our programme for future years and provided a valuable insight into the drivers and motivations of an important talent pool and customer base.

FTE by region

	2012	2011	2010
UK	**55,300**	56,100	58,100
Africa & Middle East	**45,200**	47,900	50,400
Continental Europe	**11,100**	11,600	13,600
Americas	**11,100**	10,900	11,500
Asia Pacific	**16,500**	14,600	13,900
Total	**139,200**	141,100	147,500

Global employment statistics

%

Remuneration report

Statement from the Chairman of the Board Remuneration Committee

Current Remuneration Committee members

Chairman
Sir John Sunderland

Members
Sir David Walker
Simon Fraser
David Booth
Tim Breedon

2012 Remuneration

¡ While underlying financial performance has significantly improved, we have materially reduced remuneration. Variable remuneration has been reduced overall by 16% and fixed remuneration by 7% year on year.

¡ Remuneration as a proportion of adjusted profit before tax and adjusted net operating income is down significantly, as are average individual bonus levels. We have made substantial reductions in remuneration, including clawing back £300m of unvested deferred and long term incentive awards and risk adjustments of £860m to our 2012 incentives pool to reflect the LIBOR investigation and other risk issues in 2012. Our deferral rates significantly exceed FSA requirements.

¡ The Barclays Long Term Incentive Plan has been restricted in 2013 to our most senior employees. The performance condition will include financial and risk measures along with other measures from a balanced scorecard. After vesting a new two year holding period will apply to extend the plan to five years in total. We have also introduced new shareholding requirements for executive Directors and senior executives.

¡ These actions represent a major repositioning of Barclays remuneration and demonstrate our determination to pay no more than necessary, while remaining competitive.

Priorities for 2013

¡ We will continue to make sustainable reductions in remuneration levels while retaining the talent needed to execute the Board s strategy.

¡ Performance assessments and performance related remuneration will reflect both what and how business results are achieved.

- We will maintain a frequent, frank and constructive dialogue with our shareholders and regulators on remuneration matters, as we have in 2012.
- Our new remuneration policy will protect and promote shareholders interests.

Dear shareholder

As Chairman of the Board Remuneration Committee I am pleased to introduce the Directors Remuneration Report for 2012.

I hope that 2012 will be seen as a turning point in the way Barclays approaches remuneration. For 2012 and in future we are taking a different approach to the balance between Directors and employees remuneration, and returns for shareholders. We have been justifiably criticised for failures to engage effectively with and explain our decisions to shareholders and the wider public, as well as on some occasions being criticised for the decisions themselves.

Reports of this kind tend towards standard disclosures and language. It is true, but arguably not very illuminating, to say that our role as a Committee is to ensure that Barclays is able to motivate, retain and incentivise the people needed to deliver the Board s strategy. We need to go further, and explain that while discharging this role we must also ensure that we pay no more than necessary to achieve Barclays objectives, and that we eliminate undeserved remuneration and that by doing so we protect and promote the interests of our shareholders. We must do all this on the basis of transparent compliance and engagement with our regulators.

Remuneration report

Statement from the Chairman of the Board Remuneration Committee continued

Business context in 2012

Despite challenging economic conditions, 2012 saw Group adjusted income increase by 2% and Group adjusted profit before tax increase by 26% on 2011 levels. Adjusted return on average shareholders equity increased to 7.8% (2011: 6.6%). Statutory Group income decreased by 24% and profit before tax decreased 96%. Return on average shareholders equity decreased to negative 1.9% (2011: positive 5.8%).

Despite this strong financial performance a number of significant risk and compliance issues hit Barclays during the year. The LIBOR investigation and other issues including PPI and interest rate hedging products redress resulted in a loss of confidence in the bank, financial penalties, and the resignations of both Marcus Agius and Bob Diamond among other senior executives.

We have marked these failings by significant risk adjustments to the 2012 incentives pool and to individual remuneration decisions. We made reductions of £860m to the 2012 incentives pool and a further £300m has been clawed back from unvested deferred and long term incentive awards. These decisions show our commitment to link pay to performance and to align remuneration with risk. Performance should be measured not just in financial terms but also in terms of behaviour, sustainability, risk management and long term value creation.

Remuneration Committee work in 2012

A summary of the key subject areas covered at the Committee s 2012 meetings can be found on page 60. We have reviewed and changed our policies. We have carefully considered our total remuneration spend, the structure of remuneration and individual decisions. In addition to incentive awards and funding we have focused on broader remuneration design, frameworks and policy, and regulatory and risk issues.

We have reviewed and adopted a new remuneration policy. This reflects the direction of Barclays more broadly under the Transform Programme led by Antony Jenkins, and the adoption across the whole Group of a new statement of Barclays Purpose and Values.

We have made significant reductions to our remuneration costs both in absolute terms and relative to adjusted net operating income and adjusted profit before tax. These are not one-off changes. They reflect the Committee s view that we are now on a multi-year path to reposition Barclays remuneration.

Accordingly, we have reduced both the incentives pool and average individual incentive awards across the Group. At a Group level 2012 total incentive awards are down 16% on 2011 levels. Within the Investment Bank the reduction is 20%. As a result our compensation ratios (i.e. the proportions of adjusted net operating income and adjusted profit before tax used to pay all remuneration) are now significantly lower, having moved from the market median to the lower quartile within our industry. This is a significant repositioning of our remuneration costs. Our intention is to continue to manage down these ratios over time.

The average bonus across the Group in 2012 (excluding the Investment Bank) has fallen by 8% to £4,800. In the Investment Bank the average bonus in 2012 has fallen by 17% to £54,100. 45% of all Investment Bank employees received no bonus for 2012.

Outside of our formal meetings, we have listened to shareholders concerns by meeting and engaging with them more frequently. Our discussions have been frank and clear. We have been challenged and assisted by the insight and recommendations this engagement generates. Shareholders concerns that we have discussed include senior executive remuneration levels, remuneration in the Investment Bank in particular, and risk alignment in remuneration decisions. Among the changes we have made reflecting shareholders views are changes to the Barclays Long Term Incentive Plan. We have also introduced a new shareholding requirement for executive Directors and senior executives which is at the higher end of the market.

Our remuneration report

We have sought to improve the transparency and clarity of our remuneration disclosures. We have adopted in this report many aspects of HM Government s proposed regulations on directors remuneration reporting. We have done this a year before these are expected to apply formally to Barclays.

We have made significant structural changes to this year s report. In outline, after the remuneration questions and answers the report has the following sections:

- An explanation of our new remuneration policy for all Barclays employees (pages 41-42);

- ¡ A detailed summary of how the 2012 incentives pool was determined, including risk adjustments (pages 43-47);

- ¡ An explanation of our forward looking policy for Directors remuneration (pages 48-52);

- ¡ An explanation of how 2012 Director remuneration decisions were implemented (pages 53-58); and

- ¡ Details of the Committee s work in 2012 and other remuneration information including statutory disclosures (pages 59-68).

The tables marked audited in the report have been audited by Barclays auditors, PricewaterhouseCoopers LLP.

Focus in 2013

The Committee s focus in the coming months will be to continue the process of repositioning remuneration at Barclays, and regaining shareholder and public understanding and confidence. In future, as part of the Transform Programme, individual performance will be assessed against a balanced scorecard and performance will be measured against Barclays values as well as other measures. The new performance assessment process will be in place for all senior executives during 2013 and for all other employees during 2014. Our new remuneration policy summarises our objectives.

We will continue to challenge assertions about the levels of pay required to attract, retain and motivate our people. We will not sanction paying more than is necessary, and will take appropriate risk, supported by our shareholders, in exerting further downward pressure on remuneration. We committed last year to a journey to bring down our compensation ratios and have made good progress this year, with the Group compensation to adjusted net operating income ratio declining to 38% (2011: 42%). The Group compensation to net operating income ratio increased to 46% (2011: 39%). We believe a ratio in the mid-30s is a sustainable position in the medium term which will ensure that we can continue to pay our people competitively for performance while also enabling us to deliver a greater share of the income we generate to shareholders. We will be informed in this work by a continuing constructive engagement and dialogue with our shareholders and our other stakeholders.

I believe 2012 saw us move significantly forward in achieving the right balance between the priorities of our various stakeholders. Reduced remuneration costs, increasingly robust risk-adjustments to both the incentives pool and individual incentive awards, tougher performance conditions, new shareholding requirements, and improved remuneration disclosures create a best practice framework which we will continue to develop in the coming year and beyond.

On behalf of the Board

Sir John Sunderland

Chairman, Board Remuneration Committee

5 March 2013

Remuneration policy for all employees

Barclays approach to remuneration

This section sets out Barclays remuneration policy for all employees, explaining the purpose and principles underlying the structure of remuneration packages, and how the policy links remuneration to the achievement of sustained high performance and long term value creation.

Remuneration policy

The Committee reviews and updates the Barclays remuneration policy periodically. For 2013, as part of the Transform Programme, the policy has been significantly updated. The principles set out in the policy underpin both 2012 remuneration decisions and the Committee s objectives for 2013 and beyond.

The new remuneration policy is set out in the table below.

Barclays remuneration decisions:

1. Support the goal of becoming the Go-To bank by attracting, retaining and competitively rewarding colleagues with the ability, experience, skill, values and behaviours to deliver that goal.

2. Will only reward business results when these are achieved in a manner consistent with Barclays values and behaviours:

- **Respect:** We respect and value those we work with, and the contribution that they make.
- **Integrity:** We act fairly, ethically and openly in all we do.
- **Service:** We put our clients and customers at the centre of what we do.
- **Excellence:** We use our energy, skills and resources to deliver the best, sustainable results.
- **Stewardship:** We are passionate about leaving things better than we found them.

3. Protect and promote shareholder interests by incentivising colleagues to deliver sustained performance and create long term value through the delivery of Barclays goal. Those decisions will reflect that performance for individuals and in aggregate. Barclays will pay competitively for high performance but will not pay more than the amount appropriate to maximise the long term value of the bank for its shareholders.

4. Create a direct and recognisable alignment between remuneration and risk exposure, as well as adjusting current and deferred incentives for current and historic risk, including malus adjustments, as appropriate.

5. Should be as simple and clear for colleagues and stakeholders as possible as is the process used to determine them.

6. Ensure that balance between shareholder returns and remuneration is appropriate, clear and supports long term shareholder interests.

Remuneration and performance

Adherence to the principles of the new remuneration policy means that remuneration decisions for all employees across the whole of Barclays are aligned with and support the achievement of Barclays goal of becoming the Go-To bank.

This is achieved by linking remuneration to performance, assessing both what is achieved and also how goals are achieved. So we will measure and reward our people, not just on commercial success but on how they live Barclays values and behaviours in their daily work.

We will embed Barclays values in the way remuneration is managed by incorporating our balanced scorecard of both financial and non-financial measures into the performance appraisal process. Our balanced scorecard is a key part of the cultural change that is required to deliver the strategy of the Transform Programme. It measures Barclays performance across the following dimensions Customers and Clients, Colleagues, Citizenship, Conduct and Company.

Linking our employee performance assessments and remuneration decisions to the balanced scorecard promotes a clear and direct alignment between remuneration policy and Barclays strategy.

We will implement the following changes and improvements to the performance assessment process:

- During 2013 all senior executives performance assessment and objectives will be explicitly linked to the balanced scorecard and to our values. They will therefore see how their own performance, and the assessment of it by their manager (and the Committee), is linked to Barclays strategy;

- Similar linkage of performance assessment and variable remuneration decisions for all employees will follow during 2013 and 2014;

- Personal objectives will be closely aligned with scorecards for the individual business or function in which employees work, which will align with and support the Group balanced scorecard;

- In addition to an assessment of what each employee has achieved, appraisals will also include an overall, holistic, review of behaviours which will overlay a specific focus on how the results of the individual s work have been achieved, and whether they have been achieved in a way which is consistent with our values; and

- The balanced scorecard approach will also underpin business and Group-wide decisions, in particular the Committee s determination of incentive pools. It will also be part of the performance condition attached to awards under the 2013-2015 Barclays Long Term Incentive Plan.

This means that all individual incentive decisions will be linked to Group, business (or function) and individual performance.

Remuneration policy for all employees continued

Remuneration structure

Employees receive salary, pension and benefits and are eligible to be considered for a discretionary bonus. Employees in some customer-facing businesses participate in incentive plans including plans based on customer feedback and other measures of the quality of service they provide to customers. The table on this page provides further

details of our employee remuneration structure. The structure is aligned with the remuneration structure for executive Directors set out in more detail in the Directors remuneration policy section of this report. In 2013, only executive Directors and the most senior executives will participate in the Barclays Long Term Incentive Plan.

Fixed remuneration	
Salary	¡ Salaries reflect individuals skills and experience and are reviewed annually in the context of annual performance assessment. They are increased where justified by role change, increased responsibility or where justified by the latest available market data. Salaries may also be increased in line with local statutory requirements and in line with union and works council commitments.
Pension and benefits	¡ The provision of a market competitive package of benefits is important to attracting and retaining the talented staff Barclays needs to deliver Barclays strategy. A new defined contribution pension scheme, the Barclays Pension Savings Plan, and a flexible benefits scheme, My Rewards , was launched in the UK in September 2012. This enables employees to choose from a range of benefits including the level of their pension contribution, life assurance and private health benefits, annual leave (with the ability to buy and sell subject to certain parameters), and participation in Barclays all employee share plans (HMRC approved for UK participants). The cost of providing the benefits is defined and controlled. My Rewards will be rolled out globally to all employees over the next few years.
Variable remuneration	
Annual bonus	¡ Annual bonuses incentivise the achievement of Group, business and individual objectives. ¡ The ability to recognise performance through variable remuneration enables the Group to control flexibly its cost base and to react to events and market circumstances. Bonuses remain a key feature of remuneration practice in the highly competitive and mobile market for talent within the financial services sector. The Committee is careful to control the proportion of variable to fixed remuneration paid to individuals. ¡ Bonus deferral requirements are significantly in excess of FSA requirements. ¡ For FSA Remuneration Code Staff (Code Staff) the deferral rate is a minimum of 40% (for bonuses of no more than £500,000) or 60% (for bonuses of more than £500,000). ¡ For non Code Staff, bonuses over £65,000 are subject to a graduated level of deferral.

- 2012 bonuses awarded to Managing Directors in the Investment Bank are 100% deferred.
- Deferred bonuses are split equally between deferred cash bonuses under the Cash Value Plan (CVP) and deferred share bonuses under the Share Value Plan (SVP), each vesting in equal annual tranches over three years subject to continued service and malus. For Code Staff an additional six month holding period will be applied to 2012 share bonuses when they vest.
- Deferred bonuses are subject to malus conditions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) in the event of, for example, employee negligence or inappropriate conduct, or a material failure of risk management.

2012 incentives

2012 total incentive awards

This section provides details of how 2012 total incentive award decisions were made.

Business context and 2012 performance highlights

Despite the strong financial performance set out below a number of significant risk and compliance issues hit Barclays during the year. The LIBOR investigation and other events including PPI and interest rate hedging products redress resulted in a loss of confidence in the Group, financial penalties, and the resignations of Marcus Agius, Bob Diamond and other senior executives. We have marked these failings by making significant risk adjustments to the 2012 incentives pool and to unvested deferred and long term incentive awards, and in the individual remuneration decisions for 2012 for senior executives. Against this challenging background, our financial performance for 2012 has nonetheless been strong. 2012 performance includes the following highlights which the Committee took into account in making its remuneration decisions for 2012:

¡ Adjusted profit before tax was up 26% to £7,048m for the 12 months ended 31 December 2012, with an improvement of 46% in Corporate and Investment Banking, and 52% in Wealth and Investment Management. Statutory profit before tax decreased 96% to £246m (2011: £5,879m);

¡ Statutory profit before tax decreased to £246m (2011: £5,879m), including own credit charge of £4,579m (2011: gain of £2,708m), gain on disposal of BlackRock, Inc. investment of £227m (2011: impairment/loss of £1,858m), £1,600m (2011: £1,000m) provision for PPI redress, and £850m (2011: £nil) provision for interest rate hedging products redress;

¡ The Investment Bank profit before tax increased 37% to £4,063m driven by income growth of 13% and reduced operating expenses;

¡ Adjusted income was up 2% at £29,043m despite challenging economic conditions, the continuing low interest rate environment and non-recurrence of gains from the disposal of hedging instruments in 2011 of £1,061m. Statutory income decreased 24% to £24,691m driven by the increase in the own credit charge of £4,579m (2011: gain of £2,709m);

¡ Adjusted return on average shareholders equity increased to 7.8% (2011: 6.6%) with improvements in most of our businesses. Statutory return on average shareholders equity was negative 1.9% (2011: positive 5.8%). Return on average shareholders equity decreased to negative 1.9% (2011: positive 5.8%);

¡ Adjusted operating expenses were down 3% to £18,539m as we reduced non-performance costs by 3% to £16,114m and performance costs by 4% to £2,425m. Statutory operating expenses were up 1% to £20,989m. Total incentive awards declined 16% for the Group and 20% for the Investment Bank, reducing the Investment Bank compensation: income ratio to 39% (2011: 47%). For a reconciliation of total incentive awards granted to the relevant income statement charge, see page 46; and

¡ Core Tier 1 remained strong at 10.9% (2011: 11.0%). Risk weighted assets reduced 1% to £387bn.

2012 incentive awards - headlines

- Total Group incentive awards have been reduced by 16% since 2011, with Group adjusted profit before tax increasing 26%. Statutory profit before tax decreased 96%;

- Incentive awards at the Investment Bank have been reduced by 20% since 2011, with adjusted and statutory profit before tax increasing 37%;

- Group incentives have reduced by £1.3bn (38%) since 2010 with adjusted profit before tax up 23% since 2010. Statutory profit before tax is down 96% since 2010. In the Investment Bank incentives have reduced by a similar amount, £1.3bn (48%), since 2010 with adjusted profit before tax down 7% since 2010;

- Incentive pools have been reduced while adjusted profits have increased since 2011. This is because of actions taken by management to reposition Barclays compensation in the market place and to reflect significant risk events that impacted Barclays in 2012. The significant risk events include the LIBOR investigation and redress for PPI and interest rate hedging products;

- Compensation to adjusted net operating income is down to 38% in 2012 (2011: 42%). Compensation to net operating income ratio increased to 46% (2011: 39%). Within aggregate compensation there has been strong differentiation on the basis of individual performance to allow us to manage compensation costs but also to pay competitively for high performers;

- Average value of bonus per Group employee down 13% year on year to £13,300; average value of bonus per Investment Bank employee down 17% year on year to £54,100. Average value of bonus per Group employee excluding the Investment Bank down 8% year on year to £4,800; and

- The proportion of the bonus pool that is deferred significantly exceeds the FSA s Remuneration Code requirements and is expected to remain among the highest deferral levels globally.

2012 incentives continued

2012 incentives pool determination process

We recognise the importance that our stakeholders attach to the judgements that we apply in managing remuneration. Reduced remuneration costs, and increasingly robust risk-adjustments and performance conditions will continue to be a focus in how we achieve the right balance between the priorities of our various stakeholders.

Remuneration must be managed in a way which incentivises employees, ensures pay is linked to performance and is appropriately aligned to risk. Material progress has been made in reducing absolute levels of remuneration. Variable remuneration has been reduced by 16% year on year.

Barclays total incentive awards granted - current year and deferred (audited)

	Barclays Group			Investment Bank		
	Year ended 31.12.12 £m	Year ended 31.12.11 £m	% Change	**Year ended 31.12.12 £m**	Year ended 31.12.11 £m	% Change
Current year cash bonus	**852**	832	2	**399**	381	5
Current year share bonus	**15**	66	(77)	**6**	3	100
Total current year bonus	**867**	898	(3)	**405**	384	5
Deferred cash bonus	**489**	618	(21)	**447**	576	(22)
Deferred share bonus	**498**	634	(21)	**446**	576	(23)
Total deferred bonus	**987**	1,252	(21)	**893**	1,152	(22)
Bonus pool	**1,854**	2,150	(14)	**1,298**	1,536	(15)
Other incentives	**314**	428	(27)	**96**	201	(52)
Total incentive awards granted[a]	**2,168**	2,578	(16)	**1,394**	1,737	(20)
Adjusted profit before tax	**7,048**	5,590	26	**4,063**	2,965	37
Bonus pool as % of profit before tax (pre bonus)	**82%**	28%		**23%**	35%	
Bonus pool as % of adjusted profit before tax (pre bonus)[b]	**20%**	29%		**23%**	35%	
Proportion of bonus that is deferred	**53%**	58%		**69%**	75%	
Total employees (full time equivalent)	**139,200**	141,100	(1)	**24,000**	23,600	2
Bonus per employee	**£13,300**	£15,237	(13)	**£54,100**	£65,085	(17)

Deferred bonuses are payable only once an employee meets certain conditions, including a specified period of service. This creates a timing difference between the communication of the bonus pool and the charges that appear in the income statement which are reconciled in the table on page 46.

a For a reconciliation of total incentive awards granted to the relevant income statement charge, see page 46.

b Calculated as bonus awards divided by adjusted profit before tax excluding the income statement charge for bonus awards.

Compensation ratio trends and benchmark against peers

The reduction in compensation in 2012 moves Barclays from being at the median pay-performance level compared to competitors over the last two years to below the lower quartile level. This is a major shift which the Committee recognised would require strong management to achieve in a single year. Although it exposes the Group to some retention risk, the Committee determined that it was a necessary step on the multi-year journey to reposition Barclays remuneration. Major shareholders and their representative bodies were consulted as part of the process for deciding to take this change of approach.

Antony Jenkins said in the 2012 Results Announcement on 12 February 2013:

We committed last year to a journey to bring down our compensation ratio and have made good progress this year, with the Group compensation to net income ratio declining to 38% (2011: 42%). While this is progress, not the destination, we believe a ratio in the mid-30s is a sustainable position in the medium term which will ensure that we can continue to pay our people competitively for performance while also enabling us to deliver a greater share of the income we generate to shareholders.

Incentive pool proposals from each of the businesses were subjected to detailed scrutiny and challenge through a sequence of the Committee s meetings before and after the year end. The final incentives pool reflects the actions taken by the Group Chief Executive and the Committee towards achieving the long term objective of sustainably reducing compensation levels over time. It also reflects appropriate risk adjustments made in respect of significant risk and compliance issues that have impacted Barclays in 2012 and the need to retain talent within Barclays to execute the new business strategy.

The table below summarises the three steps taken by the Committee in finalising the 2012 incentives pool.

Step 1	**Adjustment for performance** The Committee considered the overall performance of Barclays and individual businesses. The Committee also looked at any significant events and one off transactions that have had a material impact on the financial results. The approach of the Committee is to use statutory profits as a starting point and then consider the impact of each adjustment. The Committee does not regard own credit as reflective of performance and accordingly excludes these amounts from its consideration. The Committee manages compensation based on a range of compensation ratios and is supported by advice from the Group Finance Director and Chief Risk Officer. Holding the compensation ratios broadly flat to 2011 would have suggested an increase of £700m to the incentives pool.
Step 2	**Adjustments to reflect risk events in 2012** The Committee made adjustments to the 2012 incentives pool totalling £860m. In addition, adjustments were made to unvested deferred and long term incentive awards. Further details on the risk adjustments made in 2012 are provided below and on the next page.
Step 3	**Additional adjustment to reposition Barclays in the market** The Committee s objective is to reposition Barclays remuneration in the market and achieve a sustainable compensation ratio over time. The Committee has made a further adjustment of £250m to make progress in achieving its objective, and the resulting 2012 incentives pool represents the starting point in 2013, i.e. the adjustments for risk events in 2012 and the market repositioning will not be added back in 2013.

Determination of the 2012 total incentives pool

			£m
	2011 total incentives pool		**2,578**
	2011 compensation to adjusted net operating income ratio of 42%		
Step 1	**Adjustment for performance**		700
Step 2	**Adjustments to reflect risk events in 2012**		(860)
	Risk adjustments:		
	LIBOR:	290	
	Redress of PPI and interest rate hedging products and other risk adjustments:	570	
Step 3	**Additional adjustment to reposition Barclays in the market**		(250)
	To reflect Barclays intention to reposition itself in the market		
	The compensation to adjusted net operating income ratio reduced from 42% in 2011 to 38% in 2012		

2012 total incentives pool[a]	**2,168**

In addition to the reduction in variable remuneration described above, fixed remuneration reduced by 7% year on year. This was driven by a reduction in salary costs reflecting a moderately declining headcount and reductions in the cost of post retirement benefits primarily reflecting scheme closures and benefit changes in the US and Spain, and lower interest cost for the UK Retirement Fund.

a For a reconciliation of total incentive awards granted to the relevant income statement charge, see page 46.

2012 incentives continued

The total risk adjustments made by the Committee are as follows:

Risk adjustments in 2012 £1,160m			
			£m
1.	Adjustments to 2012 incentives pool to reflect risk events	These are adjustments made by the Committee to reflect the significant risk events that impact Barclays. For 2012 the Committee made discretionary risk adjustments as shown in the table on page 45.	860
2.	Adjustments to existing deferred and long term remuneration	In certain circumstances the Committee may decide it is appropriate to exercise its power to reduce the value of unvested deferred and long term incentive awards (including to nil). In 2012 the Committee clawed back approximately £300m of unvested deferred and long term awards, the majority of which related to the LIBOR investigation. Combined with the adjustment to the 2012 incentives pool, the reductions for the LIBOR investigation exceeded the amount of the regulatory fines of £290m.	300

The risk adjustments outlined above are additional to the reduction in variable remuneration that naturally arises from the reduced profits as a result of the financial impact of the risk events.

Reconciliation of total incentive awards granted to income statement charge (audited)

	Barclays Group			Investment Bank		
	Year ended 31.12.12 £m	Year ended 31.12.11	% Change	**Year ended 31.12.12 £m**	Year ended 31.12.11	% Change

		£m			£m	
Total incentive awards for 2012	**2,168**	2,578	(16)	**1,394**	1,737	(20)
Less: deferred bonuses awarded for 2012	**(987)**	(1,252)	(21)	**(893)**	(1,152)	(22)
Add: current year charges for deferred bonuses from previous years	**1,223**	995	23	**1,117**	907	23
Other[a]	**21**	206	(90)	**75**	248	(70)
Income statement charge for performance costs	**2,425**	2,527	(4)	**1,693**	1,740	(3)

a Difference between incentive awards granted and the income statement charge for commissions, commitments and other incentives

¡ Employees only become eligible to receive payment from a deferred bonus once all of the relevant conditions have been fulfilled, including the provision of services to the Group;

¡ The income statement charge for performance costs reflects the charge for employees actual services provided to the Group during the relevant calendar year (including where those services fulfil performance conditions attached to previously deferred bonuses). It does not include charges for deferred bonuses where performance conditions have not been met; and

¡ As a consequence, while the 2012 incentive awards granted were down 16% compared to 2011, the income statement charge for performance costs was down 4%.

Income statement charge (audited)

	Year ended 31.12.12 £m	Year ended 31.12.11 £m	% Change
Performance costs	2,425	2,527	(4)
Salaries	5,981	6,277	(5)
Non-performance employee share plans	105	167	(37)
Social security costs	685	716	(4)
Post retirement benefits	590	727	(19)
Total compensation costs	**9,786**	10,414	(6)
Bank payroll tax	34	76	(55)
Other[a]	627	917	(32)
Non compensation costs	**661**	993	(33)
Total Staff costs	**10,447**	11,407	(8)

a Includes staff training, redundancy and retirement.

- Total staff costs reduced 8% to £10,447m, principally reflecting a 5% reduction in salaries, a 19% reduction in post retirement benefits and reductions in performance costs;
- Salaries reduced by 5% to £5,981m, reflecting a moderately declining average headcount;
- The post retirement benefits charge decreased 19% to £590m, primarily reflecting scheme closures and benefit changes in the US and Spain, and lower interest cost for the UK Retirement Fund;
- Performance costs reduced 4% to £2,425m, reflecting a 22% reduction in charges for current year cash and share bonuses and other incentives of £1,202m, partially offset by a 23% increase in the charge for deferred bonuses from prior years to £1,223m; and
- Deferred bonuses awarded are expected to be charged to the income statement in the years outlined in the table below.

Year in which income statement charge is expected to be taken for Deferred Bonuses awarded to date[a]

	Actual		Expected[b]	
	Year ended 31.12.11 £m	Year ended 31.12.12 £m	Year ended 31.12.13 £m	2014 and beyond £m
Barclays Group				
Deferred bonuses from 2009 and earlier bonus pools	405	153	18	
Deferred bonuses from 2010 bonus pool	590	404	147	21
Deferred bonuses from 2011 bonus pool		666	386	183
Deferred bonuses from 2012 bonus pool			512	431
Income statement charge for deferred bonuses	**995**	**1,223**	**1,063**	**635**
Investment Bank				
Deferred bonuses from 2009 and earlier bonus pools	365	143	17	
Deferred bonuses from 2010 bonus pool	542	374	134	19
Deferred bonuses from 2011 bonus pool		600	347	164
Deferred bonuses from 2012 bonus pool			463	384
Income statement charge for deferred bonuses	**907**	**1,117**	**961**	**567**

Bonus Pool Component	Expected Grant Date	Expected Payment Date(s)[c]	Year(s) in which Income Statement Charge Arises[d]
Current year cash bonus	February 2013	February 2013	2012
Current year share bonus	February/March 2013	February 2013 to September 2013	2012
Deferred cash bonus	March 2013	March 2014 (33.3%)	2013 (48%)
		March 2015 (33.3%)	2014 (35%)
		March 2016 (33.3%)	2015 (15%)
			2016 (2%)
Deferred share bonus	March 2013	March 2014 (33.3%)	2013 (48%)
		March 2015 (33.3%)	2014 (35%)
		March 2016 (33.3%)	2015 (15%)
			2016 (2%)

a The actual amount charged depends upon whether performance conditions have been met and will vary compared with the above expectation.

b Does not include the impact of future grants which may be made in 2013 and 2014.

c Payments are subject to all performance conditions being met prior to the expected payment date. In addition, employees receiving a deferred cash bonus may be awarded a service credit of 10% of the initial value of the award at the time that the final instalment is made, subject to continued employment.

d The income statement charge is based on the period over which performance conditions are met.

Directors remuneration policy

2013 Remuneration policy for executive Directors

This section describes Barclays forward-looking remuneration policy for executive Directors, explaining how each element of executive Directors remuneration packages operates. Total remuneration packages for executive Directors comprise salary, pension, benefits, annual bonus and long term incentive plan awards.

2013 remuneration policy for executive Directors

Purpose	Operation	Value and applicable performance measures
Salary	Salaries are determined with reference to market practice and market data (on which the Committee receives independent advice), and reflect individual experience and role.	Reviewed annually but increased only exceptionally.
Rewards skills and experience and provides the basis for a competitive remuneration package	Executive Directors salaries are benchmarked against comparable roles in other banks and FTSE 30 companies.	
	Salaries are reviewed annually and increases are made only exceptionally to reflect market movements and change in job responsibilities. The Committee notes and manages the potential for salary increases to have a ratchet effect on total remuneration because of the linkage between salary and other elements of the remuneration package such as cash in lieu of pension, bonus and long term incentive awards.	
Pension	Current executive Directors receive an annual cash allowance in lieu of participation in a pension arrangement.	Group Chief Executive currently 33% of salary.
Enables executive Directors to build long term retirement savings	This is a common arrangement in executive remuneration, reflecting recent and continuing changes in the UK taxation of pension contributions. The rates of these allowances (as a percentage of salary) for executive Directors	Group Finance Director currently 25% of salary.

	exceed pension contribution rates for the broader employee population. This reflects market practice for senior executives. The rate of cash allowance in lieu of pension for any new executive Director is appropriately benchmarked at the time of appointment.	Reviewed annually but increased only exceptionally.
Benefits Protects against risks and provides other benefits	Executive Directors benefits provision includes private medical cover, life and ill-health income protection, tax advice, the use of a company vehicle or the cash equivalent, and use of a company vehicle and driver when required for business purposes.	The value of benefits in 2012 was £81,000 for the current Group Chief Executive (including benefits received in his previous role as CEO of Retail and Business Banking) and £34,000 for the Group Finance Director.

2013 remuneration policy for executive Directors continued

Purpose	Operation	Value and applicable performance metrics
Annual bonus Rewards delivery of the near term business targets set each year, the individual performance of the executive Directors in achieving those targets, and contribution to delivering Barclays strategic objectives Deferred bonuses encourage long term focus and retention and the malus conditions that apply to them discourage excessive risk-taking and inappropriate behaviours and encourage a long term view. Deferred share bonuses encourage long term shareholding and align executive Directors interests with those of shareholders	**Determination of annual bonus** Individual bonus decisions are based on executive Directors performance in the year, measured against Group and personal objectives. Performance measures are both quantitative and qualitative, and both financial and non-financial. Bonus awards are made by the Committee following discussion of recommendations made by the Chairman (for the Group Chief Executive s bonus) and by the Group Chief Executive (for the Group Finance Director s bonus). **Operation of risk adjustment and malus** Bonuses awarded reflect reductions made to incentive pools in relation to risk events. Individual bonus decisions may also reflect reductions in relation to specific risk and compliance events. Once awarded, deferred bonuses are subject to malus conditions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) in the event of, for example, employee negligence or inappropriate conduct, or a material failure of risk management. **Delivery mechanism** Bonuses paid to executive Directors are generally delivered in a combination of cash and shares which may be either immediate or deferred. Deferred share bonuses are delivered in the form of awards under the Share Value Plan (SVP). **Deferral structure** Executive Directors are Code Staff and their bonuses are therefore subject to deferral of at least the level applicable to all Code Staff, currently 40% (for bonuses of no more than £500,000) or 60% (for bonuses of more than £500,000). The Committee may choose to defer a greater proportion of any bonus awarded to an executive Director than the minimum required by the FSA s Remuneration Code. **Timing of receipt**	The value of any annual bonus is limited to a percentage of salary. The current maximum percentage is 250% for both the Group Chief Executive and for the Group Finance Director. The performance objectives by which executive Director bonuses for 2013 will be assessed include Group and individual measures, both financial and non-financial. At the Group level, performance of each of the executive Directors will include measurement against progress in delivering the Transform commitments. This includes the 2015 financial targets including return on equity, cost to income ratio, core capital ratio and dividend payout ratio. Further details of each executive Director s 2013 objectives are provided on pages 54 and 56.

Non-deferred cash components of any bonus are received following the performance year to which they relate, typically in February. Non-deferred share bonuses are subject to a six month holding period. Deferred share bonuses are awarded under the SVP. They vest over a three year period in thirds each year, subject to continued service and the malus conditions. Once SVP awards made from 2013 have vested, the shares are (after payment of tax) subject to an additional six month holding period.

Long Term Incentive Plan (LTIP) award

Rewards execution of Barclays strategy and growth in shareholder value over a multi-year period

Long term performance measurement, holding periods and the malus conditions discourage excessive risk-taking and inappropriate behaviours, encourage a long term view and align executive Directors interests with those of shareholders

Determination of LTIP award

LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Group Chief Executive s LTIP award) and by the Group Chief Executive (for the Group Finance Director s LTIP award).

Operation of risk adjustment and malus

The achievement of performance conditions is the primary indicator of whether and to what extent LTIP awards will vest. Awards are also subject to malus conditions similar to those applicable to deferred bonuses. The malus conditions enable the Committee to reduce awards (including to nil).

Delivery mechanism

Barclays LTIP awards vest three years from the date of award. At vesting LTIP awards are satisfied in Barclays shares.

Timing of receipt

For 2013 Barclays LTIP awards, a further holding period of two years has been introduced which applies to the shares on vesting (after payment of tax), making the plan cycle five years in total.

The value of any LTIP award is limited to percentage of salary. The maximum potential payout value of an award is 400% of salary (based on the value of shares and salary at the start of the LTIP performance period).

A summary of the performance metrics that apply to the LTIP awards for the 2010-2012, 2011-2013 and 2012-2014 performance periods is provided on page 67. The performance condition for the 2013-2015 LTIP is based on financial performance (RoRWA), risk (loan loss rate) and a balanced scorecard.

Directors remuneration policy continued

Executive Director service contracts

Barclays executive Director service contracts entitle the executive Directors to the fixed elements of remuneration and to consideration for variable remuneration each year. The contracts do not have a fixed term but provide for a notice period from Barclays of 12 months. Contracts may be terminated immediately with payments in lieu of notice being paid in phased instalments, subject to contractual mitigation. In the event of termination for gross misconduct neither notice nor payment in lieu of notice is required.

The Committee s approach to payments in the event of termination is to take account of the individual circumstances including the reason for termination, individual performance, contractual obligations and the terms of the deferred incentive plans and long term incentive plans in which the executive Director participates.

Termination provisions

Antony Jenkins

Effective contract date

30 August 2012

Contract termination provisions

12 months notice from the Company (six months from the Director). On notice from the Company 12 months salary payable and continuation of medical and pension benefits while an employee. No automatic contractual entitlement to bonus on termination, but may be considered.

Deferred bonus and LTIP awards treatment on termination

Antony Jenkins would normally continue to be entitled to receive unvested portions of deferred bonus if he was an eligible leaver under the relevant plan rules. Any release of unvested portions would be made on the scheduled release date. Otherwise, outstanding deferred awards would normally lapse.

Any unvested awards under LTIPs would normally be released on the scheduled release date, pro-rated for time and performance, if Antony Jenkins was an eligible leaver under the relevant plan rules. Otherwise, the unvested awards would normally lapse.

Chris Lucas

Effective contract date

1 April 2007

Contract termination provisions

12 months notice from the Company (six months from the Director). On notice from the Company 12 months salary payable, bonus equivalent to the average of the previous three years bonuses (capped at 100% of current salary) and continuation of medical and pension benefits while an employee.

The current Group Finance Director s contractual terms date from 2006. The provisions relating to bonus entitlement in the context of termination are no longer best practice. No future executive Director contract will include such terms.

Deferred bonus and LTIP awards treatment on termination

Chris Lucas would normally continue to be entitled to receive unvested portions of deferred bonus if he was an eligible leaver under the relevant plan rules. Any release of unvested portions would be made on the scheduled release date. Otherwise, outstanding deferred awards would normally lapse.

Any unvested awards under LTIPs would normally be released on the scheduled release date, pro-rated for time and performance, if Chris Lucas was an eligible leaver under the relevant plan rules. Otherwise, the unvested awards would normally lapse.

The remuneration packages offered on appointment to any new executive Director are a specific part of the Committee s Terms of Reference. The terms of such packages must be approved by the Committee in consultation with the Chairman and (except for the terms of his own remuneration) the Group Chief Executive. Any award made to compensate for forfeited remuneration from the new executive Director s previous employment may not be more generous than, and must mirror as far as possible, the terms of the forfeited remuneration.

Shareholding requirement

From 2013 the Committee has introduced a new requirement that executive Directors should hold Barclays shares worth, as a minimum, four times salary. The current executive Directors have five years from the introduction of the new requirement to meet it (five years from appointment for a new executive Director) and they have a reasonable period to build up to the requirement again if it is not met because of a share price fall. Shares that count towards the requirement are beneficially owned shares including any vested share awards subject to holding periods (including vested LTIPs). Shares from unvested deferred share bonuses and unvested LTIPs do not count towards the requirement. This requirement replaces the previous guidelines, enhances the alignment of shareholders and executive Directors interests in long term value creation, and positions Barclays at the higher end of market practice. Current executive Directors shareholdings as compared to the new shareholding requirement are summarised in the chart on page 57.

The Committee also decided that from 2013 other members of the Group Executive Committee should be subject to a shareholding requirement in excess of the requirements of the FSA s Remuneration Code. The shareholding requirement for other Group Executive Committee members is that they should hold Barclays shares worth, as a minimum, two times salary. In all other respects the shareholding requirement for other Group Executive Committee members is the same as the requirement for executive Directors.

Illustrative scenarios for executive Directors remuneration

The charts below show the potential value of the current executive Directors remuneration in three scenarios: Minimum (i.e. fixed remuneration), Maximum (i.e. fixed remuneration and the maximum variable remuneration that may be awarded) and Mid-point (i.e. fixed remuneration and 50% of the maximum variable remuneration that may be awarded). For the purposes of these charts, the value of benefits is based on an estimated annual value. The scenarios do not reflect share price movement between award and vesting.

A significant proportion of the potential remuneration of the executive Directors is variable and is therefore performance-related and at risk. At the mid-point for the Group Chief Executive, 30% of total remuneration is fixed and 70% is variable, moving to 18% fixed and 82% variable at the maximum. At the mid-point for the current Group Finance Director 29% of total remuneration is fixed and 71% is variable, moving to 17% fixed and 83% variable at the maximum.

Group Chief Executive

Group Finance Director

How shareholder views and broader employee pay are taken into account by the Committee in setting policy and making remuneration decisions

The Committee Chairman and senior executives have engaged more extensively and more proactively with shareholders and shareholder representative bodies during 2012 than ever before. The Committee Chairman has met with major shareholders and also with the Association of British Insurers, the National Association of Pension Funds and ISS to discuss remuneration matters. The Chairman, Committee Chairman and the Group Chief Executive also receive frequent comments from private shareholders either in writing or at events such as our Annual General Meeting. We listen to all of these comments and we try to respond to all of them.

The Committee takes account of the remuneration of the broader employee base when it considers the remuneration of the executive Directors. The Committee receives and reviews detailed analysis of remuneration proposals for employees across all of the Group s businesses. This includes analysis by corporate grade and by performance rating and details of proposed bonuses and salary increases across the employee population. When the Committee considers executive Director remuneration it therefore makes that consideration in the context of a detailed understanding of remuneration for the broader employee population.

Our approach to executive Director and wider employee remuneration during 2013 will be characterised by a focus on bearing down on costs and ensuring the principles of our new remuneration policy are applied at all levels.

Comparison of executive Directors remuneration packages with remuneration packages for the broader employee population

The structure of total remuneration packages for executive Directors and for the broader employee population is similar. Employees receive salary, pension and benefits and are eligible to be considered for a discretionary annual bonus. The broader employee population typically does not have a contractual limit on the quantum of their remuneration.

The Committee approaches any salary increases for executive Directors on an exception-only basis. Incremental annual salary increases remain more common among employees at less senior levels.

As with executive Directors, bonuses for the broader employee population are performance based. Bonuses for executive Directors and the broader employee population are subject to deferral requirements. Executive Directors and other Code Staff are subject to deferral at a minimum rate of 40% (for bonuses of no more than £500,000) or 60% (for bonuses of more than £500,000) but the Committee may chose to operate higher deferral rates. For non-Code Staff, bonuses in excess

of £65,000 are subject to a graduated level of deferral and in the Investment Bank, 2012 bonuses for Managing Directors are subject to 100% deferral. Executive Directors deferred bonuses may include deferred share bonuses awarded under the SVP. 2012 deferred bonuses for the broader employee population will be awarded 50% under the SVP and 50% under the CVP, which vest over three years in equal tranches. The terms of deferred bonus awards for executive Directors and the wider employee population are broadly the same, in particular the vesting of all deferred bonuses is subject to continued service and subject to malus conditions.

The broader employee population is not eligible to participate in the Barclays Long Term Incentive Plan in 2013.

Directors remuneration policy continued

Remuneration for non-executive Directors

This section provides details of the remuneration approach for the Chairman and non-executive Directors.

Remuneration for non-executive Directors	
Element and purpose	Operation
Fees	Fees are reviewed each year by the Board. Fees were last increased in May 2011.
Reflect individual responsibilities and membership of Board Committees	The first £30,000 (Chairman: first £100,000) after tax and national insurance contributions of each non-executive Director s base fee is used to purchase Barclays shares which are retained on the non-executive Director s behalf until they retire from the Board.
	The Chairman has a minimum time commitment equivalent to 80% of a full-time role.
Benefits	The Chairman is provided with private medical cover subject to the terms of the Barclays scheme rules from time to time, and is provided with the use of a company vehicle and driver when required for business purposes.
For Chairman only	No other non-executive Director receives any benefits from Barclays. Non-executive Directors are not eligible to receive a bonus. They may not participate in Barclays cash, share or long term incentive plans and are ineligible to join Barclays pension plans.
Notice and termination provisions	Each non-executive Director appointment is for an initial six year term, renewable for a single term of three years thereafter and subject to annual re-election by shareholders.
	Notice period:

Chairman: 12 months from the Company (six months from the Chairman). Non-executive Directors: six months.

Termination payment policy

The Chairman s appointment may be terminated by Barclays on 12 months notice or immediately in which case 12 months fees and contractual benefits are payable in instalments at the times they would have been received had the appointment continued. There are similar termination provisions for non-executive Directors based on six months fees. No continuing payments of fees (or benefits) are due if a non-executive Director is not re-elected by shareholders at the Barclays Annual General Meeting.

The table below shows the fees payable to non-executive Directors in respect of Board and Committee chairmanship and membership for the year ended 31 December 2012 and for the year ending 31 December 2013. The current Chairman does not receive any other fees in addition to his Chairman fee.

Fees

	2013 £000	2012 £000
Chairman	**750**	750
Board Member	**80**	80
Additional responsibilities		
Senior Independent Director	**30**	30
Chairman of Board Audit Committee or Board Remuneration Committee	**70**	70
Chairman of Board Financial Risk Committee (Board Risk Committee to 31 January 2013)	**60**	60
Membership of Board Audit Committee or Board Remuneration Committee	**30**	30
Membership of Board Conduct, Reputation and Operational Risk Committee (Board Citizenship Committee to 1 February 2013)	**25**	15
Membership of Board Financial Risk Committee (Board Risk Committee to 31 January 2013)	**25**	25
Membership of Board Corporate Governance and Nominations Committee	**15**	15

Implementation of Directors remuneration in 2012

2012 remuneration outcomes for executive Directors

This section explains how the Group remuneration policy for executive Directors has been implemented during 2012.

Group Chief Executive remuneration Antony Jenkins

We have shown Antony Jenkins full remuneration for the whole of 2012 in the interests of clarity and transparency. The LTIP award shown above for 2012 is for the 2013-2015 performance period.

Details of 2012 remuneration

Salary	The 2012 salary shown above of £0.833m is the salary Antony Jenkins received in respect of the whole of 2012. This reflects a salary in 2012 of £0.7m per annum for Antony s role as CEO of Retail and Business Banking (until 29 August 2012) and £1.1m per annum as Group Chief Executive (from 30 August 2012). The Committee did not increase Antony Jenkins salary for 2013.
Pension	The 2012 pension value shown above of £0.215m is in respect of the whole of 2012. This reflects participation in the Afterwork pension plan from 1 January 2012 to 31 March 2012, cash in lieu of pension of 21% of salary from 1 April 2012 to 29 August 2012, and cash in lieu of pension of 33% of salary from 30 August 2012. The cash in lieu of pension of 33% reflects market practice for senior executives in comparable roles.
Benefits	Antony Jenkins benefits include private medical cover, life and ill-health income protection, tax advice, car allowance and the use of a company vehicle and driver when required for business purposes. Antony is not entitled to tax equalisation.
Annual Bonus	The Committee considered Antony Jenkins performance for the whole of 2012 in the round. It assessed his performance against Group, business (by reference to his previous role as CEO of Retail and Business Banking up to 29 August 2012) and individual measures. In doing so the Committee considered 2012 financial performance, including the highlights which are detailed on

page 43.

In considering his 2012 performance the Committee considered that Antony Jenkins had delivered strong Retail and Business Banking performance prior to accepting the role of Group Chief Executive at a difficult time for Barclays. Since that time the Committee agreed he has quickly established a leadership profile that differentiates him from predecessors and a commitment to leading the changes required including strengthening the culture and control environment across Barclays. The Committee welcomed Antony Jenkins contribution to its own work in managing remuneration costs and redressing the balance between employee and shareholder returns.

On 1 February 2013 Antony Jenkins announced that he did not wish to be considered for a bonus for 2012, citing his wish to bear an appropriate degree of accountability for multiple issues besetting the bank during the year.

Long Term

Incentive Plan

2013-2015

The Committee decided to make an award to Antony Jenkins under the Barclays LTIP for the 2013-2015 performance period with a maximum potential payout value of 400% of his salary at the date of award (not taking into account the potential effect of share price movement between award and any payout).

The LTIP maximum value of £4.4m is based on the maximum number of shares that can vest at the end of a performance period of three years. The maximum number of shares is 400% of salary at the start of the performance period divided by the share price at the date the award is made. For the purposes of assessing the value at award of the LTIP (taking into account the range of possible outcomes) Barclays historical approach has been to ascribe a value of one-third of the maximum value assuming no share price movement. So on the basis of this approach the value at award of the maximum LTIP to Antony as shown above is one-third x £4.4m, i.e. £1.467m. For the 2013-2015 Barclays LTIP, performance conditions will be based on financial performance (measured on return on risk weighted assets), risk (measured by loan loss rate) and a balanced scorecard. Any award that vests after three years will be subject to a further two year holding period.

Implementation of Directors remuneration in 2012 continued

2012 remuneration overview Antony Jenkins

The chart below shows the maximum value of remuneration possible for 2012 under Antony Jenkins contract, the maximum potential value of the remuneration actually awarded for 2012, and timing of receipt. The potential value of the 2013-2015 LTIP payout does not take into account share price movement or the value of additional shares which may be added to the number of shares released on vesting to reflect dividends paid during the performance period.

The maximum potential bonus and LTIP award in the first column are based on Antony Jenkins Group Chief Executive salary of £1.1m.

BIS single figure for 2012 remuneration

The Department for Business, Innovation and Skills (BIS) draft disclosure regulations include a requirement to show a single figure for executive Director remuneration on a basis different to that shown on the opposite page. The BIS single figure basis requires that for LTIPs, rather than including the value of any LTIP awarded in 2013, the payout value of any LTIP whose performance cycle ended in 2012 should be included instead. Accordingly, the table below shows Antony Jenkins 2012 remuneration on the BIS single figure basis. As Antony Jenkins was not a participant in a previous LTIP cycle that ended in 2012, the LTIP figure is shown as zero and his 2012 total remuneration on the BIS single figure basis is £1.129m.

BIS single figure for 2012 total remuneration £000

Salary	Pension	Benefits	Bonus	LTIP	Total
833	215	81	0	0	1,129

Previous Long Term Incentive Plan awards

Antony Jenkins was not a participant in a previous LTIP cycle that ended in 2012. Antony currently holds unvested LTIP awards under the Barclays LTIP for the performance period 2012-2014. Prior to joining the Board, Antony participated in long term incentive plans linked to divisional performance. These divisional plans were not appropriate to his new role as Group Chief Executive and were brought to an end. The equivalent value of these arrangements was made as awards with the same vesting date over Barclays shares under the SVP and the Barclays LTIP for the performance period 2012-2014. These awards are shown in the table on pages 65-66.

2013 objectives

Antony Jenkins performance objectives for 2013, by which 2013 remuneration decisions will be measured, include Group and individual measures and are both financial and non-financial. In line with the announcements of the outcomes of the Board s Strategic Review that were made on 12 February 2013, Antony is responsible for delivering the Transform commitments and the financial and non-financial commitments made in those announcements. In assessing Antony s performance, the Committee will assess Antony s progress in working towards the 2015 financial targets including:

- Return on equity in excess of cost of equity and improvement in the quality of income and predictability of earnings;
- Reduction in the cost to income ratio;
- Management of the core capital ratio; and
- Improvement in the dividend payout ratio.

Other key actions include a focus on activities which support Barclays customers and clients; growing the UK, US and African franchises; restructuring the European retail and corporate businesses; repositioning the European and Asian equities and Investment Banking Division businesses; closing the Structured Capital Markets tax-related business unit; reducing risk weighted assets and investing in higher return businesses; and reducing operating expenses through a new approach to strategically manage costs. Antony s performance will also be assessed by the Committee by reference to the relationships he builds with internal and external stakeholders, the leadership he provides in driving cultural change, and his success in building a strong compliance and control structure to restore public confidence in Barclays.

Group Finance Director remuneration   Chris Lucas

The LTIP award shown above for 2012 is for the 2013-2015 performance period and the LTIP award for 2011 is for the 2012-2014 performance period.

Details of 2012 remuneration

Salary	Chris Lucas salary for 2012 was £0.8m. The Committee did not increase his salary for 2013.
Pension	As Group Finance Director Chris Lucas is contractually entitled to cash in lieu of pension contributions of 25% of his salary per annum. This reflects market practice for senior executives in comparable roles.
Benefits	Chris Lucas benefits include private medical cover, life and ill-health income protection, tax advice, car allowance and the use of a company vehicle and driver when required for business purposes. Chris is not entitled to tax equalisation.
Annual Bonus	On 27 June 2012, Chris Lucas agreed with the Board voluntarily to forgo any consideration for a bonus for 2012. This decision was made in the context of settlements reached by Barclays in relation to investigations by UK and US authorities into submissions made by Barclays to the bodies that set various interbank offered rates. In the circumstances the Committee did not consider whether a bonus would be appropriate for 2012 but it did still consider Chris Lucas performance during the year against Group and individual performance measures. The Committee noted and confirmed the assessment of his line manager, Antony Jenkins, that Chris Lucas had exceeded expectations for the year, contributing positively to the process of change underway since Antony became Group Chief Executive. The Committee noted Chris Lucas effective execution of Barclays capital planning, his leadership of the finance function and his contribution to the Board s business practices review and medium term planning. In doing so the Committee also considered the 2012 financial highlights as detailed on page 43.
Long Term Incentive Plan 2013-2015	The Committee decided to make an award to Chris Lucas under the Barclays Long Term Incentive Plan for the 2013-2015 performance period with a maximum potential payout value of 400% of his salary at the date of award (not taking into account the potential effect of share price movement between award and any payout). The LTIP maximum value of £3.2m is based on the maximum number of shares that can vest at the end of a performance period of three years. The maximum number of shares is 400% of salary at the start of the performance period divided by the share price at the date the award is made. For the purposes of assessing the value at award of the LTIP (taking into account the range of possible outcomes) Barclays historical approach has been to ascribe a value of one-third of the maximum value assuming no share price movement. So on the basis of this approach the value at award of the maximum LTIP to Chris as shown above is one-third x £3.2m, i.e. £1.067m. The 2013-2015 performance condition for Chris LTIP is identical to that of Antony Jenkins 2013-2015 LTIP award as detailed on page 53, as is the subsequent holding period.

Implementation of Directors remuneration in 2012 continued

2012 remuneration overview Chris Lucas

The chart below shows the maximum value of remuneration possible for 2012 for Chris Lucas, the maximum potential value of the remuneration actually awarded for 2012, and timing of receipt. The potential value of the 2013-2015 LTIP payout does not take into account share price movement or the value of additional shares which may be added to the number of shares released on vesting to reflect dividends paid during the performance period.

BIS single figure for 2012 remuneration

On the Department for Business, Innovation and Skills (BIS) single figure basis (i.e. including the vesting amount of the 2010-2012 PSP and not the value at award of his 2013-2015 LTIP award) Chris Lucas received 2012 total remuneration of £1.677m.

BIS single figure for 2012 total remuneration **£000**

Salary	Pension	Benefits	Bonus	LTIP	Total
800	200	34	0	643	1,677

Previous Long Term Incentive Plan awards

The Committee considered the vesting and release of shares pursuant to Chris Lucas 2010-2012 Performance Share Plan (PSP) award. Vesting of the award is subject to Barclays total shareholder return (TSR) growth and return on risk weighted assets (RoRWA) performance over the performance period. Each performance condition operates independently over 50% of the award respectively. For the performance period RoRWA was 0.69%, below the threshold for the RoRWA element of the award to vest. At the end of 2012 Barclays relative TSR performance was ranked fifth out of a peer group of 12. The award was also subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group. The Committee was satisfied that this underpin was met, and accordingly determined that the award should vest to the extent of 23% of the maximum number of shares under the total award. The shares are scheduled to vest in March 2013. The value of these shares as at 28 February 2013 is £0.643m as shown in the BIS single figure table above.

Chris Lucas also currently holds unvested LTIP awards under the Barclays LTIP for the performance periods 2011-2013 and 2012-2014. These awards are shown in the table on pages 65-66.

2013 objectives

Chris Lucas performance objectives for 2013, by which 2013 remuneration decisions will be measured, include Group and individual measures and are both financial and non-financial. As for Antony Jenkins 2013 performance assessment as detailed on page 54, the Committee will assess Chris performance in line with delivering the Transform commitments. Chris 2013 performance will also be assessed by the Committee by reference to driving the control agenda through leading the finance, tax and treasury functions, and building and strengthening relationships with investors, regulators and other stakeholders. Chris objectives also include ensuring all risk and control frameworks and regulatory requirements are adhered to, and developing financing and liquidity frameworks which are a source of competitive advantage for Barclays.

Executive Directors shareholdings

From 2013 the Committee has introduced a new requirement that executive Directors should hold Barclays shares worth, as a minimum, four times salary. The current executive Directors have five years from the introduction of this new requirement to meet it (five years from appointment for a new executive Director) and they have a reasonable period to build up to the requirement again if it is not met because of a share price fall. Shares that count towards the requirement are beneficially owned shares including any vested share awards subject to holding periods (including vested LTIPs). Shares from unvested deferred share bonuses and unvested LTIPs do not count towards the requirement. This requirement replaces the previous guidelines and positions Barclays at the higher end of market practice.

The chart below shows the value of Barclays shares held beneficially by Antony Jenkins and Chris Lucas as at 28 February 2013 that count towards the new shareholding requirement.

Executive Director beneficial shareholdings based on share price at 28 February 2013

The table below provides further details of the executive Directors shareholdings. The format of this table reflects the Department for Business, Innovation and Skills draft disclosure regulation requiring disclosure of shares owned beneficially by executive Directors, and shares in which executive Directors have interests which are subject to either deferral terms or performance conditions. The interests shown below that are subject to performance conditions are based on the maximum number of shares that may vest. Further details on the executive Directors outstanding long term awards and shareholdings are shown on pages 65-66.

Executive Director shareholdings at 28 February 2013

	Number of shares	
	Antony Jenkins	Chris Lucas
Held beneficially (counting towards shareholding requirement)	1,580,856	912,830
Additional shares from unvested awards:		
those subject to deferral but not performance conditions	4,495,937	1,155,479
those subject to performance conditions (maximum number of shares)	2,319,062	4,902,118

Former Chief Executive Bob Diamond

Bob Diamond stepped down as Chief Executive and from the Boards of Barclays PLC and Barclays Bank PLC on 3 July 2012. Following this, the Board of Barclays PLC and Bob Diamond reached agreement on the terms of his termination of employment with the Barclays Group.

Pursuant to this agreement, and in line with his contract of employment, Bob Diamond will continue to receive salary, pension allowance and other benefits until the end of his notice period. The salary and pension allowance will be paid in a lump sum at the end of the notice period. The notice period will end on 2 July 2013 unless the employment termination date is brought forward by Bob Diamond with the agreement of Barclays. The other benefits include private medical insurance, life and disability cover, accommodation while in the UK, tax advice, the use of a company vehicle or the cash equivalent, and the use of a company driver when required for business purposes. In the event of an earlier cessation of employment, payments in respect of salary, pension allowance and other benefits will only be made up to the employment termination date.

Bob Diamond voluntarily waived all of his unvested deferred bonus awards and long term incentive share awards and no compensation was paid to him in respect of these. These awards had an estimated value of £19.9m on 3 July 2012. Bob Diamond was not considered for an annual bonus for 2012 and he will not receive any future bonus or long term incentive awards.

In accordance with his contract of employment, Bob Diamond was tax equalised during 2012 on tax above the UK rate where that could not be offset by a double tax treaty. He is not entitled to tax equalisation for income in respect of any period after 3 July 2012.

Further details on Bob Diamond s remuneration can be found on pages 63-66.

Implementation of Directors remuneration in 2012 continued

2012 remuneration for non-executive Directors

This section provides details of the fees provided to non-executive Directors during 2012 and details of their letters of appointment.

Remuneration for non-executive Directors reflects their responsibility and time commitment and the level of fees paid to non-executive directors of comparable major UK companies.

2012 fees for the Chairman and non-executive Directors (audited)

	Fees £000	Benefits £000	**2012 Total £000**	2011 Total £000
Chairman				
Sir David Walker	167	6	**173**	
Non-executive Directors				
David Booth	170		**170**	145
Tim Breedon	18		**18**	
Fulvio Conti	110		**110**	105
Simon Fraser	140		**140**	130
Reuben Jeffery III	105		**105**	98
Sir Andrew Likierman	135		**135**	127
Dambisa Moyo	120		**120**	105
Sir Michael Rake	220		**220**	188
Sir John Sunderland	161		**161**	132
Alison Carnwath	114		**114**	158
Marcus Agius	750	1	**751**	751
Total	2,210	7	**2,217**	1,939

1. Sir David Walker was appointed to the Board as a non-executive Director with effect from 1 September 2012 and as Chairman from 1 November 2012. He received fees for the period 1 September 2012 to 31 October 2012 at the rate of £250,000 per annum, and from 1 November 2012 at the rate of £750,000 per annum. Sir David is also entitled to private medical cover and the use of a company vehicle and driver when required for business purposes.

2. Tim Breedon joined the Board as a non-executive Director on 1 November 2012.

3. Alison Carnwath resigned from the Board as a non-executive Director with effect from 24 July 2012.

4. Marcus Agius announced his intention to step down as Chairman and as a non-executive Director on 2 July 2012. On 3 July 2012, following the resignation of Bob Diamond, the Board agreed that Marcus Agius would become full-time Chairman and lead the search for a new Chief Executive as well as chair the Group Executive Committee. Marcus appointment as a non-executive Director and Chairman subsequently terminated on 31 October 2012. In accordance with his appointment letter, Marcus Agius was paid his monthly fee as non-executive Director and Chairman for the remainder of his notice period up to 1 January 2013. Accordingly the fees and benefits shown in the table above are for the whole of 2012. No other payments were made in connection with his resignation.

5. Marcus Agius was appointed as a senior advisor providing corporate advisory support to Barclays Corporate Banking with effect from 1 November 2012. He is entitled to a fee for this role at the rate of £175,000 per annum. This fee was not paid for the period of 1 November 2012 to 1 January 2013. He is also eligible for medical cover. The appointment will be reviewed after 12 months in the light of business generated.

Letters of appointment

The Chairman and non-executive Directors have individual letters of appointment. The effective dates of the letters of appointment are shown in the table below. All current non-executive Directors with the exception of Sir Andrew Likierman will be standing for re-election at the 2013 Annual General Meeting.

Effective dates of letters of appointment	Effective date
Chairman	
Sir David Walker	1 September 2012 (non-executive Director), 1 November 2012 (Chairman)
Non-executive Directors	
David Booth	1 May 2007
Tim Breedon	1 November 2012
Fulvio Conti	1 April 2006
Simon Fraser	10 March 2009
Reuben Jeffery III	16 July 2009
Sir Andrew Likierman	1 September 2004
Dambisa Moyo	1 May 2010
Sir Michael Rake	1 January 2008
Sir John Sunderland	1 June 2005
Alison Carnwath	1 August 2010 (until 24 July 2012)
Marcus Agius	1 January 2007 (until 31 October 2012)

Remuneration Committee

Role, membership and activities of Barclays Board Remuneration Committee

This section explains how the Committee discharges its responsibilities, and gives details of the Committee s membership, its terms of reference and its activity during 2012.

Board Remuneration Committee

Chairman and members

(all current members are considered independent by the Board)

- Sir John Sunderland, Committee member since 1 July 2005, Committee Chairman since 24 July 2012
- Sir David Walker, Committee member since 1 September 2012
- Simon Fraser, Committee member since 1 May 2009
- David Booth, Committee member since 1 July 2012
- Tim Breedon, Committee member since 1 December 2012
- Alison Carnwath stood down as Committee Chairman with effect from 24 July 2012
- Marcus Agius stood down as a Committee member with effect from 12 July 2012

Committee attendance in 2012

	Meetings eligible to attend
Sir John Sunderland	l l llll l
Sir David Walker	l l
Simon Fraser	l l llll l
David Booth	l l l l
Tim Breedon	l
Alison Carnwath	l l lll
Marcus Agius	l l l

l Attended ¡ Did not attend

Remit

- The Committee exercises oversight of remuneration as described in more detail below

Terms of Reference

- The Committee is responsible for setting the over-arching objectives, principles and parameters of remuneration policy across the Group
- It has specific responsibility for approving remuneration of executive Directors, members of the Group and business Executive Committees, Code Staff and any other employees with total remuneration of £1m or more

¡ It considers and approves buy-outs of forfeited rights for new hires of £1m or more, and packages on termination where the total value is £1m or more

¡ The Committee also reviews the policy relating to all remuneration schemes including pensions, and considers and approves policies to promote the alignment of the interests of shareholders and employees. It is also responsible for the selection and appointment of remuneration consultants. The Terms of Reference are at www.group.barclays.com/about-barclays/about-us/the-board-committees or from the Company Secretary on request

Number of meetings	¡ Normally four or five scheduled meetings per year ¡ Seven meetings were held during 2012
External advisors	¡ The Committee takes into account independent advice and appraisals of latest market data when considering incentive levels and remuneration packages against the background of its policy of not paying more than is necessary. Towers Watson advised the Committee in 2011 and up to February 2012, and was re-appointed as its independent advisor in October 2012. Towers Watson also provides remuneration data to the Group and pensions advice and administration services to the Barclays Bank UK Retirement Fund. The advice provided by Towers Watson to the Committee is independent. Towers Watson is a signatory to, and its continuing appointment as adviser to the Committee is conditional on adherence to, the voluntary UK Code of Conduct for executive remuneration consultants ¡ Johnson Associates, Inc. provided advice to the Committee between February 2012 and October 2012
Internal input	¡ Group Chief Executive and, as necessary, members of the Executive Committee ¡ Company Secretary ¡ Human Resources Director ¡ Reward and Performance Director ¡ Regular updates on Group and business financial performance and the Group s risk profile were provided by the Group Finance Director and Chief Risk Officer respectively ¡ No Barclays employee or Director participates in discussions or decisions of the Committee relating to his or her own remuneration

Remuneration Committee continued

Remuneration Committee activities in 2012

The following provides a summary of the Committee s activities during 2012 and during the January and February 2013 meetings when 2012 remuneration decisions were finalised. The performance of the Committee is reviewed each year as part of the Board Effectiveness Review. This year s review concluded that the Committee continues to operate effectively. There was a diminution in overall score partly as a result of the increase in votes against the 2011 remuneration report. In discharging its responsibilities for executive Director remuneration, as well as considering the 2012 remuneration decisions outlined in this report, the Committee exercised its discretion in relation to the terms of Bob Diamond s termination of employment and the terms of Antony Jenkins appointment as Group Chief Executive.

Board Remuneration Committee activities	
February 2012	¡ Final 2011 incentive funding ¡ Executive Director and senior executive remuneration ¡ Risk adjustment and malus ¡ 2011 Remuneration Report ¡ Update on international mobility ¡ Review of payround analytics
March & May 2012	¡ Review of Committee effectiveness ¡ Review of Committee s Terms of Reference ¡ Compensation trend analysis ¡ Barclays LTIP review ¡ Employee opinion survey update
July 2012 (2 meetings)	¡ Lookback on 2011/12 payround and initial 2012 incentive projections ¡ Remuneration of senior individuals
October 2012	¡ Appointment of external Committee advisor ¡ Update on pension and benefits ¡ Forecast 2012 incentive funding ¡ Operation of malus ¡ FSA Remuneration Policy Statement and Code Staff

	¡ Update on all employee share plans
December 2012	¡ Approach to executive Director pensions ¡ 2012 incentive funding proposals ¡ Initial considerations on senior executive remuneration ¡ Barclays LTIP 2013 design ¡ Update on Absa Remuneration Committee activity
January & February 2013	¡ Final 2012 incentive funding ¡ Executive Director and senior executive remuneration ¡ Revised remuneration policy and 2012 Remuneration Report ¡ Risk adjustment and malus ¡ Compensation projections ¡ Update on international mobility ¡ Review of payround analytics

Regular items: finance and risk reports; market and stakeholder updates including FSA, US Federal Reserve and other regulatory matters; LTIP performance updates; hiring and leaver updates.

Shareholder engagement

The Committee was concerned at the disappointing level of support for last year s remuneration report. At the April 2012 Annual General Meeting 73% of the votes cast were in favour of the 2011 report, while 27% were against. The Committee is resolute in seeking to receive significantly more votes in favour of this report at the 2013 Annual General Meeting.

The decisions we have made for 2012 and the policies we have set for 2013 and beyond show that determination. We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration policy we must take into account their views. Accordingly, a series of meetings were held in 2012 and early 2013 with major corporate shareholders and shareholder representative groups (including the Association of British Insurers, National Association of Pension Funds and ISS). The Committee Chairman attended these meetings, accompanied by senior Barclays employees (including the Reward and Performance Director and the Company Secretary). Matters discussed included executive Director remuneration, the Barclays LTIP for 2013 and the enhancement of executive shareholding requirements. Discussions also covered total compensation and incentive costs, and strategic matters such as remuneration strategy and the allocation of distributable earnings between shareholders and employees. The Committee notes that shareholder views on some matters are not always unanimous, but values the insight and engagement that these interactions and the expression of sometimes different views provide. This engagement is not cosmetic. It has contributed directly to the decisions made by the Committee for 2012 and for 2013.

Additional remuneration disclosures

2012 total remuneration of the eight highest paid senior executive officers below Board level

The table below shows the details of salary, bonus for 2012 and the value at award of 2013 long term incentive awards for the eight highest paid senior executive officers below Board level who were Key Management Personnel in 2012. Total incentives (i.e. bonus and the value at award of LTIP awards) for the top eight in aggregate for 2012 reduced by 49% compared to total incentives for the top eight in aggregate for 2011.

Eight highest paid senior executive officers below Board level	1	2	3	4	5	6	7	8
	2012	2012	2012	2012	2012	2012	2012	2012
	£000	£000	£000	£000	£000	£000	£000	£000
Salary	700	600	400	600	758	400	700	518
Current year cash bonus	0	460	350	280	379	240	0	0
Current year share bonus	0	460	350	280	379	240	0	0
Deferred cash bonus	1,125	690	525	420	569	360	0	0
Deferred share bonus	1,125	690	525	420	569	360	0	0
Total of salary and bonus	**2,950**	**2,900**	**2,150**	**2,000**	**2,654**	**1,600**	**700**	**518**
Long term incentive award	800	800	800	800	0	800	800	779
Total remuneration	**3,750**	**3,700**	**2,950**	**2,800**	**2,654**	**2,400**	**1,500**	**1,297**

Total remuneration of the employees in the Barclays Group

The table below shows the number of employees in the Barclays Group in 2011 and 2012 in bands by reference to total remuneration. Total remuneration comprises salary, bonus and the value at award of LTIP awards.

Total remuneration of the employees in the Barclays Group	Number of employees	
Total remuneration band	**2012**	2011
£0 to £25,000	**71,581**	77,483
£25,001 to £50,000	**37,300**	33,126
£50,001 to £100,000	**22,766**	21,424
£100,001 to £250,000	**10,158**	10,305
£250,001 to £500,000	**2,440**	2,518
£500,001 to £1,000,000	**910**	942
£1,000,001 to £2,500,000	**373**	388
£2,500,001 to £5,000,000	**50**	68
£5,000,001 and above	**5**	17

Additional remuneration disclosures continued

Code Staff remuneration

Code Staff are the members of the Barclays PLC Board and Barclays employees whose professional activities could have a material impact on the Group s risk profile. A total of 393 individuals were Code Staff in 2012 (2011: 238).

Code Staff aggregate 2012 remuneration by business						£m
	Investment Bank	Corporate Banking	Wealth and Investment Management	Retail & Business Banking	Absa	Group Functions
	412	11	41	32	8	36

Code Staff aggregate 2012 remuneration by remuneration type		£m
	Senior management	Other Code Staff
Salary	10	93
Current year cash bonus	2	27
Current year share bonus	2	15
Deferred cash bonus	4	186
Deferred share bonus	4	188
Total	**22**	**509**
Long term incentive award	8	1

Value of long term incentive awards is the value at award.

Code Staff deferred remuneration		£m
	Senior management	Other Code Staff
Deferred unvested remuneration outstanding at 31 December 2011	**129**	**578**
Impact of Code Staff leaving during 2011 or joining in 2012	(1)	479
Deferred unvested remuneration outstanding at 1 January 2012	**128**	**1,057**
Deferred remuneration awarded in 2012	47	535
Deferred remuneration reduced in 2012 through performance adjustments	(46)	(55)
Deferred remuneration vested in 2012	(29)	(391)
Deferred unvested remuneration outstanding at 31 December 2012	**100**	**1,146**

There was no deferred vested remuneration outstanding at the end of 2012.

Code Staff joining and severance payments		£m
	Senior management	Other Code Staff
Total sign-on awards (three individuals)	0	1
Total buy-out awards (five individuals)	0	2
Total severance awards (five individuals) (highest individual award £1m)	0	2

Senior management means members of the Barclays PLC Board and senior managers as defined in the FSA s Remuneration Code. Code Staff are subject to a minimum shareholding guideline and 2012 share bonuses awarded to Code Staff are subject to a six month holding period following vesting.

Statutory remuneration disclosures

This page and pages 64-68 provide details of executive Directors remuneration in line with current UK directors remuneration disclosure requirements. Accordingly the figures shown in the tables on pages 63-64 for Antony Jenkins and for Bob Diamond are, unless otherwise stated, only for the period during which they served as executive Directors. Antony Jenkins full year 2012 remuneration is shown on pages 53-54.

Executive Directors - total remuneration (audited)

	Antony Jenkins	Chris Lucas		Bob Diamond	
	2012	**2012**	2011	**2012**	2011
	£000	**£000**	£000	**£000**	£000
Salary	**373**	**800**	800	**685**	1,350
Current year cash bonus	**0**	**0**	0	**0**	0
Current year share bonus	**0**	**0**	0	**0**	0
Deferred cash bonus	**0**	**0**	0	**0**	0
Deferred share bonus	**0**	**0**	1,800	**0**	2,700
Total of salary and bonus	**373**	**800**	**2,600**	**685**	**4,050**
Long term incentive award	**1,467**	**1,067**	1,333	**0**	2,250
Total remuneration	**1,840**	**1,867**	**3,933**	**685**	**6,300**

Antony Jenkins became an executive Director on 30 August 2012. The figure shown above for 2012 salary is for the period from 30 August 2012 to 31 December 2012. Antony Jenkins was a member of the boards of Absa Group Limited and Absa Bank Limited during 2012. The directors fees for the Absa board positions were paid to Barclays not Antony Jenkins. Bob Diamond ceased to be an executive Director on 3 July 2012. The figure shown above for 2012 salary is for the period from 1 January 2012 to 3 July 2012. In addition, Bob Diamond is entitled to salary for the period from 4 July 2012 to the date of termination of his employment (no later than 2 July 2013) at the rate of £1.35m per annum. This is payable in a lump sum at the end of his notice period.

Executive Directors - 2012 and 2013 salary

	Salary at 31 December 2012 £000	**Salary at 1 April 2013 £000**	**Date of previous increase**
Antony Jenkins	1,100	1,100	30 August 2012
Chris Lucas	800	800	1 April 2010

Bob Diamond s salary as an executive Director was £1.35m per annum (date of previous increase was 1 January 2011).

Executive Directors - Pension (audited)

	Age at 31 December 2012	**Completed years of service**	**Accrued pension at 31 December 2012 £000**	Transfer value of accrued pension at 31 December 2011 £000	**Transfer value of accrued pension at 31 December 2012 £000**	**Increase in transfer value during 2012 £000**	**2012 cash in lieu of pension £000**
Antony Jenkins	**51**	**12**	**3**	190	**232**	**42**	**123**
Chris Lucas	**52**	**5**					**200**
Bob Diamond	**61**	**15**	**61**	599	**678**	**79**	**343**

Antony Jenkins left the UK pension scheme on 1 April 2012, and started receiving cash in lieu of pension. He was appointed as an executive Director on 30 August 2012, and the 2012 cash in lieu of pension shown above is for the period 30 August 2012 to 31 December 2012. The accrued pension shown above relates to his 1964 section pension only, whereas the transfer values include a further defined benefit (cash balance) earned in the Afterwork pension section. The main reasons for the increase in transfer value during 2012 are changes to the underlying financial assumptions. Antony Jenkins accrued pension increased during 2012 due to inflation.

Bob Diamond ceased to be an executive Director on 3 July 2012. The 2012 cash in lieu of pension shown above is for the period 1 January 2012 to 3 July 2012. From 4 July 2012 until the date of termination of his employment (no later than 2 July 2013), he is entitled to cash in lieu of pension (at a rate of £675,000 per annum). This will be paid in a lump sum at the end of his notice period. Bob Diamond ceased to be an active member of Barclays US defined benefit and contribution plans as at 31 December 2010. The increase in the transfer value during 2012 is primarily due to changes in US financial assumptions and being one year closer to retirement age. Bob Diamond s accrued pension increased during 2012 due to exchange rate fluctuations.

Statutory remuneration disclosures continued

Executive Directors - Benefits (audited)	2012 £000	2011 £000
Antony Jenkins	**19**	
Chris Lucas	**34**	28
Bob Diamond	**262**	474

The figure shown above for Antony Jenkins is for the period from 30 August 2012 to 31 December 2012. The figure shown above for 2012 benefits for Bob Diamond is for the period from 1 January 2012 to 3 July 2012. In addition, Bob Diamond is entitled to benefits for the period from 4 July 2012 to the date of termination of his employment (no later than 2 July 2013). The total benefits for the period 4 July 2012 to 2 July 2013 are expected to be £0.4m.

Executive Directors - Tax equalisation (audited)	2012 £000	2011 £000
Antony Jenkins		
Chris Lucas		
Bob Diamond	**602**	5,745

Bob Diamond was tax equalised on tax above the UK tax rate where that cannot be offset by a double tax treaty. The 2012 tax equalisation cost is in respect of income for the period up to 3 July 2012. Bob Diamond is not entitled to tax equalisation for income in respect of any period after 3 July 2012.

Executive Directors - total of salary, current year bonus, cash in lieu of pension and benefits (audited)	2012 £000	2011 £000
Antony Jenkins	**515**	
Chris Lucas	**1,034**	1,028
Bob Diamond	**1,290**	2,499

The total for 2012 for Bob Diamond including tax equalisation is £1.892m which is the sum of £1.29m shown above and gross costs of tax equalisation of £0.602m (2011 total including 2011 tax equalisation: £8.244m).

Executive Directors - outstanding share plan and long term incentive plan awards (audited)

	Number of shares under award/option at 1 January 2012 (maximum)	Number of shares awarded in year (maximum)	Market price on award date	Weighted average exercise price	Number of shares released/exercised
Antony Jenkins					
Executive Share Award Scheme	10,905				3,853
Barclays LTIP 2012-2014		1,052,347	£1.81		
Barclays LTIP 2012-2014		1,266,715	£1.86		
Share Value Plan 2010	824,282		£3.55		412,141
Share Value Plan 2011	428,055		£2.88		142,685
Share Value Plan 2012		1,796,137	£2.53		
Share Value Plan 2012		1,995,237	£1.86		
Incentive Share Plan 2009	166,463		£2.34		166,463
Chris Lucas					
PSP 2009-2011	1,598,046		£2.34		1,118,632
PSP 2010-2012	927,318		£3.55		
Sharesave 2007	3,735			£4.70	
Sharesave 2012		6,250		£1.44	
Executive Share Award Scheme	646,762				
Share Value Plan 2011	195,439		£2.76		65,146
Share Value Plan 2012		736,877	£2.53		
Barclays LTIP 2011-2013	1,447,701		£2.76		
Barclays LTIP 2012-2014		2,158,661	£1.81		
Bob Diamond					
PSP 2010-2012	5,563,902		£3.55		
Incentive Share Option Plan	472,328			£3.96	
Executive Share Award Scheme	246,141				48,679
Share Value Plan 2011	850,524		£2.76		283,508
Share Value Plan 2012		1,105,316	£2.53		
Barclays LTIP 2011-2013	2,442,996		£2.76		
Barclays LTIP 2012-2014		3,642,741	£1.81		

The interests shown in the table above are the maximum number of Barclays shares that may be received under each plan. Executive Directors do not pay for any share plan or long term incentive plan awards. Numbers shown for Executive Share Award Scheme (ESAS) represent provisional allocations that have been awarded and may also include shares under option as at 31 December 2012. Nil cost options are normally granted under mandatory ESAS awards at the third anniversary of grant and are exercisable (over initial allocation and two thirds of bonus shares) typically for two years. The aggregate exercise price of a nil cost option is £1. At the fifth anniversary of the provisional allocation the nil cost options normally lapse and the shares (including bonus shares) are released at the discretion of the ESAS trustee. Chris Lucas held nil cost options over 43,077 shares under ESAS as at 31 December 2012. These were granted in 2011. The first and last exercise dates are 1 March 2011 and 19 March 2013 respectively. Antony Jenkins received 634 dividend shares from ESAS awards released in 2012, 22,949 dividend shares from SVP awards released in 2012 and 9,114 dividend shares from the Incentive Share Plan award released in 2012 (market price on release date was £2.36). Chris Lucas received 61,242 dividend shares from the PSP award released in 2012 (market price on release date was £2.36) and 1,544 dividend shares from the SVP award released in 2012 (market price on release date was £2.03). Bob Diamond received 8,012 dividend shares from ESAS

Executive Directors - outstanding Contingent Capital Plan (CCP) awards and Cash Value Plan awards (audited)

	Value under award at 1 January 2012 (maximum) (£000)	Value awarded in year (maximum) (£000)	Value paid in year (£000)	Value lapsed in year (£000)	Value under award at 31 December 2012 (maximum) (£000)	First scheduled release date	Last scheduled release date
Antony Jenkins							
Contingent Capital Plan 2011	1,350		450		900	15/03/2012	15/03/2014
Cash Value Plan 2012		2,250			2,250	18/03/2013	16/03/2015
Chris Lucas							
Contingent Capital Plan 2011	540		180		360	23/05/2012	23/05/2014
Bob Diamond							
Contingent Capital Plan 2011	2,350		783	1,567			

Deferred cash bonuses granted under CCP in 2011 and CVP in 2012 are dependent on future service and vest subject to malus conditions. The vesting of CCP awards is subject to the condition that the Core Tier 1 ratio is equal to or exceeds 7%. On the vesting of CCP awards, a coupon may be added which for the awards shown is 7% on the award amount (on an annualised and non-compounded basis). In addition to the values paid in year shown in the table above, a coupon of 7% was paid on the CCP amounts paid in 2012. Executive Directors do not pay for CCP awards. On the vesting of CVP awards, a service credit may be added on the third and final vesting amount which for the award shown is 10% on the award amount. Antony Jenkins received the CVP award as part of his 2011 bonus, which was awarded in respect of performance in his role as CEO of Retail and Business Banking. He did not pay for the award.

Statutory remuneration disclosures continued

Market price on release/exercise date	Number of shares lapsed in 2012	Number of shares under award/option at 31 December 2012 (maximum)	Vested number of shares under option	Value of release/exercise (£000)	End of three year performance period, or first exercise/scheduled release date	Last exercise/ scheduled release date
£2.356		7,052		9	20/03/2011	18/03/2013
		1,052,347			31/12/2014	25/05/2015
		1,266,715			31/12/2014	25/05/2015
£2.356		412,141		971	01/03/2011	18/03/2013
£2.356		285,370		336	12/03/2012	15/03/2014
		1,796,137			18/03/2013	16/03/2015
		1,995,237			17/03/2014	16/03/2015
£2.356				392		
£2.356	479,414			2,635		
		927,318			31/12/2012	18/03/2013
		3,735			01/11/2014	30/04/2015
		6,250			01/11/2015	30/04/2016
		646,762	40,621		01/03/2011	16/03/2015
£2.028		130,293		132	08/05/2012	06/05/2014
		736,877			18/03/2013	16/03/2015
		1,447,701			31/12/2013	06/05/2014
		2,158,661			31/12/2014	25/05/2015
	5,563,902					
	123,216	349,112	349,112		14/03/2006	22/03/2014
£2.356	197,462			115		
£2.028	567,016			575		
	1,105,316					
	2,442,996					
	3,642,741					

awards released in 2012 (market price on release date was £2.36) and 6,721 dividend shares from the SVP award released in 2012 (market price on release date was £2.03). The options held at 31 December 2012 by Bob Diamond under the Incentive Share Option Plan vested in 2006 and 2007. With the exception of Chris Lucas SVP 2012 award, SVP awards do not have performance conditions as the awards are deferred share bonuses. Vesting of SVP awards is dependent on future service and subject to malus conditions. The vesting of 50% of each tranche of Chris Lucas SVP 2012 award is subject to the condition that on vesting return on equity exceeds cost of equity. The vesting of 50% of the second and third tranches of Chris Lucas SVP 2012 award are also subject to the Committee being satisfied with progress against the FSA s capital targets. The highest and lowest Barclays share prices during 2012 were £2.66 and £1.50 respectively; the share price on 31 December 2012 was £2.62. In relation to Chris Lucas PSP 2009-2011 award, the RoRWA performance measure was met and the TSR performance measure was partially met. The Committee also considered the underpin and was satisfied with the underlying health of the Group after considering economic profit and profit before tax on a cumulative basis over the three year performance period. As a result, the award vested in March 2012 at 2.1 times the initial award (maximum was three times).

Executive Directors - outstanding long term incentive plans performance conditions

Plan	Performance period	Performance period measure	Target	Underpin	Actual performance
Barclays LTIP	**2012-2014**	60% of award calibrated against RoRWA (excluding own credit)	23% of award vests for average annual RoRWA percentage of 1.1% over the performance period. Maximum of 60% vests for average annual RoRWA of 1.6%. Vesting on a straight line basis in between	Following the determination of the RoRWA vesting percentage, if the Committee is satisfied with underlying Group financial health (based on cumulative profit before tax excluding own credit) it may, at its discretion, adjust the percentage of award up or down by up to five vesting percentage points (subject to the maximum of 60% for the award calibrated against RoRWA)	To be determined at vesting in May 2015
		30% of award calibrated against loan loss rate	10% of award vests for average annual loan loss rate of 93bps over the performance period. Maximum of 30% vests for 70bps or below. Vesting on a straight line basis in between		
		10% of award calibrated against Citizenship metrics	Performance against the Barclays Citizenship strategy is assessed by the Committee to determine the percentage of the award that may vest between 0% and 10%		
Barclays LTIP	**2011-2013**	60% of award calibrated against RoRWA	23% of award vests for average annual RoRWA percentage of 1% over the performance period. Maximum of 60% vests for average annual RoRWA of 1.5%. Vesting on a straight line basis in between	Following the determination of the RoRWA vesting percentage, the Committee may take into account profit before tax over the performance period and may, at its discretion, adjust the percentage of award up or down by up to five vesting percentage points (subject to the maximum of 60% for the award calibrated against RoRWA)	To be determined at vesting in May 2014
		30% of award calibrated against loan loss rate	10% of award vests for average annual loan loss rate of 95bps over the performance period. Maximum of 30% vests for		

			81bps or below. Vesting on a straight line basis in between		
		10% of award calibrated against sustainability metrics	Performance against the sustainability metrics is assessed by the Committee to determine the percentage of the award that may vest between 0% and 10%		
PSP	**2010-2012**	50% of award calibrated against a relative TSR performance condition	33% of maximum award released for above median performance (6th place) with 100% released in 1st place and a scaled basis in between	Committee must be satisfied with the underlying financial health of the Group after considering economic profit and profit before tax on a cumulative basis over the three year period	Details of actual performance are shown on page 56
		50% of award calibrated against average RoRWA	17% of maximum award released for 0.83% scaled to a maximum award at 1.46%		

PSP TSR peer group: UK: HSBC; Europe: Banco Santander, BBVA, BNP Paribas, Credit Suisse, Deutsche Bank, Societe Generale, Unicredit; US: Bank of America, JP Morgan Chase, Morgan Stanley.

Statutory remuneration disclosures continued

Executive Directors - interests in Barclays PLC shares	Number of shares at 1 January 2012		Number of shares at 31 December 2012	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Antony Jenkins	1,580,334		1,580,856	
Chris Lucas	297,467		912,830	

Interests shown for Antony Jenkins in the columns for 1 January 2012 are as at 30 August 2012 (the date he joined the Board). Beneficial interests include shares held either directly or through a nominee, spouse, or children under 18. They include interests held through Sharepurchase. Non-beneficial interests include any interests in shares where an executive Director holds the legal but not beneficial interest. There were no changes in the beneficial and non-beneficial interests in the period from 31 December 2012 to 28 February 2013.

Non-executive Directors - interests in Barclays PLC shares	At 1 January 2012 total beneficial interests	At 31 December 2012 total beneficial interests	At 28 February 2013 total beneficial interests
Chairman			
Sir David Walker		77,303	81,904
Non-executive Directors			
David Booth	82,867	92,061	94,550
Tim Breedon		2,000	2,655
Fulvio Conti	48,500	58,015	60,978
Simon Fraser	79,514	87,970	90,637
Reuben Jeffery III	72,174	124,468	128,148
Sir Andrew Likierman	32,329	40,320	42,835
Dambisa Moyo	7,798	16,566	19,232
Sir Michael Rake	35,213	42,825	45,211
Sir John Sunderland	88,058	95,815	98,302

Beneficial interests shown for Sir David Walker and Tim Breedon in the column for 1 January 2012 are as at 1 September 2012 and 1 November 2012 respectively (the dates they joined the Board). Reuben Jeffery III s beneficial interest as at 31 December 2012 comprised 25,000 American Depositary Shares and 24,468 Barclays shares, and as at 28 February 2013 comprised 25,000 American Depositary Shares and 28,148 Barclays shares. Except as described in this note, there were no changes to the total beneficial interests of the non-executive Directors in the period from 31 December 2012 to 28 February 2013.

Total shareholder return

The graph below shows the value, at 31 December 2012, of £100 invested in Barclays on 31 December 2007 compared with the value of £100 invested in the FTSE 100 Index. The other points plotted are the values at intervening financial year ends. The FTSE 100 Index is a widely recognised performance comparison for large UK companies and this is why it has been chosen as a comparator to illustrate Barclays total shareholder return.

Total shareholder return

Risk review

Insight into the level of risk across our businesses and portfolios, the material risks and uncertainties we face and the key areas of management focus. To find out more about the major risk policies which underlie our Risk Exposures, we have consolidated policy-based qualitative information under Risk Management.

For a more detailed breakdown on our Risk review and Risk management contents please see pages 70-71.

Risk review

Contents

The management of risk plays a central role in the execution of Barclays strategy.

For the 2012 reporting we have aimed to develop our approach to risk reporting to ensure disclosure is transparent and easily navigable:

- To provide the user with insight into the level of risk across our businesses and portfolios, the material risks and uncertainties we face and the key areas of management focus, we present our Risk review;
- To allow the user to explore deeper and find out more about the major risk policies which underlie our risk exposures, we have consolidated policy-based qualitative information under Risk management; and
- We have aimed to provide clear cross-referencing between the Risk review and Risk management sections.

Risk Overview

These pages provide a comprehensive overview of Barclays risk factors and approach to risk management.

	Risk review	Risk management
Risk factors	72-79	274-280
Barclays risk management strategy		274
Our risk culture		276
Assigning responsibilities		277
Principal risks policy		277-280
Risk management in the setting of strategy		

Credit Risk

Credit risk is the risk of suffering financial loss should the Group s customers, clients or market counterparties fail to fulfil their contractual obligations.

	Risk review	Risk management
Credit risk overview and risk factors	72-74	
Analysis of Maximum exposure and collateral and other credit enhancement held	80-81	289-290
Balance sheet concentrations of Credit risk	82-85	290-291
Balance sheet credit quality	86-87	290-291
Analysis of loans and advances and impairment	88-92	283-285
Retail credit risk	93-99	282-287
Wholesale credit risk	100-105	282-287
Barclays Credit Market Exposures	106	

Exposures to Eurozone countries	107-118	

Market Risk

Market risk is the risk of the Group suffering financial loss due to the Group being unable to hedge its balance sheet at prevailing market levels.

	Risk review	Risk management
Market risk overview and risk factors	75	292-293
Analysis of traded market risk exposures	119-120	293-296
Analysis of non-traded market risk exposures	120-123	296
Foreign exchange risk	124	
Other market risks	125	

Funding Risk Capital

		Risk review	Risk management
Capital risk is the risk that the Group is unable to maintain appropriate capital ratios.	Funding risk Capital overview and risk factors	75-76	300-301
	Capital Composition	127	
	Movement in total regulatory capital	128	
	Risk Weighted Assets by risk type and business	129	
	Movement in Risk Weighted Assets	129-130	
	Impact of Basel 3	130-132	
	Adjusted Gross Leverage	132-133	
	Implementation of Basel 3 Leverage Impacts	133-134	
	Economic capital	135	

Funding Risk Liquidity

		Risk review	Risk management
Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows.	Funding risk Liquidity overview and risk factors	75-76	297-299
	Liquidity risk stress testing	136-138	
	Liquidity pool	139-140	
	Funding structure	140-143	
	Encumbrance	144-146	
	Credit Ratings	146-147	
	Liquidity Management at Absa Group	147	
	Contractual maturity of financial assets and liabilities	147-150	

Operational Risk

		Risk review	Risk management
Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.	Operational risk overview and risk factors	76-79	302-303
	Operational risk profile	151	
	Supervision and regulation	154-160	

Reputation Risk

		Risk review	Risk management
Reputation risk is the risk of damage to Barclays brand arising from any association, action, or inaction which is perceived by stakeholders to be inappropriate or unethical.	Reputation risk	152	

Conduct Risk

		Risk review	Risk management
Conduct Risk is the risk that detriment is caused to the Bank, our customers, clients or counterparties because of the inappropriate execution of our business activities. Conduct Risk, being a material risk faced by the Group, has been categorised as a new Principal Risk in 2013.	Conduct risk	153	

Risk review

Risk factors

Risk factors

The following information describes the material risks which the Group believes could cause its future results of operations, financial condition and prospects to differ materially from current expectations. Certain of the risks described below also have the potential to adversely impact the Group s reputation and brand which could adversely affect the Group s results of operations, financial condition and prospects.

Business conditions and the general economy

Barclays offers a very broad range of services to personal and institutional customers, including governments. The Group has significant activities in a large number of countries. Consequently, there are many ways in which changes in business conditions and the economy in a single country or region or globally can adversely impact profitability, whether at the level of the Group, the individual business units or specific countries of operation.

During 2012, the economic environment in Barclays main markets was marked by generally weak or negative growth (as measured by GDP), which has affected business, consumer and investor confidence across these regions. Economic performance in the near term remains uncertain and is expected to be subdued, which may in some cases lead to material adverse impacts on the Group s operations, financial condition and prospects, through, for example, changes in credit ratings, share price and solvency of counterparties, as well as higher levels of impairment and default rates, lower revenues and higher costs. A summary of the performance for each main geographical area is as follows:

¡ In the UK, the economy grew by 0.2% in 2012, but negative growth in the fourth quarter has led to expectations of another difficult year in 2013. The potential for persistent unemployment, higher interest rates and rising inflation may increase the pressure on disposable incomes and affect an individual s ability to service debt with the potential to adversely impact performance in the Group s retail sector.

¡ Although US economic performance in 2012 was largely positive, with growth slightly above 2%, the US economy grew by only 0.1% in the fourth quarter of 2012. Moreover, the unemployment rate remained historically high and the risk of a failure of government leaders to reach a more lasting fiscal agreement remains, both of which increase uncertainty and contribute to a lack of business, consumer and investor confidence and thus adversely affect Barclays US business operations.

¡ The Eurozone saw negative growth during 2012 as it was impacted by the ongoing sovereign debt crisis. Credit conditions have remained weak and a depressed housing sector, high unemployment (especially acute amongst the under-30 year old population), contracting GDP and high government deficits may in the near term continue to adversely affect Barclays business operations in this region.

¡ While South Africa experienced moderate economic growth in 2012, the housing sector showed some weakness towards the end of the year leading to uncertainty in the performance of the Absa business in the near term.

For further information on specific risks to our business relating to a potential economic downturn and the continuing Eurozone crisis, see below under credit risk.

Credit risk

Credit risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group.

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with its clients. Other sources of credit risk arise from trading activities, including: debt securities; settlement balances with market counterparties; available for sale investments; and reverse repurchase agreements. It can also arise when an entity s credit rating is downgraded, leading to a fall in the value of Barclays investment. In addition, the Group may incur significant unrealised gains or losses due solely to changes in the Group s credit spreads or those of third parties, as these changes may affect the fair value of the Group s derivative instruments and the debt securities that the Group holds or issues.

Risks

An economic downturn

The Group s results, financial condition and liquidity may continue to be adversely affected by the uncertainty around the global economy and the economies of certain areas where Barclays has operations. The Group s performance is at risk from any deterioration in the economic environment which may result from a number of uncertainties, including most significantly the following factors:

(i) Extent and sustainability of economic recovery, including impact of austerity measures on the European economies

The threat of weaker economies in a number of countries in which the Group operates could lead to higher levels of unemployment, rising inflation, potentially higher interest rates and falling property prices. Any deterioration in the global economic conditions could have an adverse impact on the credit quality of the Group s customers and counterparties and could lead to a reduction in recoverability and value of the Group s assets resulting in a requirement to increase the Group s level of impairment allowance.

Growth rates in the UK, US, Europe and South Africa continue to have implications for our portfolios, particularly in Europe where growth forecasts remain weak. Rising unemployment and higher interest rates would reduce debt service ability in the retail sector with a knock-on effect on corporate credit. The implementation of austerity measures to address high levels of public debt has negatively impacted economic growth and led to rising unemployment in some European countries. The monetary, interest rate and other policies of central banks and regulatory authorities may also have a significant adverse effect on a number of countries in which the Group operates. The Group s profitability is subject to further uncertainty from the growth prospects for the Chinese economy and the effect that this may have on the recovery prospects of the global economy.

(ii) Increase in unemployment due to weaker economies in a number of countries in which the Group operates

During 2012 the unemployment rate in the Eurozone increased to 11.7% (December 2011: 10.7%) and remains particularly high in Spain at 26.1% (December 2011: 23.2%), although rates have declined in the US to 7.8% (December 2011: 8.5%) and the UK to 7.8% (December 2011: 8.3%) as businesses created jobs despite weak economies.

As customers ability to service their debt is particularly sensitive to their employment status, any increase in unemployment rates could lead to an increase in delinquency and default rates, particularly in credit cards and unsecured loan portfolios, which may, in turn, lead to a requirement to increase the Group s impairment allowances in the retail sector. Any increase in impairment or higher charge-off to recovery and write-offs could have a material adverse effect on the Group s results, financial condition and capital position.

(iii) Impact of rising inflation and potential interest rate rises on consumer debt affordability and corporate profitability

Rising inflation resulting from central bank monetary policies or other factors, coupled with the potential for rising interest rates in response, could have significant adverse effects on both economic growth prospects and the ability of consumers and the corporate sector to service existing debt levels. Consumer debt affordability is sensitive to interest rates and so any rise, or series of increases, may lead to a significant rise in the Group s impairment charges, particularly in unsecured products, such as credit cards and personal loans, and adversely impact the Group s performance in a similar way to higher employment levels described above.

(iv) Possibility of further falls in residential property prices in the UK, South Africa and Western Europe

With a £115bn UK home loan portfolio (50% of the Group s total loans and advances to the retail sector), Barclays has a large exposure to adverse developments in the UK property sector. 76% of the loans in this portfolio have a Loan-to-Value (LTV) of equal to or less than 75%. While arrears have remained steady and impairment modest in this property book the housing sector remains weak, despite continuing low interest rates. This weakness may contribute to further impairment in the near term resulting from a deterioration in house prices due to reduced affordability as a result of, for example, higher interest rates or increased unemployment.

Specifically, the UK interest only portfolio of £53bn remains more susceptible to weak property prices as these loans mature and customers are required to repay the entire principal outstanding at a time when the loan to value may be high. For further details on the Group s exposure to interest only home loans and the quality of the portfolio, refer to page 99.

If these trends in Spain and Portugal continue or worsen and/or if these developments occur in other European countries such as Italy in which we have particular exposure to residential mortgages outside the UK, we may incur significant impairment charges in the future, which may materially adversely affect the Group s results of operations and financial condition.

Throughout 2012 the South African housing sector has been depressed reflecting a weak economy and uncertain outlook. There is concern that unsecured personal debt levels are becoming very high. If the economic environment worsens and becomes subject to further stress this could adversely affect the Group s performance in the home loan, unsecured loan, auto and credit card portfolios. In the home loan portfolio the average LTV ratio has remained broadly stable at 44.2% (2011: 45.2%), although impairment was higher in 2012 at £339m (2011: £190m) reflecting higher loss given default rates and levels of write-offs in the recovery book. In Absa Business Markets, the corporate property book remains sensitive to property prices, with reductions potentially leading to increased impairment charges.

For further information see Retail Credit Risk and Wholesale Credit Risk (pages 93-105).

(v) US Fiscal Cliff and debt ceiling negotiations

Following the temporary agreement reached at the turn of 2012/13 concerning the expiry of tax cuts in the US federal budget as part of the Fiscal Cliff legislative negotiations, considerable uncertainty remains with regards to a longer term agreement, in particular with respect to potential adjustments to US federal government spending, for which the Fiscal Cliff legislative negotiations are ongoing. Failure to reach a more lasting agreement may lead to a new recession in the US, which may have a significant adverse effect on the global economy and lead to negative pressures on the Group s profitability. Such a failure could also negatively impact upon market confidence, potentially leading to a reduction in investor appetite and liquidity in the US bond and loan markets, which would also impact upon the Group s profitability.

The Eurozone crisis

The Group s performance may be materially adversely affected by the actual or perceived increase in the risk of default on the sovereign debt of certain European countries, the stresses currently being exerted on the financial system within the Eurozone, and the risk that one or more countries may exit the Euro.

(i) Impact of potentially deteriorating sovereign credit quality, particularly debt servicing and refinancing capability

The UK Commercial Real Estate sector also remains at risk from deterioration in the housing sector which may affect customer confidence levels causing further adverse movements in real estate. This may result in higher levels of default rates in the corporate sector leading to higher impairment charges and write- offs by the Group.

The Spanish and Portuguese economies, in particular their housing and property sectors, remain under significant stress with falling property prices having led to higher LTV ratios and contributing to higher impairment charges.

These increases were principally driven by:

Negative house price movements which have reduced market demand and mortgage supply with the result that a customer s ability to sell has reduced and the likelihood of repossessions has increased. Also loss on default has increased due to lower amounts being realised from the sale of properties in a distressed market; and

Customers behaviour and a reduced willingness to pay as a result of their perception of a lower equity stake.

As at 31 December 2012, home loan balances to Spain and Portugal were £13.6bn (31 December 2011: £14.9bn) and £3.7bn (31 December 2011: £3.9bn), respectively. The 2012 impairment charge to our residential mortgage book in Spain was £72m (2011: £38m) and in Portugal was £24m (2011: £9m).

Concerns in the market about credit risk (including that of sovereign states) and the Eurozone crisis remain high. The large sovereign debts and/or fiscal deficits of a number of European countries and the sustainability of austerity programmes they have introduced have raised concerns regarding the financial condition of some sovereign states as well as financial institutions, insurers and other corporates that are: i) located in these countries; ii) have direct or indirect exposure to these countries (both to sovereign and private sector debt) and/or iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries.

The default, or a further decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates, its businesses and the financial condition and prospects of the Group and that of its counterparties, customers, suppliers or creditors, directly or indirectly, in ways which it is difficult to predict.

For further information see Eurozone Exposure disclosures on pages 107-118.

Risk review

Risk factors continued

(ii) Potential exit of one or more countries from the Euro as a result of the European debt crisis

An exit of one or more countries from the Eurozone may adversely impact the Group s profitability in a number of ways. Risks associated with a potential partial break-up of the Euro area include:

¡ Direct risk arising from sovereign default of an exiting country and the impact on the economy of, and the Group s counterparties in, that country;

¡ Indirect risk arising from the subsequent impact on the economy of, and the Group s counterparties in, other Eurozone countries;

¡ Indirect risk arising from credit derivatives that reference Eurozone sovereign debt; and

¡ Direct redenomination risk on the potential mismatch in the currency of the assets and liabilities on balance sheets of the Group s local operations in countries in the Eurozone.

Although the Group reduced the aggregate net funding mismatch in local balance sheets during 2012 from £12.1bn to a £1.9bn surplus in Spain, from £6.9bn to £3.3bn in Portugal and from £12.0bn to £9.6bn in Italy, there can be no assurance that the steps taken by the Group to actively match local external assets with local external liabilities will be fully successful.

Furthermore the departure from and/or the abandonment of the Euro by one or more Eurozone countries could lead to significant negative effects on both existing contractual relations and the fulfilment of obligations by the Group and/or its customers, which would have a negative impact on the activity, operating results, capital position and financial condition of the Group. An exit by a country from the Euro may also adversely affect the economic performance of that country, impacting areas such as interest and unemployment rates, which in turn may adversely affect our retail and wholesale counterparties (including a country s government or its agencies) solvency and their ability to service their debts. This may lead to additional impairment or a reduction in value of Barclays credit assets in that country, which would adversely impact the Group s profitability.

The current absence of a predetermined mechanism for a member state to exit the Euro means that it is not possible to predict the outcome of such an event and to accurately quantify the impact of such an event on the Group s profitability, liquidity and capital.

The majority of our net on balance sheet exposure to Spain, Portugal and Italy continues to be secured home loans, aggregating to £32.4bn at 31 December 2012 (31 December 2011: £34.2bn). Although exposure to the less secured corporates and other retail lending portfolios have been reduced in these countries by 30% to £8.1bn (31 December 2011: £11.6bn) and 17% to £6.1bn (31 December 2011: £7.5bn), respectively, there can be no assurance that the steps taken by the Group to reduce its exposures in these countries will be successful.

For further information see Eurozone Exposure disclosures on pages 107-118.

Specific sectors/geographies

The Group is subject to risks arising from changes in credit quality and recovery of loans and advances due from borrowers and counterparties from a specific portfolio, geography or large individual names remain. Any deterioration in credit quality would lead to lower recoverability and higher impairment in a specific sector, geography or specific large counterparties.

(i) Possible deterioration in Credit Market Exposures

The Investment Bank holds certain exposures to credit markets that became illiquid during 2007. These exposures primarily relate to commercial real estate and leveraged finance loans. The Group remains at risk from further deterioration to the remaining exposures, resulting in further impairment. During 2012, credit market exposures decreased by £5.9bn to £9.3bn, mainly reflecting net sales and paydowns and other movements. We incurred total impairment charges of £243m

related to these credit market exposures (2011: £49m release).

For further information see Barclays Credit Market Exposure Section (page 106).

(ii) Potential liquidity shortages increasing counterparty risks

The Group s ability to enter into its normal funding arrangements could be materially affected by the actions and commercial soundness of other financial institutions. The Group has exposure to many different industries and counterparties and should funding capacity in either the wholesale markets or central bank operations change significantly, liquidity shortages could result, which may lead to increased counterparty risk with other financial institutions. This could also have an impact on refinancing risks in the corporate and retail sectors. The performance of the Group remains at risk from a material liquidity shortage.

(iii) Large single name losses

In the ordinary course of our loan business, we have large individual exposures to individual single name counterparties. We are accordingly exposed to the credit risk of such counterparties in the event of their default of their obligations to us. If such defaults occur, they may have a significant impact on the impairment charge particularly in Investment Bank and the larger business book in Corporate Banking. In addition, where such counterparty risk has been mitigated by taking collateral, our credit risk may remain high if the collateral we hold cannot be realised or has to be liquidated at prices which are insufficient to recover the full amount of our loan or derivative exposure.

For further information see Wholesale Credit Risk and Loans and Advances to customers and banks disclosures on pages 100-105.

Market risk

Barclays is at risk from its earnings or capital being reduced due to:

¡ Traded market risk, where Barclays supports customer activity primarily via the Investment Bank and is the risk of the Group being impacted by changes in the level or volatility of positions in its trading books. This includes changes in interest rates, inflation rates, credit spreads, property prices, commodity prices, equity and bond prices and foreign exchange levels;

¡ Non-traded market risk, to support customer products primarily in the retail bank and is the risk of the Group being unable to hedge its banking book balance sheet at prevailing market levels; and

¡ Pension risk, where the investment profile is reviewed versus the defined benefit scheme and is the risk of the Group s defined benefit obligations increasing or the value of the assets backing these defined benefit obligations decreasing due to changes in both the level and volatility of prices.

Risks

Specific areas and scenarios where market risk could lead to significantly lower revenues and adversely affect our results of operations in future years include:

(i) Reduced client activity and decreased market liquidity

The Investment Bank business model is focused on client intermediation. A significant reduction in client volumes or market liquidity could result in lower fees and commission income and a longer time period between executing a client trade, closing out a hedge, or exiting a position arising from that trade. Longer holding periods in times of higher volatility could lead to revenue volatility caused by price changes. Such conditions could adversely impact the Group s financial results in future periods.

(ii) Uncertain interest rate environment

Interest rate volatility can impact Barclays net interest margin, which is the interest rate spread realised between lending and borrowing costs. The potential for future volatility and margin changes remains, and it is difficult to predict with any accuracy changes in absolute interest rate levels, yield curves and spreads. Most developed economies are currently operating under historically low rates. Consequently the net interest margin earned by Barclays is reduced. This margin

Funding risk

Funding risk is the risk that the Group is unable to achieve its business plans due to:

¡ Capital risk: the risk that the Group is unable to maintain appropriate capital ratios which could lead to: an inability to support business activity; a failure to meet regulatory requirements; and/or changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding;

¡ Liquidity risk: the risk that the Group is unable to meet its obligations as they fall due resulting in: an inability to support normal business activity, a failure to meet liquidity regulatory requirements; and/or changes to credit ratings; and

¡ Structural risk: this risk predominantly arises from the impact on the Group s balance sheet of changes in primarily interest rates on income or foreign exchange rates on capital ratios and is, therefore, difficult to predict with any accuracy and may have a material adverse effect on the Group s results of operations, financial condition and prospects.

For further information see pages 126-150.

Risks

(i) Increasing capital requirements

There are a number of regulatory developments that impact capital requirements. Most significantly Basel 3 which is planned to be adopted into EU law through the fourth Capital Requirements Directive (CRD IV) and Capital Requirements Regulation which are on-going through the EU legislative process. Additional capital requirements may arise from other proposals including the recommendations of the UK Independent Commission on Banking, including with respect to ring-fencing separately the trading and non-trading businesses of banks: The Financial Services (Banking Reform) Bill; EU Review; and, section 165 of the Dodd-Frank Act. For more information see Operational Risk-Legal and Regulatory Related Risks below.

Increased capital requirements and changes to what is defined to constitute capital may constrain the Group s planned activities and could increase costs

would likely compress further were central bank rates to be cut. Rate changes, to the extent they are not neutralised by hedging programmes, may have a material adverse effect on the Group s results of operations, financial condition and prospects.

(iii) Pension fund risk

Adverse movements between pension assets and liabilities for defined benefit pension schemes could contribute to a pension deficit. The key sensitivities are the discount rate and long term inflation assumptions made in determining the defined benefit obligation. The discount rate is derived from yields of corporate bonds with AA-ratings and consequently includes exposure both to risk-free yields and credit spreads. Barclays defined benefit pension net position has been adversely affected, and could be adversely affected again, by decreases in discount rate or an increase in long term inflation assumptions.

and contribute to adverse impacts on the Group s earnings. During periods of market dislocation, increasing the Group s capital resources in order to meet targets may prove more difficult or costly.

(ii) Maintaining capital strength

A material adverse deterioration in the Group s financial performance can affect the Group s capacity to support further capital deployment.

Risk review

Risk factors continued

(iii) Changes in funding availability and costs

Market liquidity and the availability and cost of customer deposits and wholesale funding impacts the Group s ability to meet its obligations as they fall due, support normal business activity and meet liquidity regulatory requirements. Large unexpected outflows, for example from customer withdrawals, ratings downgrades or loan drawdowns, could also result in forced reduction in the balance sheet, inability to fulfil lending obligations and a failure to meet liquidity regulatory requirements.

(iv) Downgrade in credit ratings

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and certain of its subsidiaries, as well as their respective debt securities. Their ratings are based on a number of factors, including their assessment of the relative financial strength of the Group or of the relevant entity, as well as conditions affecting the financial services industry generally and there can be no assurance that the rating agencies will maintain the Group s or the relevant entity s current ratings or outlook, especially in light of the difficulties in the financial services industry and the financial markets.

During 2012, Barclays Bank PLC rating was downgraded by Moody s, from Aa3/P-1/C to A2/P-1/C-, as a result of the agency s rating repositioning of banks and securities firms with global capital market operations, and by DBRS, from AA High/R-1 High to AA/R-1 High, as the result of the resignation of senior management during the summer.

Credit rating downgrades could result in contractual outflows to meet collateral requirements on existing contracts and potential loss of unsecured funding. The aggregate contractual outflows to meet our collateral requirements on existing contracts following a one and two notch long term and associated short term simultaneous downgrades across all credit rating agencies, would be £13bn and £17bn respectively. See page 146 in the Funding risk Liquidity section for further information on Barclays credit rating and potential outflows relating to credit downgrades.

(v) Local balance sheet management and redenomination risk

The introduction of capital controls or new currencies by countries (for example in the Eurozone) to mitigate current stresses could have an adverse impact on the performance of local balance sheets of certain Group companies depending on the asset quality, types of collateral and mix of liabilities. Further detail on the Group s exposures to Eurozone countries is included on pages 107-118.

Operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Group s business activities and include those relating to the conduct of employees and the Bank as a whole and consider the reputational impact of risks should they occur.

Risks

Legal and regulatory related risks

(i) Legal risk

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates and so is exposed to many forms of legal risk, including that: (i) business may not be conducted in accordance with applicable laws in the relevant jurisdictions around the world and financial and other penalties may result; (ii) contractual obligations may either not be enforceable as intended or may be enforced in a way adverse to the Group; (iii) intellectual property may not be adequately protected; and (iv) liability for damages may be incurred to third parties harmed by the conduct of the Group s business. The Group also faces regulatory and other investigations in various jurisdictions, including in the US.

Furthermore, the Group, like many other financial institutions, has come under greater regulatory scrutiny in recent years and expects that environment to continue see Regulatory Risk for further details.

Key legal proceedings to which the Group was exposed during 2012 and continues to be exposed include those relating to:

- Lehman Brothers;
- Certain series of preference shares issued in the form of American Depositary Shares;
- Residential mortgage backed securities;
- Devonshire Trust; and
- LIBOR Civil Actions (see also competition and regulatory matters discussed below).

For more detailed information on each of these proceedings, see Note 29 to the financial statements. The outcome of each of these legal proceedings is difficult to predict. However, it is likely that the Group will incur significant expense in connection with these matters and one or more of them could expose the Group to any of the following: substantial monetary damages; other penalties and injunctive relief; potential regulatory restrictions on the Group s business; and/or negative effect on the Group s reputation.

Key competition and regulatory matters affecting Barclays during 2012 and which are ongoing are described in Competition and Regulatory Matters Note 30. A description of the associated risks for each is set out below:

¡ Interchange investigations: The key risks arising from the investigations into Visa and MasterCard credit and debit interchange rates comprise the potential for fines imposed by competition authorities, follow on litigation and proposals for new legislation. It is not currently possible to predict the likelihood or impact of these risks;

¡ London Interbank Offered Rates (LIBOR) investigations: The risks associated with investigations by various authorities into submissions made by Barclays and other panel members to the bodies that set various interbank offered rates include: the potential for further financial penalties imposed by governmental authorities in addition to those assessed in 2012; the pending and potential additional civil litigation; damage to Barclays reputation; the potential for criminal prosecution should Barclays violate the terms of its non-prosecution agreement with the Department of Justice, Criminal Division Fraud Section; and potential further regulatory enforcement action should Barclays fail to comply with the Cease and Desist Order entered against it by the Commodity Futures Trading Commission(CFTC);

¡ Interest Rate Hedging Products: The provision of £850m that Barclays has made in 2012 for future redress to customers categorised as non-sophisticated has been based on the best currently available information (see Note 27 to the financial statements for further details), however there is a risk that the provision may need to be increased to the extent that experience is not in line with management estimates. In addition, customers could initiate civil litigation against Barclays in connection with the sale of interest rate hedging products;

¡ Federal Energy Regulatory Commission (FERC) investigation: Barclays may be required to pay a civil penalty and profit disgorgement plus interest, and could incur damage to its reputation, if it is found to have violated the FERC s Anti-Manipulation Rule in connection with Barclays power trading in the western US with respect to the period from late 2006 to 2008; and

¡ Other Regulatory investigations: These relate to investigations by the FSA and Serious Fraud Office in connection with certain commercial agreements between Barclays and Qatari interests and whether these may have related to Barclays capital raisings in June and November 2008 and an investigation by the US Department of Justice and US Securities and Exchange Commission into whether the Group s relationships with third parties who assist Barclays to win or retain business are compliant with the US Foreign Corrupt Practices Act. The risk of these investigations is that one or more of the relevant authorities will conclude that Barclays and/or one or more of its current or former senior employees has been involved in some form of wrongdoing. It is not possible to foresee the outcome or impact of such findings other than that a fine or a number of fines would be possible.

Regulatory change

The banking industry continues to be subject to unprecedented levels of regulatory change and scrutiny in many of the countries in which the Group operates. This has led to a more intensive approach to supervision and oversight, increased expectations and enhanced requirements, including capital and liquidity requirements (for example relating to Basel 3 and CRD IV), resolvability and the clearing of over-the-counter (OTC) derivatives. Banks, such as Barclays, that are deemed by the Financial Stability Board to be globally systemic banks will be subject to particular scrutiny. In 2013 challenges are expected to increase, particularly in the United Kingdom with the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) taking over from the Financial Services Authority with enhanced powers and more focused regulatory mandates and objectives. In addition, the Financial Policy Committee (FPC) of the Bank of England will have a powerful influence on the conduct of the new regulatory bodies and powers to raise capital requirements for the sector. Significant challenges are also anticipated in the United States as the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010 (DFA) is implemented, including restrictions on proprietary trading and fund-related activities (the so-called Volcker Rule). Some of the impacts of the DFA extend beyond the United States. The full scale of the DFA s impact on the Group remains unclear because the rules required to implement many of the provisions of DFA continue to be subject to rulemaking and will take effect over several years. As a result, regulatory risk will continue to focus senior management attention and consume significant levels of business resource. Furthermore, uncertainty and the extent of international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect our ability to engage in effective business, capital and risk management planning.

For further information see Regulatory Developments in the section on Supervision and Regulation.

Structural reform

The UK Government has introduced the Financial Services (Banking Reform) Bill which, when enacted, would give the UK authorities the power to implement the recommendations of the Independent Commission on Banking to ring fence the UK and EEA retail banking activities of the Group. The Government has also announced that it will establish a reserve power allowing the regulator, with approval from the Government, to enforce full separation under certain circumstances.

The European Commission is considering the recommendations of the High Level Expert Group to require banks to ring fence their trading activities. Proposals are expected in 2013.

In December 2012, the Federal Reserve issued a notice of proposed rulemaking (NPR) to implement for foreign banking organisations Section 165 (enhanced prudential standards) and Section 166 (early remediation requirements) of the Dodd-Frank Act. The NPR proposes that foreign

(ii) Regulatory risk

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry which are currently subject to significant changes. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate. Non-compliance may also lead to costs relating to investigations and remediation of affected customers. The latter may exceed the direct costs of regulatory enforcement actions. In addition, reputational damage may lead to a reduction in franchise value.

banking organisations, like Barclays, with total global assets of $50bn or more and with total US assets of $10bn or more (not including branches/agencies) establish an intermediate holding company (IHC) for its US bank and nonbank subsidiaries. The IHC would be required to meet the enhanced prudential standards and early remediation requirements that are to a large degree, the same as, those applicable to similar US bank holding companies, including some requirements previously assessed as not being applicable to the Group. The NPR, if adopted in its current form, has the potential to significantly increase the absolute and regulatory costs of Barclays US operations.

These laws and regulations could result in changes to the structure of Barclays, and an increase in the amount of loss-absorbing capital issued by Barclays, which may have an adverse impact on profitability, return on equity and/or financial condition. It is not yet possible to predict the detail of secondary legislation or regulatory rulemaking or the ultimate consequences to the Group. For further information see the section on Supervision and Regulation.

Risk review

Risk factors continued

Conduct related issues

There are also a number of areas where Barclays conduct has not met the expectations of regulators and other stakeholders and where the Group has sustained financial and reputational damage in 2012, and where the consequences are likely to endure into 2013 and beyond.

These include participation in benchmark rates and LIBOR and interest rate hedging products, which are discussed in the Legal Risk section above and PPI. Provisions totalling £850m have been raised in respect of interest rate hedging products in 2012, and provisions of £2.6bn have been raised against PPI in 2011-2012. To the extent that experience is not in line with management estimates, additional provisions may be required and further reputational damage may be incurred.

Furthermore, the Group is from time to time subject to regulatory investigations. The risk of these investigations to Barclays is that, a number of or all of the authorities will conclude that Barclays has been involved in some form of wrongdoing. It is not possible to foresee the outcome or impact of such findings other than that fines or other forms of regulatory censure would be possible. This includes the investigation by the United States FERC into the Group s conduct (see Legal Risk above).

There is a risk that there may be other conduct issues, including in business already written, that Barclays is not presently aware of.

Further details on PPI and interest rate hedging products, including a description of management judgements and estimates and sensitivity analysis on those estimates where available are provided in Note 27 to the financial statements. Further details on the FERC investigations are provided in Note 30 to the financial statements.

In addition to the risks highlighted under Legal Risk, Barclays participates in the setting of a number of interest rate benchmarks such as LIBOR. The setting of such benchmarks is subject to increased scrutiny and additional regulation in a number of jurisdictions, with enhanced sanctions including potential criminal sanctions and attendant damage to Barclays reputation for violations. Barclays may also be required to contribute to benchmarks due to its presence in certain markets. The UK FSA is considering the use of such powers.

The impact of the CRD IV rules, including with respect to the calculation of capital and risk weighted assets, and the timing of implementation including the application of transitional relief, have not been finalised and remain subject to change by European legislators. The FSA may also alter its stated approach to the adoption of CRD IV in the United Kingdom. For example, the scope of application of the volatility charge for credit value adjustments (CVA) may be different from that expected and restrictions may be applied on the maturity of hedges over to insignificant financial holdings, with the result that individually and/or in aggregate such changes may materially negatively affect Barclays CRD IV capital, leverage, liquidity and funding ratios.

(iv) Recovery and resolution plans (RRP)

The strong regulatory focus on resolvability has continued in 2012, from both UK and international regulators. The Group continues to work with the authorities on RRP and the detailed practicalities of the resolution process. This includes the provision of information that would be required in the event of a resolution, in order to enhance Barclays resolvability. The Group made its first formal RRP submissions to the UK and US regulators in mid-2012 and has continued to work with the authorities to identify and address any impediments to resolvability.

Should the authorities decide that Barclays is not resolvable they have the ability to demand that the Group is broken into sections that are deemed resolvable. The impact of such structural changes could impact capital, liquidity and leverage ratios, due to reduced benefits of diversification, as well as the overall profitability, via duplicated infrastructure costs, lost cross-rate revenues and additional funding costs.

Other operational risks

(v) Reputation risk

Reputation risk, meaning the risk of damage to the Barclays brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical, is inherent in our business. Reputational damage can result from the actual or perceived manner in which we conduct our business activities, from our financial performance, or from actual or perceived practices in the banking and financial industry. Such reputational damage reduces directly or indirectly the attractiveness of Barclays to stakeholders and may lead to negative publicity, loss of revenue, litigation, regulatory or legislative action, loss of existing or potential client business, reduced workforce morale, and difficulties in recruiting talent. Sustained reputational damage could have a materially negative impact on our licence to operate and destroy shareholder value.

Further details on the LIBOR investigations are provided in Note 29 and Note 30 to the financial statements. For further information on developments further to the Wheatley Review recommendations related to the setting of LIBOR, see Supervision and Regulation (page 158).

(iii) Implementation of Basel 3

The new capital requirements regulation and capital requirements directive that implement Basel 3 within the EU (collectively known as CRD IV) include significant developments in the regulatory capital regime including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk weighted assets; and the introduction of new measures relating to leverage, liquidity and funding. The requirements are under consideration and are expected to be finalised during 2013; however the implementation date is uncertain.

(vi) Infrastructure resilience, Technology and CyberSecurity

Events across the industry during 2012 have reinforced the importance of infrastructure resilience to the banking infrastructure to allow customers to access their accounts and make payments in a timely fashion. The Group recognises that this is an area of risk that continues to change rapidly and so requires continued focus.

Any disruption in a customer s access to their account information or delays in making payments will have a significant impact on the Group s reputation and may also lead to potentially large costs to both rectify the issue and reimburse losses incurred by customers. However, given that it is not possible to predict the level or impact of such an event, should it occur, it is not possible to accurately quantify either the reputational damage or associated costs to the Group.

Furthermore, Barclays recognises the growing threat of attacks to its systems, customers and Group s information held on customers and transactions processed through these systems from individuals or groups via cyberspace (the interdependent network of information technology infrastructures, and includes technology tools such as the internet, telecommunications networks, computer systems, and embedded processors and controllers in critical industries[a]). The implementation of measures to manage the risk involves continued investment and use of internal resources.

However, given the increasing sophistication and scope of potential attacks via cyberspace, it is possible that in the future such attacks may lead to significant breaches leading to associated costs and reputational damage although these cannot be quantified to any degree of accuracy at this time due to the uncertain nature and impact of any such attack.

(vii) Transform Programme

In February 2013, we presented the results of our Strategic Review and the elements of our Transform Programme. As part of the Transform Programme, we will seek to, among other initiatives, restructure Barclays European retail operations to focus on the mass affluent customer segment, manage risk weighted assets more efficiently through run-off of legacy assets in Europe and the Investment Bank, and reduce total costs significantly across the Group.

As a result of certain commitments made in the Review, Barclays expects to incur a restructuring charge of approximately £500m in the first quarter of 2013 and costs associated with implementing the strategic plan of approximately £1bn in 2013, £1bn in 2014 and £0.7bn in 2015.

The development and implementation of our Strategy Review requires difficult, subjective and complex judgements, including forecasts of economic conditions in various parts of the world. We may fail to correctly identify the trends we seek to exploit and the relevant factors in making decisions as to capital deployment and cost reduction. Our ability to execute our strategy may also be limited by our operational capacity and the increasing complexity of the regulatory environment in which we operate. Moreover, there is a risk that the restructuring costs associated with implementing the Transform Programme may be higher than our current expectations. Failure to successfully implement the Transform Programme could have a material adverse effect on the expected benefits of the Transform Programme. In addition, factors beyond our control, including but not limited to the market and economic conditions such as the risk of an economic downturn and other challenges discussed in detail above, could limit or delay our ability to achieve all of the expected benefits of the Transform Programme.

(viii) Taxation risk

The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at an EU level, and is impacted by a number of double taxation agreements between countries.

There is potential risk that the Group could suffer losses due to additional tax charges, other financial costs or reputational damage due to: failure to comply with or correctly assess the application of, relevant tax law; failure to deal with tax authorities in a timely, transparent and effective manner; incorrect calculation of tax estimates for reported and forecast tax numbers; or provision of incorrect tax advice.

For further information see the Financial Review (pages 161-188) and the Tax note (pages 208-211).

Note

a As defined by the World Economic Forum s Partnership for Cyber Resilience, of which Barclays is a member.

Risk review

Credit risk

All disclosures in this section (pages 80-118) are unaudited unless otherwise stated

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.

Analysis of the Group s maximum exposure and collateral and other credit enhancements held

Basis of preparation

The following tables present a reconciliation between the Group s maximum exposure and its net exposure to credit risk; reflecting the financial effects of collateral, credit enhancements and other actions taken to mitigate the Group s exposure.

For financial assets recognised on the balance sheet, maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For off-balance sheet guarantees, the maximum exposure is the maximum amount that Barclays would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure is the full amount of the committed facilities.

This and subsequent analyses of credit risk include only financial assets subject to credit risk. They exclude other financial assets not subject to credit risk, mainly equity securities held for trading, as available for sale or designated at fair value, and traded commodities. Assets designated at fair value in respect of linked liabilities to customers under investment contracts have also not been included as the Group is not exposed to credit risk on these assets. Credit losses in these portfolios, if any, would lead to a reduction in the linked liabilities and not result in a loss to the Group.

The Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer. Further detail on the Group s policies to each of these forms of credit enhancement are presented on pages 289-290.

Maximum exposure and effects of collateral and other credit enhancements (audited)

As at 31 December 2012	Maximum exposure £m	Netting and set-off £m	Collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:					
Cash and balances at central banks	**86,175**				**86,175**
Items in the course of collection from other banks	**1,456**				**1,456**
Trading portfolio assets:					
Debt securities	**114,759**				**114,759**
Traded loans	**2,404**				**2,404**
Total trading portfolio assets	**117,163**				**117,163**
Financial assets designated at fair value:					
Loans and advances	**21,996**		**(7,500)**	**(111)**	**14,385**

Debt securities	**6,118**		**(23)**		**6,095**
Other financial assets	**7,727**		**(5,629)**		**2,098**
Total financial assets designated at fair value	**35,841**		**(13,152)**	**(111)**	**22,578**
Derivative financial instruments	**469,146**	**(387,672)**	**(53,183)**	**(8,132)**	**20,159**
Loans and advances to banks	**40,489**	**(1,012)**	**(5,071)**	**(136)**	**34,270**
Loans and advances to customers:					
Home loans	**174,988**		**(172,722)**	**(53)**	**2,213**
Credit cards, unsecured and other retail lending	**66,414**	**(10)**	**(18,612)**	**(2,321)**	**45,471**
Corporate loans	**184,327**	**(10,243)**	**(50,404)**	**(8,489)**	**115,191**
Total loans and advances to customers	**425,729**	**(10,253)**	**(241,738)**	**(10,863)**	**162,875**
Reverse repurchase agreements and other similar secured lending	**176,956**		**(175,348)**		**1,608**
Available for sale debt securities	**74,677**		**(234)**	**(32)**	**74,411**
Other assets	**2,001**				**2,001**
Total on-balance sheet	**1,429,633**	**(398,937)**	**(488,726)**	**(19,274)**	**522,696**
Off-balance sheet:					
Securities lending arrangements					
Guarantees and letters of credit pledged as collateral security	**15,855**		**(2,278)**	**(379)**	**13,198**
Acceptances, endorsements and other contingent liabilities	**6,002**		**(61)**	**(176)**	**5,765**
Documentary credits and other short term trade related transactions	**1,027**		**(48)**	**(11)**	**968**
Standby facilities, credit lines and other commitments	**247,816**		**(17,973)**	**(3,396)**	**226,447**
Total off-balance sheet	**270,700**		**(20,360)**	**(3,962)**	**246,378**
Total	**1,700,333**	**(398,937)**	**(509,086)**	**(23,236)**	**769,074**

Overview

As at 31 December 2012, the Group s net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer reduced 4% to £769.1bn, reflecting a reduction in maximum exposure of 6% and a reduction in the level of mitigation held by 7%. Overall, the extent to which the Group holds mitigation on its assets decreased marginally to 55% (2011: 56%).

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks, available for sale debt securities issued by governments, cash collateral and settlement balances, all of which are considered lower risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis above. The credit quality of counterparties to derivative, available for sale and wholesale loan assets are predominantly investment grade. Further analysis on the credit quality of assets is presented on pages 86-87.

Where collateral has been obtained in the event of default, Barclays does not, as a rule, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Group as at 31 December 2012 as a result of the enforcement of collateral was £868m (2011: £470m).

Maximum exposure and effects of collateral and other credit enhancements (audited)

As at 31 December 2011	Maximum exposure £m	Netting and set-off £m	Collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:					
Cash and balances at central banks	106,894				106,894
Items in the course of collection from other banks	1,812				1,812
Trading portfolio assets:					
Debt securities	123,364				123,364
Traded loans	1,374				1,374
Total trading portfolio assets	124,738				124,738
Financial assets designated at fair value:					
Loans and advances	21,960		(7,887)	(76)	13,997
Debt securities	2,095		(22)		2,073
Other financial assets	7,574		(5,541)		2,033
Total financial assets designated at fair value	31,629		(13,450)	(76)	18,103
Derivative financial instruments	538,964	(440,592)	(57,294)	(7,544)	33,534
Loans and advances to banks	47,446	(1,886)	(8,653)	(171)	36,736
Loans and advances to customers:					
Home loans	171,272		(167,581)	(1,130)	2,561
Credit cards, unsecured and other retail lending	64,492	(11)	(16,159)	(2,564)	45,758
Corporate loans	196,170	(8,873)	(53,616)	(9,550)	124,131
Total loans and advances to customers	431,934	(8,884)	(237,356)	(13,244)	172,450
Reverse repurchase agreements and other similar secured lending	153,665		(150,337)		3,328
Available for sale debt securities	63,610		(219)	(3,532)	59,859
Other assets	2,620				2,620
Total on-balance sheet	1,503,312	(451,362)	(467,309)	(24,567)	560,074
Off-balance sheet:					
Securities lending arrangements	35,996		(35,996)		
Guarantees and letters of credit pledged as collateral security[a]	14,181		(2,714)	(608)	10,859
Acceptances, endorsements and other contingent liabilities[a]	8,266		(23)	(156)	8,087
Documentary credits and other short term trade related transactions	1,358		(39)	(49)	1,270
Standby facilities, credit lines and other commitments	240,282		(15,522)	(3,829)	220,931
Total off-balance sheet	300,083		(54,294)	(4,642)	241,147
Total	1,803,395	(451,362)	(521,603)	(29,209)	801,221

Note

a 2011 amounts have been restated to include £1.1bn additional collateral and risk transfers that mitigate guarantees and letters of credit pledged as collateral security, and to include other contingent liabilities of £7.8bn, identified as being exposed to credit risk.

Risk review

Credit risk continued

Balance sheet concentrations of credit risk

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group implements limits on concentrations in order to mitigate the risk. The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged. Further detail on the Group s policies with regard to managing concentration risk is presented on page 282.

Geographic concentrations

As at 31 December 2012, the geographic concentration of the Group s assets remained broadly consistent with 31 December 2011.

For balance sheet assets, the most significant change in concentrations was for cash held at central banks, with cash held as part of the liquidity pool moving from lower yielding Sterling and US Dollar accounts to higher yielding Euro and Swiss Franc accounts. There was also a notable increase in the proportion of available for sale debt securities issued by counterparties in Europe, primarily high quality bonds forming part of the Group liquidity pool. This increase was accompanied by a reduction in the proportion of debt securities issued by Asian (predominantly Japanese) and UK counterparties.

Within off-balance sheet, there was a significant reduction in the concentration of exposures in the Americas due to the cessation of the securities lending arrangements contracted with BlackRock, Inc. upon the disposal of Barclays Global Investors in 2009. Further detail on this transaction is included in Note 28.

An analysis of geographical and industry concentration of Group loans and advances held at amortised cost and at fair value is presented on pages 89-90. Information on exposures to Eurozone countries is presented on pages 107-118.

Credit risk concentrations by geography (audited)

As at 31 December 2012	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	3,547	70,159	6,566	2,354	3,549	86,175
Items in the course of collection from other banks	788	296		371	1	1,456
Trading portfolio assets	16,408	21,386	62,875	2,985	13,509	117,163
Financial assets designated at fair value	24,100	3,546	5,644	1,947	604	35,841
Derivative financial instruments	147,651	157,609	127,367	4,264	32,255	469,146
Loans and advances to banks	7,506	14,942	12,278	2,110	3,653	40,489
Loans and advances to customers	228,007	81,442	63,252	46,093	6,935	425,729
Reverse repurchase agreements and other similar secured lending	29,565	25,743	98,313	4,133	19,202	176,956
Available for sale debt securities	24,024	29,803	11,128	7,103	2,619	74,677
Other assets	987	332	328	290	64	2,001
Total on-balance sheet	**482,583**	**405,258**	**387,751**	**71,650**	**82,391**	**1,429,633**
Off-balance sheet:						
Securities lending arrangements						
Guarantees and letters of credit pledged as collateral security	6,135	2,560	4,772	2,131	257	15,855
Acceptances, endorsements and other contingent liabilities	4,208	812	273	211	498	6,002
Documentary credits and other short term trade related transactions	629	103		295		1,027
Standby facilities, credit lines and other commitments	94,070	38,926	91,574	21,637	1,609	247,816
Total off-balance sheet	**105,042**	**42,401**	**96,619**	**24,274**	**2,364**	**270,700**
Total	**587,625**	**447,659**	**484,370**	**95,924**	**84,755**	**1,700,333**

Credit risk concentrations by geography (audited)

As at 31 December 2011	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	14,631	53,779	27,065	2,418	9,001	106,894
Items in the course of collection from other banks	1,557	88	1	166		1,812
Trading portfolio assets	15,162	23,381	68,835	3,498	13,862	124,738
Financial assets designated at fair value	19,405	3,287	6,724	1,958	255	31,629
Derivative financial instruments	173,792	173,863	153,629	4,857	32,823	538,964
Loans and advances to banks	9,621	14,704	13,637	3,234	6,250	47,446
Loans and advances to customers	220,815	90,444	63,457	49,309	7,909	431,934
Reverse repurchase agreements and other similar secured lending	22,701	32,926	80,124	1,795	16,119	153,665
Available for sale debt securities	23,055	17,371	9,891	6,922	6,371	63,610
Other assets	1,510	407	256	365	82	2,620
Total on-balance sheet	502,249	410,250	423,619	74,522	92,672	1,503,312
Off-balance sheet:						
Securities lending arrangements			35,996			35,996
Guarantees and letters of credit pledged as collateral security	3,885	2,416	5,457	2,100	323	14,181
Acceptances, endorsements and other contingent liabilities[a]	5,861	1,107	303	155	840	8,266
Documentary credits and other short term trade related transactions	655	235	143	201	124	1,358
Standby facilities, credit lines and other commitments	99,735	33,004	85,381	20,478	1,684	240,282
Total off-balance sheet	110,136	36,762	127,280	22,934	2,971	300,083
Total	612,385	447,012	550,899	97,456	95,643	1,803,395

Note

a 2011 amounts have been restated to include analysis of other contingent liabilities of £7.8bn, identified as being exposed to credit risk.

Risk review

Credit risk continued

Industrial concentrations

As at 31 December 2012, the industrial concentration of the Group s assets remained broadly consistent with 31 December 2011, with 50% of total assets being concentrated towards banks and other financial institutions (2011: 51%). For balance sheet assets, the most significant change in concentration was for financial assets designated at fair value, for which the proportion of the overall balance that was concentrated towards governments and central banks increased by 11% on account of the acquisition during the year of economically hedged government bonds.

Within off-balance sheet, there was a significant reduction in the concentration of exposures to other financial institutions due to the cessation of the securities lending arrangements contracted with BlackRock, Inc. upon the disposal of Barclays Global Investors in 2009. Further detail on this transaction is included in Note 28.

Credit risk concentrations by industry (audited)

As at 31 December 2012	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks					86,175							86,175
Items in the course of collection from other banks	1,456											1,456
Trading portfolio assets	9,240	24,412	2,072	504	73,848	3,124	446	2,257			1,260	117,163
Financial assets designated at fair value	5,555	3,524	175	10,062	11,057	885	600	3,581			402	35,841
Derivative financial instruments	349,481	81,080	2,401	4,478	9,589	10,011	2,203	6,906			2,997	469,146
Loans and advances to banks	38,870				1,619							40,489
Loans and advances to customers		87,990	11,518	25,253	4,923	7,622	14,603	24,152	174,614	53,647	21,407	425,729
Reverse repurchase agreements and other similar secured lending	64,616	106,665	4	1,014	3,684	261	98	610			4	176,956
Available for sale debt securities	16,933	10,273	92	91	46,177	122	42	846			101	74,677
Other assets	249	632	2	34	165	6	8	192	13	694	6	2,001
Total on-balance sheet	486,400	314,576	16,264	41,436	237,237	22,031	18,000	38,544	174,627	54,341	26,177	1,429,633
Off-balance sheet:												
Securities lending arrangements												
Guarantees and letters of credit pledged as collateral security	836	3,810	1,649	847	1,680	1,856	989	2,654	89	289	1,156	15,855
Acceptances, endorsements and other contingent liabilities	533	891	883	371	10	828	495	1,565		44	382	6,002
	559	51	55	3		1	77	275		4	2	1,027

Documentary credits and other short term trade related transactions												
Standby facilities, credit lines and other commitments		**34,464**	**24,937**	**8,675**	**3,829**	**21,790**	**10,566**	**13,727**	**17,538**	**96,993**	**15,297**	**247,816**
Total off-balance sheet	**1,928**	**39,216**	**27,524**	**9,896**	**5,519**	**24,475**	**12,127**	**18,221**	**17,627**	**97,330**	**16,837**	**270,700**
Total	**488,328**	**353,792**	**43,788**	**51,332**	**242,756**	**46,506**	**30,127**	**56,765**	**192,254**	**151,671**	**43,014**	**1,700,333**

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Credit risk concentrations by industry (audited)

As at 31 December 2011	Banks £m	Other financial institu- tions £m	Manu- facturing £m	Const- ruction and property £m	Govern- ment and central bank £m	Energy and water £m	Wholesale and retail distrib- ution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks					106,894							106,894
Items in the course of collection from other banks	1,810				2							1,812
Trading portfolio assets	4,857	27,992	1,585	480	83,631	3,191	448	1,773			781	124,738
Financial assets designated at fair value	6,050	3,320	75	10,447	6,354	1,053	332	3,547		1	450	31,629
Derivative financial instruments	401,465	96,781	4,044	4,853	8,321	12,960	3,309	3,928		19	3,284	538,964
Loans and advances to banks	44,707				2,739							47,446
Loans and advances to customers		89,650	12,904	28,711	6,129	7,414	16,206	26,300	171,272	50,062	23,286	431,934
Reverse repurchase agreements and other similar secured lending	61,544	86,930	195	201	3,842	127	63	235			528	153,665
Available for sale debt securities	15,961	7,142	213	137	38,511	126	90	820	370		240	63,610
Other assets	506	374		54	492		7	310	2	818	57	2,620
Total on-balance sheet	536,900	312,189	19,016	44,883	256,915	24,871	20,455	36,913	171,644	50,900	28,626	1,503,312
Off-balance sheet:												
Securities lending arrangements		35,996										35,996
Guarantees and letters of credit pledged as collateral security	990	3,947	1,534	757	630	1,615	913	2,213		310	1,272	14,181
Acceptances, endorsements and other contingent liabilities[a]	599	1,214	1,075	459	7	865	527	2,945		38	537	8,266
Documentary credits and other short term trade related transactions	428	128	40	1			215	480		65	1	1,358
Standby facilities, credit lines and other commitments	785	32,511	23,429	9,114	3,573	20,764	12,052	17,012	15,663	90,062	15,317	240,282
Total off-balance sheet	2,802	73,796	26,078	10,331	4,210	23,244	13,707	22,650	15,663	90,475	17,127	300,083
Total	539,702	385,985	45,094	55,214	261,125	48,115	34,162	59,563	187,307	141,375	45,753	1,803,395

Note

a 2011 amounts have been restated to include analysis of other contingent liabilities of £7.8bn, identified as being exposed to credit risk.

Risk review

Credit risk continued

Balance sheet credit quality

The following tables present the credit quality of Group assets exposed to credit risk.

Basis of preparation

For performing loans that are neither past due nor impaired, which form the majority of loans in the portfolios, the following internal measures of credit quality have been used for the purposes of this analysis:

¡ Strong there is a very high likelihood of the asset being recovered in full;

¡ Satisfactory whilst there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Group, the asset may not be collateralised, or may relate to retail facilities, such as credit card balances and unsecured loans, which have been classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification; and

¡ Higher risk there is concern over the obligor s ability to make payments when due. These have not yet converted to actual delinquency.
Non-performing loans loans that are impaired or are past due but not impaired have been included in the Higher Risk category for this analysis with prior year comparatives restated to align presentation. An age analysis of both is presented on pages 91-92.

For assets held at fair value, the carrying value on the balance sheet will include, among other things, the credit risk of the issuer. Most listed and some unlisted securities are rated by external rating agencies. The Group mainly uses external credit ratings provided by Standard & Poor s or Moody s. Where such ratings are not available or are not current, the Group will use its own internal ratings for the securities.

For further information on the way in which Barclays measures the credit quality of its loan portfolios, refer to pages 290-291.

Balance sheet credit quality (audited)

	Strong (investment grade)	Satisfactory (BB+ to B)	Higher risk (B- and below)	Maximum exposure to credit risk	Strong (investment grade)	Satisfactory (BB+ to B)	Higher risk (B- and below)
	£m	£m	£m	£m	%	%	%
As at 31 December 2012							
Cash and balances at central banks	86,175			86,175	100		
Items in the course of collection from other banks	1,320	103	33	1,456	91	7	2
Trading portfolio assets:							
Debt securities	107,784	5,604	1,371	114,759	94	5	1
Traded loans	454	1,617	333	2,404	19	67	14
Total trading portfolio assets	108,238	7,221	1,704	117,163	92	6	2
Financial assets designated at fair value:							
Loans and advances	19,609	1,684	703	21,996	89	8	3
Debt securities	5,485	164	469	6,118	90	3	7
Reverse repurchase agreements	5,010	963	61	6,034	83	16	1

Other financial assets	**623**	**967**	**103**	**1,693**	**37**	**57**	**6**
Total financial assets designated at fair value	**30,727**	**3,778**	**1,336**	**35,841**	**86**	**10**	**4**
Derivative financial instruments	**443,102**	**23,498**	**2,546**	**469,146**	**94**	**5**	**1**
Loans and advances to banks	**36,695**	**2,868**	**926**	**40,489**	**91**	**7**	**2**
Loans and advances to customers:							
Home loans	**142,828**	**20,407**	**11,753**	**174,988**	**81**	**12**	**7**
Credit cards, unsecured and other retail lending	**15,169**	**45,852**	**5,393**	**66,414**	**23**	**69**	**8**
Corporate loans	**121,417**	**51,196**	**11,714**	**184,327**	**66**	**28**	**6**
Total loans and advances to customers	**279,414**	**117,455**	**28,860**	**425,729**	**66**	**27**	**7**
Reverse repurchase agreements and other similar secured lending	**129,687**	**47,078**	**191**	**176,956**	**73**	**27**	
Available for sale debt securities	**69,877**	**2,331**	**2,469**	**74,677**	**94**	**3**	**3**
Other assets	**1,623**	**322**	**56**	**2,001**	**81**	**16**	**3**
Total assets	**1,186,858**	**204,654**	**38,121**	**1,429,633**	**83**	**14**	**3**

Overview

As at 31 December 2012, the proportion of the Group s assets classified as strong fell marginally to 83% (2011: 84%) of total assets exposed to credit risk.

Traded assets continued to remain almost entirely investment grade, with counterparties to 94% (2011: 95%) of total derivative financial instruments, and issuers of 94% (2011: 95%) of debt securities held for trading and 94% (2011: 91%) of debt securities held available for sale being investment grade. The credit quality of counterparties to reverse repurchase agreements held at amortised cost remained broadly stable at 73% (2011: 77%). The credit risk of these assets is much reduced with balances being fully collateralised.

In the loan portfolios, 81% of home loans (2011: 78%) to customers are measured as strong. This increase in the period reflects improvements in the UK portfolio. The majority of credit card, unsecured and other retail lending remained satisfactory, reflecting the unsecured nature of a significant proportion of the balance, comprising 69% of the total (2011: 70%). The credit quality profile of the Group s corporate lending improved with counterparties rated strong increasing to 66% (2011: 61%), primarily due to the continued active management of corporate books in the Investment Bank and Corporate Banking.

Further analysis of debt securities by issuer type is presented on page 104.

Further information on netting and collateral arrangements on derivatives financial instruments is presented on page 105.

Balance sheet credit quality (audited)

	Strong (investment grade)	Satisfactory (BB+ to B)	Higher risk (B- and below)	Maximum exposure to credit risk	Strong (investment grade)	Satisfactory (BB+ to B)	Higher risk (B- and below)
	£m	£m	£m	£m	%	%	%
As at 31 December 2011							
Cash and balances at central banks	106,894			106,894	100		
Items in the course of collection from other banks	1,615	99	98	1,812	89	6	5
Trading portfolio assets:							
Debt securities	116,743	4,922	1,699	123,364	95	4	1
Traded loans	74	821	479	1,374	5	60	35
Total trading portfolio assets	116,817	5,743	2,178	124,738	94	4	2
Financial assets designated at fair value:							
Loans and advances	19,484	1,487	989	21,960	89	7	4
Debt securities	1,163	184	748	2,095	55	9	36
Reverse repurchase agreements	4,018	1,554	207	5,779	69	27	4
Other financial assets	655	1,079	61	1,795	36	60	4
Total financial assets designated at fair value	25,320	4,304	2,005	31,629	80	14	6
Derivative financial instruments	515,109	19,875	3,980	538,964	95	4	1
Loans and advances to banks	42,278	2,594	2,574	47,446	89	6	5
Loans and advances to customers:							
Home loans	134,009	25,847	11,416	171,272	78	15	7
Credit cards, unsecured and other retail lending	14,226	45,388	4,878	64,492	22	70	8
Corporate loans	119,856	59,370	16,944	196,170	61	30	9
Total loans and advances to customers	268,091	130,605	33,238	431,934	62	30	8
Reverse repurchase agreements and other similar secured lending	117,719	34,653	1,293	153,665	77	22	1
Available for sale debt securities	57,793	3,253	2,564	63,610	91	5	4
Other assets	2,130	417	73	2,620	81	16	3
Total assets	1,253,766	201,543	48,003	1,503,313	84	13	3

Risk review

Credit risk continued

Analysis of loans and advances and impairment

Total gross loans and advances to customers and banks decreased 3% to £500.3bn. Gross loans and advances to customers and banks at amortised cost decreased 3% to £475.9bn with a 7% decrease in the wholesale portfolio offset by a 1% increase in the retail portfolio. The principal drivers for this decrease were:

- Investment Bank where loans and advances decreased 9% to £147.4bn driven by a reduction in corporate, interbank and other wholesale lending; and

- Corporate Banking where loans and advances decreased 6% to £65.8bn due to the disposal of the Iveco Finance business and a reduction in Spanish exposures.

These decreases were offset by an increase in:

- UKRBB, where a 5% increase to £129.7bn primarily reflected growth in home loans balances; and

- Barclaycard, where an 8% increase to £34.7bn primarily reflected business growth in the UK and the US and acquisition of portfolios in the US and South Africa.

Retail and wholesale loans and advances to customers and banks[a]

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2012							
Total retail	**232,672**	**4,635**	**228,037**	**8,821**	**3.8**	**2,075**	**89**
Wholesale customers	**203,123**	**5,000**	**198,123**	**9,693**	**4.8**	**1,507**	**74**
Wholesale banks	**40,099**	**41**	**40,058**	**51**	**0.1**	**(23)**	**(6)**
Total wholesale	**243,222**	**5,041**	**238,181**	**9,744**	**4.0**	**1,484**	**61**
Loans and advances at amortised cost	**475,894**	**9,676**	**466,218**	**18,565**	**3.9**	**3,559**	**75**
Traded loans	**2,404**	**n/a**	**2,404**				
Loans and advances designated at fair value	**21,996**	**n/a**	**21,996**				
Loans and advances held at fair value	**24,400**	**n/a**	**24,400**				
Total loans and advances	**500,294**	**9,676**	**490,618**				
As at 31 December 2011							
Total retail	229,671	5,386	224,285	10,410	4.5	2,477	108
Wholesale customers	212,992	5,166	207,826	10,898	5.1	1,307	61
Wholesale banks	47,314	45	47,269	34	0.1	6	1
Total wholesale	260,306	5,211	255,095	10,932	4.2	1,313	50

Loans and advances at amortised cost	489,977	10,597	479,380	21,342	4.4	3,790	77
Traded loans	1,374	n/a	1,374				
Loans and advances designated at fair value	21,960	n/a	21,960				
Loans and advances held at fair value	23,334	n/a	23,334				
Total loans and advances	513,311	10,597	502,714				

Note

a For December 2012 reporting UKRBB Medium Business lending (2011: £2,680m) and Barclaycard s Global Payment Acceptance, Global Commercial Payments and Business Cards portfolios have been reclassified from wholesale to retail. Wealth and Investment Management s Private Bank portfolio (2011: £14,627m) has been reclassified from retail to wholesale. These reclassifications (including comparatives) better reflect the way in which risk in these portfolios is managed.

Group loans and advances held at amortised cost, by industry sector and geography

Loans and advances, net of impairment allowances, held at amortised cost decreased by 3% to £466.2bn, reflecting a reduction in corporate, interbank and other wholesale lending. Home loans to customers in the UK and cards, unsecured and other personal lending to customers in the UK rose, in line with business growth.

Loans and advances at amortised cost net of impairment allowances by industry sector and geography

	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
As at 31 December 2012						
Banks	**7,134**	**14,475**	**12,050**	**1,806**	**3,405**	**38,870**
Other financial institutions	**17,113**	**20,986**	**42,277**	**4,490**	**3,124**	**87,990**
Manufacturing	**6,041**	**2,533**	**1,225**	**1,232**	**487**	**11,518**
Construction	**3,077**	**476**	**1**	**75**	**21**	**3,650**
Property	**15,167**	**2,411**	**677**	**3,101**	**247**	**21,603**
Government and central bank	**558**	**2,985**	**1,012**	**1,734**	**253**	**6,542**
Energy and water	**2,286**	**2,365**	**1,757**	**821**	**393**	**7,622**
Wholesale and retail distribution and leisure	**9,567**	**2,463**	**734**	**1,748**	**91**	**14,603**
Business and other services	**15,754**	**2,754**	**2,360**	**2,654**	**630**	**24,152**
Home loans	**119,652**	**36,659**	**480**	**17,553**	**270**	**174,614**
Cards, unsecured loans and other personal lending	**29,716**	**5,887**	**11,725**	**5,172**	**1,147**	**53,647**
Other	**9,448**	**2,390**	**1,232**	**7,817**	**520**	**21,407**
Net loans and advances to customers and banks	**235,513**	**96,384**	**75,530**	**48,203**	**10,588**	**466,218**
Impairment allowance	**3,270**	**2,775**	**2,180**	**1,381**	**70**	**9,676**
As at 31 December 2011						
Banks	9,251	13,503	13,349	2,956	5,648	44,707
Other financial institutions	18,474	20,059	44,965	2,264	3,888	89,650
Manufacturing	6,185	3,341	1,396	1,439	543	12,904
Construction	3,391	771	32	348	65	4,607
Property	16,230	3,193	869	3,600	212	24,104
Government and central bank	493	3,365	907	3,072	1,031	8,868
Energy and water	1,599	2,448	2,165	818	384	7,414
Wholesale and retail distribution and leisure	10,308	3,008	656	2,073	161	16,206
Business and other services	16,473	4,981	1,584	2,907	355	26,300
Home loans	112,260	38,508	566	19,437	501	171,272
Cards, unsecured loans and other personal lending	27,409	6,417	9,293	6,158	785	50,062
Other	8,363	5,554	1,312	7,471	586	23,286
Net loans and advances to customers and banks	230,436	105,148	77,094	52,543	14,159	479,380
Impairment allowance	4,005	2,920	2,128	1,446	98	10,597

Risk review

Credit risk continued

Loans and advances held at fair value by industry sector and geography

Total loans and advances held at fair value principally reflecting balances held in the Corporate and Investment Bank increased 5% to £24.4bn (2011: £23.3bn). The movement is driven by government, and business and other services counterparties which increased by £0.9bn to £10.2bn, reflecting increased lending in the Americas. A large portion of the total comprises lending to property, government, and business and other services. Property includes lending within the legacy Corporate Real Estate business as well as to social housing associations and the fall of £0.4bn to £9.9bn (2011: £10.3bn) is primarily due to loan repayments.

Loans and advances held at fair value by industry sector and geography

	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
As at 31 December 2012						
Banks		**493**	**120**	**422**		**1,035**
Other financial institutions[a]	**13**	**611**	**622**	**8**	**39**	**1,293**
Manufacturing	**6**	**38**	**601**	**16**	**15**	**676**
Construction	**161**	**1**		**28**	**4**	**194**
Property	**8,668**	**830**	**295**	**121**		**9,914**
Government and central bank	**5,759**	**6**	**314**	**17**	**5**	**6,101**
Energy and water	**10**	**73**	**41**	**46**	**3**	**173**
Wholesale and retail distribution and leisure	**33**	**2**	**220**	**72**	**1**	**328**
Business and other services	**3,404**	**20**	**685**	**14**		**4,123**
Other	**105**	**132**	**46**	**224**	**56**	**563**
Total	**18,159**	**2,206**	**2,944**	**968**	**123**	**24,400**
As at 31 December 2011						
Banks	11	364	10	126	1	512
Other financial institutions	142	76	892	134	21	1,265
Manufacturing	16	211	154	7	18	406
Construction	158			19	2	179
Property	8,443	1,147	575	133	3	10,301
Government and central bank	5,609			19	8	5,636
Energy and water	32	203	46	104		385
Wholesale and retail distribution and leisure	63	15	243	36	2	359
Business and other services	3,381	76	201	34		3,692
Other	90	66	55	317	71	599
Total	17,945	2,158	2,176	929	126	23,334

Impairment charges (audited)

Loan impairment charges reduced 6% to £3,559m, reflecting lower impairment in UKRBB, Barclaycard and Corporate Banking partially offset by higher charges in some international businesses, notably in Europe and South Africa, and a higher charge in the Investment Bank. The increase in the Investment Bank was related to ABS CDO Super Senior positions, losses on a small number of single name exposures; and a non-recurring release of £223m in 2011. Combined with a 3% decrease in loans and advances, this resulted in a lower overall Group loan loss rate of 75bps (2011: 77bps; 2010: 118bps). Further detail can be found in the Retail credit risk and Wholesale credit risk sections on pages 93 and 100.

Credit impairment charges and other provisions by business (audited)

	2012 £m	2011 £m	2010 £m
Loan impairment			
UKRBB	**269**	536	819

Europe RBB	**328**	241	314
Africa RBB	**646**	466	562
Barclaycard	**979**	1,259	1,688
Investment Bank[b]	**448**	129	642
Corporate Banking	**851**	1,120	1,551
Wealth and Investment Management	**38**	41	48
Head Office and Other Operations		(2)	1
Total loan impairment charges[c]	**3,559**	3,790	5,625
Impairment charges on available for sale investments (excluding BlackRock, Inc.)	**40**	60	51
Impairment of reverse repurchase agreements	**(3)**	(48)	(4)
Total credit impairment charges and other provisions	**3,596**	3,802	5,672
Impairment of investment in BlackRock, Inc.		1,800	

Notes

a Included within Other financial institutions (Americas) are £427m (2011: £693m) of loans backed by retail mortgage collateral.

b Credit market related impairment charges within Investment Bank comprised a net £243m charge (2011: £14m write back; 2010: £660m charge) against loans and advances and a £6m write back (2011: £35m; 2010: £39m) against available for sale investments.

c Includes write back of £4m (2011: £24m charge; 2010: £76m charge) in respect of undrawn facilities and guarantees.

Impairment allowances (audited)

Impairment allowances decreased £921m to £9,676m, driven primarily by a reduction in the retail portfolios due to improved underlying credit performance and delinquency. Amounts written off decreased £1,046m to £4,119m driven, in part, by the 2011 change in write-off policy, which resulted in higher write-offs in the prior year.

Movements in allowance for impairment by asset class (audited)

	At beginning of year	Acquisitions and disposals	Unwind of discount	Exchange and other adjustments	Amounts written off	Recoveries	Amounts charged to income statement	Balance at 31 December
	£m	£m	£m	£m	£m	£m	£m	£m
2012								
Home loans	**834**		**(45)**	**(33)**	**(382)**	**24**	**457**	**855**
Credit cards, unsecured and other retail lending	**4,540**	**(59)**	**(144)**	**(248)**	**(2,102)**	**119**	**1,674**	**3,780**
Corporate loans	**5,223**	**(21)**	**(22)**	**(5)**	**(1,635)**	**69**	**1,432**	**5,041**
Total impairment allowance	**10,597**	**(80)**	**(211)**	**(286)**	**(4,119)**	**212**	**3,563**	**9,676**
2011								
Home loans	854	(2)	(80)	(101)	(184)	14	333	834
Credit cards, unsecured and other retail lending	5,919	(4)	(154)	(145)	(3,292)	139	2,077	4,540
Corporate loans	5,659	(12)	(9)	(194)	(1,689)	112	1,356	5,223
Total impairment allowance	12,432	(18)	(243)	(440)	(5,165)	265	3,766	10,597

Age analysis of loans and advances that are past due (audited)

The following tables present an age analysis of loans and advances that are past due but not impaired and loans that are assessed as impaired. These loans are reflected in the balance sheet credit quality tables on pages 86-87 as being higher risk.

Loans and advances past due but not impaired (audited)

	Past due up to 1 month	Past due 1-2 months	Past due 2-3 months	Past due 3-6 months	Past due 6 months and over	Total
	£m	£m	£m	£m	£m	£m
As at 31 December 2012						
Loans and advances designated at fair value	**108**	**50**	**39**	**19**	**176**	**392**
Home loans	**127**	**23**	**48**	**42**	**39**	**279**
Credit cards, unsecured and other retail lending	**133**	**6**	**6**	**8**	**35**	**188**
Corporate loans	4,261	**471**	**459**	**236**	**427**	**5,854**
Total	**4,629**	**550**	**552**	**305**	**677**	**6,713**
As at 31 December 2011						
Loans and advances designated at fair value	56	46		3	327	432
Home loans	35	5	22	31	21	114
Credit cards, unsecured and other retail lending	117	29	27	48	127	348
Corporate loans	8,343	315	298	315	236	9,507
Total	8,551	395	347	397	711	10,401

Risk review

Credit risk continued

Analysis of loans and advances assessed as impaired (audited)

The following tables present an age analysis of loans and advances collectively impaired, total individually impaired loans, and total impairment allowance.

Loans and advances assessed as impaired (audited)

	Collectively assessed for impairment							
	Past due up to 1 month	Past due 1-2 months	Past due 2-3 months	Past due 3-6 months	Past due 6 months and over	Total	Individually assessed for impairment	Total
	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2012								
Home loans	**4,649**	**2,297**	**650**	**888**	**1,964**	**10,448**	**783**	**11,231**
Credit cards, unsecured and other retail lending	**1,539**	**938**	**345**	**550**	**2,864**	**6,236**	**1,617**	**7,853**
Corporate loans	**344**	**57**	**46**	**57**	**872**	**1,376**	**7,449**	**8,825**
Total	**6,532**	**3,292**	**1,041**	**1,495**	**5,700**	**18,060**	**9,849**	**27,909**
As at 31 December 2011								
Home loans	4,034	2,636	550	1,345	2,113	10,678	382	11,060
Credit cards, unsecured and other retail lending	1,390	1,117	357	885	3,585	7,334	702	8,036
Corporate loans	138	71	71	81	455	816	9,607	10,423
Total	5,562	3,824	978	2,311	6,153	18,828	10,691	29,519

Potential Credit Risk Loans (PCRLs)

In line with disclosure requirements from the SEC in the US, the Group reports potentially and actually impaired loans as PCRLs. PCRLs comprise two categories of loans: Credit Risk Loans (CRLs) and Potential Problem Loans (PPLs). For further information on definitions of CRLs and PPLs refer to pages 284-285.

PCRLs and coverage ratios[a]

	CRLs		PPLs		PCRLs	
	2012	2011	**2012**	2011	**2012**	2011
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m
Retail	**8,821**	10,410	**656**	600	**9,477**	11,010
Wholesale[b]	**9,744**	10,932	**1,102**	1,372	**10,846**	12,304
Group	**18,565**	21,342	**1,758**	1,972	**20,323**	23,314

	Impairment allowance		CRL coverage		PCRL coverage	
	2012	2011	**2012**	2011	**2012**	2011
As at 31 December	**£m**	£m	**%**	%	**%**	%
Retail	**4,635**	5,386	**52.5**	51.7	**48.9**	48.9
Wholesale	**5,041**	5,211	**51.7**	47.7	**46.5**	42.4
Group	**9,676**	10,597	**52.1**	49.7	**47.6**	45.5

For more information refer to the Retail credit risk section (pages 93-99), Wholesale credit risk section (pages 100-103) and Risk management section (pages 273-303).

Overall, CRL balances decreased by 13% reflecting improvements in both retail and wholesale portfolios. The CRL coverage ratio increased to 52.1% (2011: 49.7%). Overall PPLs decreased 11% principally reflecting lower balances in the wholesale portfolios. The PCRL coverage ratio increased to 47.6% (2011: 45.5%).

Notes

a UKRBB Medium Business lending and Barclaycard s Global Payment Acceptance, Global Commercial Payments and Business Cards portfolios have been reclassified from wholesale to retail, whilst Wealth and Investment Management s Private Bank portfolio has been reclassified from retail to wholesale. This has resulted in a net increase in retail PCRLs of £9m and impairment allowance of £12m with a corresponding decrease in wholesale PCRLs and impairment allowance in 2011. These reclassifications (including comparatives) better reflect the way in which risk in these portfolios is managed.

b Includes all forbearance accounts that are over 90 days+ and/or impaired.

Retail credit risk

Gross loans and advances to customers in the retail portfolios increased 1% to £232.7bn, due to increases in: UKRBB of 5% to £129.7bn driven by growth in home loans balances; Barclaycard of 8% to £34.7bn primarily reflecting business growth in the UK and US and acquisition of portfolios in the US and South Africa; and Wealth and Investment Management of 21% to £2.5bn reflecting growth in the Wealth International home loans portfolio. These increases were partially offset by decreases of 9% in Africa RBB to £24.0bn primarily due to adverse currency movements and 8% in Europe RBB to £41.0bn due to credit tightening actions, active management to reduce funding mismatches and currency movements.

Retail impairment allowances decreased 14% to £4.6bn principally due to changes in the write-off policy, debt sales, lower severity and improved delinquency.

The total loan impairment charge across the retail portfolios reduced 16% to £2.1bn:

¡ The loan impairment charge at Barclaycard decreased 22% to £1.0bn as a result of improved delinquency, lower charge-offs and better recovery rates;

¡ The loan impairment charge at UKRBB decreased 50% to £0.3bn mainly reflecting improvements across all portfolios, which also includes higher recoveries principally from refunds of PPI in Consumer Lending and release of provision due to the resolution of backlogs in litigation in home loans;

¡ The reduction was partially offset by Africa RBB loan impairment charge, which increased 22% to £0.5bn reflecting higher loss given default rates and higher levels of write-offs in the South African home loans recovery book; and

¡ Europe RBB impairment charge increased 36% to £0.3bn due to deterioration in credit performance reflecting current economic conditions across Europe.
Lower impairment charges coupled with higher loan balances led to a fall in the retail loan loss rate to 89bps (2011: 108ps).

Retail loans and advances at amortised cost

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2012							
UKRBB[a]	**129,682**	**1,369**	**128,313**	**2,883**	**2.2**	**269**	**21**
Europe RBB[b]	**41,035**	**714**	**40,321**	**1,901**	**4.6**	**328**	**80**
Africa RBB	**23,987**	**700**	**23,287**	**1,790**	**7.5**	**472**	**197**
Barclaycard[c]	**34,694**	**1,757**	**32,937**	**2,121**	**6.1**	**979**	**282**
Corporate Banking[d]	**739**	**79**	**660**	**92**	**12.4**	**27**	**365**
Wealth and Investment Management[e]	**2,535**	**16**	**2,519**	**34**	**1.3**		
Total	**232,672**	**4,635**	**228,037**	**8,821**	**3.8**	**2,075**	**89**
As at 31 December 2011							
UKRBB[a]	123,055	1,686	121,369	3,299	2.7	536	44
Europe RBB[b]	44,488	684	43,804	1,708	3.8	241	54
Africa RBB	26,363	731	25,632	2,362	9.0	386	146
Barclaycard[c]	32,214	2,077	30,137	2,824	8.8	1,259	391
Corporate Banking[d]	1,453	188	1,265	182	12.5	49	337
Wealth and Investment Management[e]	2,098	20	2,078	35	1.6	6	30
Total	229,671	5,386	224,285	10,410	4.5	2,477	108

Notes

a UKRBB Medium Business net lending (2011: £2,680m) has been reclassified from wholesale to retail as at December 2012.
b Europe RBB includes loans and advances to business customers at amortised cost.
c Barclaycard business net lending (2011: £468m) has been reclassified from wholesale to retail as at December 2012.

d Corporate Banking primarily includes retail portfolios in UAE.

e Wealth and Investment Management includes Wealth International portfolio. Private Bank net lending (2011: £14,627m) has been reclassified from retail to wholesale as at December 2012.

Risk review

Credit risk continued

Analysis of retail gross loans and advances[a]

	Secured home loans £m	Credit cards, overdrafts and unsecured loans £m	Other secured retail lending[b] £m	Business lending £m	Total retail £m
As at 31 December 2012					
UKRBB	**114,766**	**6,863**		**8,053**	**129,682**
Europe RBB	**34,825**	**4,468**		**1,742**	**41,035**
Africa RBB	**17,422**	**2,792**	**3,086**	**687**	**23,987**
Barclaycard		**31,394**	**2,730**	**570**	**34,694**
Corporate Banking	**274**	**336**	**117**	**12**	**739**
Wealth and Investment Management	**2,267**	**63**	**205**		**2,535**
Total	**169,554**	**45,916**	**6,138**	**11,064**	**232,672**
As at 31 December 2011					
UKRBB	107,775	7,351		7,929	123,055
Europe RBB	37,099	4,994		2,395	44,488
Africa RBB	19,691	2,715	3,405	552	26,363
Barclaycard		28,557	3,181	476	32,214
Corporate Banking	421	728	284	20	1,453
Wealth and Investment Management	1,892	62	144		2,098
Total	166,878	44,407	7,014	11,372	229,671

PCRLs and coverage ratios

PCRLs and coverage ratios[c]

	CRLs		PPLs		PCRLs	
As at 31 December	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Home loans	**3,397**	3,688	**262**	212	**3,659**	3,900
Credit cards and unsecured lending	**3,954**	4,890	**295**	301	**4,249**	5,191
Other retail lending and business banking	**1,470**	1,832	**99**	87	**1,569**	1,919
Total retail	**8,821**	10,410	**656**	600	**9,477**	11,010

	Impairment allowance		CRL coverage		PCRL coverage	
As at 31 December	**2012 £m**	2011 £m	**2012 %**	2011 %	**2012 %**	2011 %
Home loans	**849**	892	**25.0**	24.2	**23.2**	22.9
Credit cards and unsecured lending	**3,212**	3,777	**81.2**	77.2	**75.6**	72.8
Other retail lending and business banking	**574**	717	**39.0**	39.1	**36.6**	37.4
Total retail	**4,635**	5,386	**52.5**	51.7	**48.9**	48.9

Notes

a For December 2012 reporting UKRBB Medium Business gross lending (2011: £2,743m) and Barclaycard s Global Payment Acceptance, Global Commercial Payments and Business Cards portfolios (2011: £476m) have been reclassified from wholesale to retail. Wealth and Investment Management s Private Bank portfolio (2011: £14,686m) has been reclassified from retail to wholesale. These reclassifications (including comparatives) better reflect the way in which risk

in these portfolios is managed.

b Other secured retail lending includes Vehicle Auto Finance in Africa RBB and UK Secured Lending in Barclaycard.

c UKRBB Medium Business lending and Barclaycard s Global Payment Acceptance, Global Commercial Payments and Business Cards portfolios have been reclassified from wholesale to retail, whilst Wealth and Investment Management s Private Bank portfolio has been reclassified from retail to wholesale. This has resulted in a net increase in retail PCRLs of £9m and impairment allowance of £12m with a corresponding decrease in wholesale PCRLs and impairment allowance in 2011. These reclassifications (including comparatives) better reflect the way in which risk in these portfolios is managed.

PCRLs and coverage ratios by business[a]

	CRLs		PPLs		PCRLs	
	2012	2011	**2012**	2011	**2012**	2011
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m
UKRBB	**2,883**	3,299	**283**	222	**3,166**	3,521
Europe RBB	**1,901**	1,708	**113**	99	**2,014**	1,807
Africa RBB	**1,790**	2,362	**61**	61	**1,851**	2,423
Barclaycard	**2,121**	2,824	**193**	204	**2,314**	3,028
Corporate Banking	**92**	182	**5**	11	**97**	193
Wealth and Investment Management	**34**	35	**1**	3	**35**	38
Total retail	**8,821**	10,410	**656**	600	**9,477**	11,010

	Impairment allowance		CRL coverage		PCRL coverage	
	2012	2011	**2012**	2011	**2012**	2011
As at 31 December	**£m**	£m	**%**	%	**%**	%
UKRBB	**1,369**	1,686	**47.5**	51.1	**43.2**	47.9
Europe RBB	**714**	684	**37.6**	40.0	**35.5**	37.8
Africa RBB	**700**	731	**39.1**	30.9	**37.8**	30.2
Barclaycard	**1,757**	2,077	**82.8**	73.5	**75.9**	68.6
Corporate Banking	**79**	188	**85.9**	103.3	**81.4**	97.4
Wealth and Investment Management	**16**	20	**47.1**	57.1	**45.7**	52.6
Total retail	**4,635**	5,386	**52.5**	51.7	**48.9**	48.9

CRL balances in retail portfolios decreased 15% to £8.8bn (2011: £10.4bn), primarily due to Barclaycard, where reductions reflected favourable delinquency performance, reductions in recovery balances, the change to the write-off policy at the end of 2011, and increased debt sale activity; Africa RBB, where reductions were driven by a higher number of accounts being charged-off and written-off, particularly in South African Home Loans; and UKRBB, where reductions reflected falling recovery balances across principal portfolios due to improved performance. This was partially offset by higher balances in Europe RBB principally in the Spanish and Italian home loans books.

The CRL coverage ratio increased to 52.5% (2011: 51.7%). PPL balances increased 9% principally due to increased home loans balances in UKRBB. The PCRL coverage ratio remained stable at 48.9% (2011: 48.9%).

Secured home loans

Home loans to retail customers increased to £169.6bn (2011: £166.9bn), and as a proportion of total retail gross loans and advances remained unchanged at 73%. The principal home loan portfolios listed below account for 96% of total home loans in the Group s retail portfolios.

Home loans principal portfolios[b]

	Gross loans and advances	> 90 day arrears	Gross charge-off rates	Recoveries proportion of outstanding balances	Recoveries impairment coverage ratio
	£m	%	%	%	%
As at 31 December 2012					
UK	**114,766**	**0.3**	**0.6**	**0.5**	**13.4**
South Africa	**15,773**	**1.6**	**3.9**	**6.9**	**34.6**
Spain	**13,551**	**0.7**	**1.1**	**1.9**	**34.0**
Italy	**15,529**	**1.0**	**0.8**	**1.8**	**25.4**
Portugal	**3,710**	**0.7**	**1.4**	**2.8**	**25.6**
As at 31 December 2011					
UK	107,775	0.3	0.6	0.6	15.3
South Africa	17,585	3.2	3.7	6.9	19.4
Spain	14,918	0.5	0.6	1.6	32.5
Italy	15,935	1.0	0.5	1.3	29.3
Portugal	3,891	0.6	1.1	2.0	15.0

Notes

a UKRBB Medium Business lending and Barclaycard s Global Payment Acceptance, Global Commercial Payments and Business Cards portfolios have been reclassified from wholesale to retail, whilst Wealth and Investment Management s Private Bank portfolio has been reclassified from retail to wholesale. This has resulted in a net increase in retail PCRLs of £9m and impairment allowance of £12m with a corresponding decrease in wholesale PCRLs and impairment allowance in 2011. These reclassifications (including comparatives) better reflect the way in which risk in these portfolios is managed.

b Excluded from the above analysis are: Wealth International home loans, which are managed on the basis of individual customer exposures, France home loans and other small home loans portfolios.

Risk review

Credit risk continued

Arrears rates remained steady in the UK as targeted balance growth and better customer affordability criteria continued to be supported by the low base rate environment. The recoveries impairment coverage ratio decreased mainly because of a release of provision due to the resolution of backlogs in litigation.

In the UK, owner-occupied interest only balances of £38.1bn (2011: £39.2bn) represented 33% of total stock. Buy-to-let home loans comprised 7% of the total stock (2011: 6%). For information on interest only lending, refer to page 99.

Arrears rates for South Africa home loans significantly decreased reflecting improvements in portfolio performance. Increased focus on reducing the recoveries portfolio during 2012 resulted in higher write-offs. Coverage ratio on recoveries increased due to a higher mix of insolvent accounts in this portfolio. These accounts result in higher losses due to increased legal costs and longer time to foreclose. Credit performance of home loans in Europe continued to worsen as economic conditions deteriorated further. In Spain home loans, the recoveries impairment coverage ratio increased mainly due to incremental impairment taken to reflect potential declines in house prices.

Principal home loans portfolios distribution of balances by LTV (updated valuations)[a,b]

As at 31 December	UK		South Africa		Spain		Italy		Portugal[d]	
	2012 %	2011 %	**2012** %	2011 %	**2012** %	2011 %	**2012** %	2011 %	**2012** %	2011 %
<=75%	**76.1**	77.6	**62.8**	58.8	**64.2**	72.1	**74.3**	70.7	**40.3**	49.0
>75% and <=80%	**9.2**	7.5	**9.0**	8.7	**6.5**	6.6	**16.0**	16.8	**8.3**	11.4
>80% and <=85%	**5.4**	5.3	**8.2**	8.3	**6.1**	5.7	**5.5**	10.2	**10.6**	13.7
>85% and <=90%	**3.3**	3.6	**6.4**	7.2	**5.5**	4.0	**1.4**	1.3	**11.1**	9.4
>90% and <=95%	**2.2**	2.4	**4.0**	5.3	**4.4**	2.6	**0.9**	0.5	**10.2**	8.8
>95% and <=100%	**1.4**	1.5	**2.8**	3.3	**3.3**	1.9	**0.6**	0.2	**7.6**	4.6
>100%	**2.4**	2.1	**6.8**	8.4	**10.0**	7.1	**1.3**	0.3	**11.9**	3.1
Marked to market LTV[c]	**45.5**	44.3	**44.2**	45.2	**64.6**	60.1	**46.7**	46.9	**77.6**	69.6

Credit quality of the principal home loan portfolios reflected relatively conservative levels of high LTV lending and moderate LTV on existing portfolios. During 2012, using current valuations, the average LTV of principal home loans portfolios remained broadly stable in UK, South Africa and Italy. However, it increased in Spain and Portugal as a result of continued decline in house prices.

Home loans new lending[a,b]

As at 31 December	UK		South Africa		Spain		Italy		Portugal	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
New home loans (£m)	**18,170**	17,202	**1,186**	1,381	**284**	502	**848**	3,719	**83**	495
Average LTV %	**56.4**	54.0	**64.7**	61.2	**62.8**	61.3	**55.4**	59.6	**60.8**	67.7
New home loans proportion above 85% LTV	**3.5**	0.8	**36.8**	29.9	**4.1**	1.3			**4.9**	5.5

New lending in principal home loan portfolios listed above decreased 12% to £20,571m (2011: £23,299m). The increase in average LTV for new home loans business to 56.4% (2011: 54.0%) in the UK was driven by the launch of a 90% LTV product, on a limited basis. The volume in this segment is constrained by tight credit criteria and risk limits, as evidenced by the moderate increase of new home loans proportion above 85%.

Notes

a

Excluded from the above analysis are: Wealth International home loans, which are managed on the basis of individual customer exposures, France home loans and other small home loans portfolios.

b UK, South Africa and Italy marked to market methodology is based on valuation weighted approach. Valuation weighted LTV is the ratio between total outstanding balance and the value of total collateral held against these balances. Spain and Portugal marked to market methodology is based on balance weighted approach. Balance weighted LTV is derived by calculating individual LTVs at account level and weighting it by the individual loan balances to arrive at the average position. This is in line with local reporting practice.

c Portfolio marked to market based on the most updated valuation and includes recoveries balances. Updated valuations reflect the application of the latest house price index available in the country as at 31 December 2012 to calculate the average MTM portfolio LTV as at 31 December 2012.

d In Portugal, the increase in average MTM LTVs and in the LTV distribution are due to the application of more detailed house price valuations since June 2012.

Credit cards, overdrafts and unsecured loans

Total credit cards, overdrafts and unsecured loans remained broadly stable with the increase in card portfolio balances due to acquisitions being offset by decreases in unsecured loans and overdraft portfolios. 90 day arrears improved marginally to 1.1% (2011: 1.2%) in UK Cards, while the rate improved to 1.1% (2011: 1.5%) in US Cards reflecting a continued move towards better asset quality and improving delinquency performance. Arrears rates in the European Cards portfolios deteriorated marginally in the same period, reflecting the difficult economic environment. Rates were broadly stable in South Africa card portfolios and performance remained within expectations. The reduction in the coverage ratio on the main UK and US portfolios reflects improved recoveries, the change in write-off policy at the end of 2011 and increased debt sale activity. The principal portfolios listed below account for 87% of total credit cards, overdrafts and unsecured loans in the Group s retail portfolios.

Principal portfolios

	Gross loans and advances £m	30 day arrears %	90 day arrears %	Gross charge-off rates %	Recoveries proportion of outstanding balances %	Recoveries impairment coverage ratio %
As at 31 December 2012						
UK cards[a]	**15,434**	**2.5**	**1.1**	**4.9**	**6.2**	**80.4**
US cards[b]	**9,296**	**2.4**	**1.1**	**5.0**	**2.3**	**90.7**
UK personal loans	**4,861**	**3.0**	**1.3**	**5.1**	**17.4**	**78.9**
South Africa cards[c]	**2,511**	**5.2**	**2.8**	**4.2**	**5.2**	**70.9**
Barclays Partner Finance	**2,323**	**1.9**	**1.0**	**3.9**	**4.8**	**78.1**
Europe RBB cards	**1,604**	**6.2**	**2.9**	**9.2**	**12.7**	**95.5**
UK overdrafts	**1,382**	**5.3**	**3.5**	**8.2**	**14.6**	**92.7**
Italy salary advance loans[d]	**1,354**	**2.3**	**0.9**	**8.4**	**9.4**	**12.5**
South Africa personal loans	**1,061**	**5.6**	**3.1**	**8.5**	**7.6**	**72.3**
As at 31 December 2011						
UK cards[a]	14,692	2.7	1.2	6.2	6.8	85.2
US cards[b]	8,303	3.1	1.5	7.6	3.5	92.1
UK personal loans	5,166	3.4	1.7	6.5	19.0	82.8
South Africa cards[c]	1,816	5.1	3.0	5.6	6.4	72.9
Barclays Partner Finance	2,122	2.4	1.3	4.6	6.3	84.8
Europe RBB cards	1,684	5.9	2.6	10.1	13.8	89.5
UK overdrafts	1,322	6.0	3.9	9.7	17.5	90.6
Italy salary advance loans[d]	1,629	2.6	1.3	6.3	6.6	11.7
South Africa personal loans	1,164	6.4	3.9	8.3	6.9	72.4

Business lending

Business lending primarily relates to small and medium enterprises typically with exposures up to £3m or with a turnover up to £5m. The principal portfolios listed below account for 88% of total Business lending loans in the Group s retail portfolios.

Principal portfolios

		Arrears Managed[e]		Early Warning List Managed[f]					
As at 31 December 2012	Gross loans and advances £m	Drawn balances £m	Of which arrears balances %	Drawn balances £m	Of which Early Warning List balances %	Loan loss rates bps	Gross charge-off rates %	Recoveries proportion of outstanding balances %	Recoveries coverage ratio %

UK	**8,053**	**713**	**6.0**	**7,122**	**9.2**	**140**	**2.5**	**4.3**	**34.9**
Spain	**1,095**	**95**	**11.3**	**993**	**60.4**	**210**	**3.8**	**6.6**	**45.0**
Portugal	**596**	**185**	**6.4**	**393**	**17.8**	**503**	**5.7**	**6.7**	**65.9**

Notes

a UK cards includes the acquired Egg credit card assets, which totalled £1.7bn at acquisition. The outstanding acquired balances have been excluded from the recoveries impairment coverage ratio on the basis that the portfolio has been recognised on acquisition at fair value during 2011 (with no related impairment allowance). Impairment allowances have been recognised as appropriate where these relate to the period post acquisition.

b US cards risk metrics exclude the impact of U-promise in 2011.

c South Africa cards risk metrics exclude the Edcon portfolio which was acquired in November 2012. In addition, these metrics now include Woolworth Financial Services portfolios.

d The recoveries impairment coverage ratio for Italy salary advance loans is lower than other unsecured portfolios as these loans are extended to customers where the repayment is made via a salary deduction at source by qualifying employers and Barclays is insured in the event of termination of employment or death. Recoveries represent balances where insurance claims are pending that we believe are largely recoverable, hence the lower coverage.

e Arrears managed accounts are principally customers with an exposure threshold less than £50k in the UK and 100k in Europe, with processes designed to manage a homogeneous set of assets. Arrears balances reflects the total balances of accounts which are past due on payments.

f EWL Managed accounts are customers that exceed the arrears managed threshold, with processes that record heightened levels of risk through an EWL grading. EWL balances comprise of a list of three categories graded in line with the perceived severity of the risk attached to the lending, and can include customers that are up to date with contractual payments or subject to forbearance as appropriate.

Risk review

Credit risk continued

UK business lending gross loans and advances increased 2% to £8,053m (2011: £7,929m). Loan loss rates improved to 140bps (2011: 213bps) whilst a broadly stable credit policy has been maintained. Business lending gross loans and advances in Europe reduced 27% in 2012 to £1,742m (2011: £2,395m) primarily due to the tightening of credit policy, reducing new business volumes and currency movements. Spain gross loans and advances reduced 31% to £1,095m (2011: £1,576m). Loan loss rates increased to 210bps (2011: 115bps) reflecting both increasing arrears in the difficult macro environment and the reducing balances. Early Warning List (EWL) balances reflect the close monitoring of the portfolio, with over 75% of EWL balances not in arrears. Portugal gross loans and advances reduced 21% to £596m (2011: £758m). Loan loss rates increased to 503bps (2011: 238bps) reflecting both increasing arrears in the difficult macro environment and reducing balances.

Retail forbearance programmes

Retail forbearance is available to customers experiencing financial difficulties. Forbearance solutions may take a number of forms depending on the extent of the financial dislocation. Short term solutions normally focus on temporary reductions to contractual payments and switches from capital and interest payments to interest only. For customers with longer term financial difficulties, term extensions may be offered, which may also include interest rate concessions and conversion to fully amortising balances for card portfolios.

Forbearance on the Group s principal portfolios in the US, UK and Europe is presented below.

In South Africa, forbearance and rehabilitation balances are not published as local practices are in the process of being aligned to the Barclays Group policy. In other retail portfolios the level of forbearance extended to customers is not material and typically is not a significant factor in the management of customer relationships.

Loans in forbearance in the principal home loans portfolios increased 3% to £1,987m, mainly due to an increase in Spain and Italy home loans. Within UK home loans, term extensions account for over 80% of forbearance balances with the majority of the remainder being switches from capital and interest to interest only. In Spain forbearance accounts are predominantly full account restructures. In Italy the majority of the balances relate to specific schemes required by the Italian government (e.g. debt relief scheme following the earthquake of 2009) and amendments are weighted towards payment holidays and interest suspensions.

Principal portfolios

	Gross L&A subject to forbearance programmes £m	Forbearance programmes proportion of outstanding balances %	Impairment coverage on gross L&A subject to forbearance programmes %	Marked to market LTV of home loan forbearance balances[a] %
As at 31 December 2012				
Home loans				
UK	1,596	1.4	0.8	36.6
Spain	174	1.3	5.8	68.9
Italy	217	1.4	2.9	49.1
Credit cards, overdrafts and unsecured loans				
UK cards[b,c]	991	6.3	37.8	n/a
UK personal loans	168	3.4	29.0	n/a
US cards[d]	116	1.3	15.0	n/a
Business lending[e]				
UK	203	2.5	15.4	n/a
As at 31 December 2011				
Home loans				

UK	1,613	1.5	0.8	31.6
Spain	145	1.0	3.7	67.4
Italy	171	1.1	2.6	46.5
Credit cards, overdrafts and unsecured loans				
UK cards[b,c]	989	6.5	38.2	n/a
UK personal loans	201	3.8	29.5	n/a
US cards[d]	125	1.7	19.7	n/a

Notes

a UK and Italy marked to market methodology is based on valuation weighted approach. Valuation weighted LTV is the ratio between total outstanding balance and the value of total collateral held against these balances. Spain marked to market methodology is based on balance weighted approach. Balance weighted LTV approach is derived by calculating individual LTVs at account level and weighting it by the individual loan balances to arrive at the average position. This is in line with local reporting practice.

b Impairment allowances against UK cards forbearance decreased, reflecting improved expectations on debt repayment. As a result, the impairment coverage ratio decreased during 2012. UK cards includes Barclays Branded Card and Partnership Card assets.

c UK cards includes balances related to the acquired Egg credit card assets, which totalled £1.7bn at acquisition. The outstanding acquired balances have been excluded from the forbearance impairment coverage ratio on the basis that the portfolio has been recognised on acquisition at fair value during 2011 (with no related impairment allowance). Impairment allowances have been recognised as appropriate where these relate to the period of post acquisition.

d US Cards includes the U-promise portfolio in 2012. The outstanding acquired balances have been excluded from the forbearance impairment coverage ratio on the basis that the portfolio has been recognised on acquisition at fair value during 2011.

e Forbearance policies for Business lending were implemented in 2012. Comparable figures for previous periods are not available.

Re-age activity

Re-age is applicable only to revolving products where a minimum due payment is required. Re-age refers to returning of a delinquent account to up-to-date status without collecting the full arrears (principal, interest and fees). The changes in timing of cash flows following re-aging do not result in any additional cost to Barclays. The following are the principal portfolios in which re-age activity occurs.

Principal Portfolios

	Re-aged balances in total outstanding, excluding recoveries balances		Re-aged balances as proportion of total outstanding, excluding recoveries balances		30 day arrears of re-aged balances at 12 months on book	
	2012	2011	**2012**	2011	**2012**	2011
As at 31 December	**£m**	£m	**%**	%	**%**	%
UK Cards	**232**	185	**1.6**	1.3	**17.2**	14.6
US Cards	**96**	170	**1.1**	2.4	**13.8**	16.4

Re-aged balances as a percentage of total outstanding, excluding recoveries balances increased in the UK cards portfolios. The decrease in US cards has been driven by improved ability of customers to self cure from a position of delinquency. The re-age activity in South Africa and Europe RBB cards portfolios are not considered to be material.

For further detail on policy relating to the re-aging of loans, please refer to page 287.

Exposures to interest only home loans

In the course of its retail lending business, the Group provides interest only mortgages to customers, mainly in the UK. Under the terms of these loans, the customer makes payments of interest only for the entire term of the mortgage, although customers may make early repayments of the principal provided that these are no more than 5% of the principal balance in any year.

Subject to such overpayments, the entire principal remains outstanding until the end of the loan term and the customer is responsible for repaying this on maturity. The repayment vehicle may include sale of the mortgaged property.

Interest only lending is subject to underwriting criteria that include: a maximum size of loan, maximum loan to value ratios, affordability and maximum loan term amongst other criteria. Borrowers on interest only terms must have a repayment strategy in place to repay the loan at maturity and a customer contact strategy has been developed to ensure ongoing communications are in place with interest only customers at various points during the term of the mortgage. The contact strategy is varied dependent on our view of the risk of the customer.

Interest only mortgages comprise £53bn (46%) of the total £115bn UK Home Loans portfolio. Of these, £46bn[a] are owner-occupied[b] with the remaining £7bn buy-to-let[c].

Exposure to interest only owner-occupied home loans

As at December 31	**2012**
Interest only balances (£m)	**45,693**
90 days arrears (%)	**0.3**
Marked to market LTV %	**45.2**
Interest only mortgages maturing during:	
2013 (£m)	710
2014 (£m)	872
2015 (£m)	1,046

Management adjustments to models

Management adjustments to models for impairment in retail portfolios are applied in order to factor in certain conditions or changes in policy that are not incorporated into the relevant impairment models, to ensure that the impairment allowance reflects all known facts and circumstances at the period end. The main factors in management adjustments to models include changes to reflect current economic conditions and a decline in recoveries. Adjustments typically increase the model derived impairment allowance.

Management adjustments to models for retail impairment resulted in a total additional impairment charge of £45.9m in 2012. Management adjustments to models of more than £10m with respect to impairment charge in our principal retail portfolios are presented below and represent £26.9m of the total adjustment.

Material portfolios

As at 31 December 2012	Total management adjustments to impairment charge, including forbearance £m	Total management adjustments charge proportion of total impairment charge %
Spain home loans	14.0	19.3
Portugal home loans	12.9	54.4

The high level of management adjustment for Spain and Portugal home loans in 2012 reflected a requirement to increase coverage to take into account potential declines in house prices.

Notes

a Balances also include the interest only portion of the Part and Part UK owner-occupied portfolio. A Part and Part Home Loan is a product in which part of the loan is interest only and part is amortising. Where customers request a further advance, this is generally made on a repayment basis. Advances made on a repayment basis have been included above.

b Owner-occupied refers to mortgages where the intention of the customer was to occupy the property at origination.

c Buy-to-let refers to mortgages where the intention of the customer (investor) was to let the property at origination.

Risk review

Credit risk continued

Wholesale credit risk

Gross loans and advances to customers and banks in the wholesale portfolios decreased 7% to £243.2bn principally as a result of a 9% fall in the Investment Bank mainly due to a reduction in corporate, interbank and other wholesale lending. For more detail, see analysis of Investment Bank wholesale loans and advances on page 102. Furthermore, there was a 6% decrease in balances in Corporate Banking primarily in Europe due to the disposal of the Iveco Finance business and a reduction in Spanish exposures.

The total loan impairment charge across the wholesale portfolios increased 13% to £1.5bn principally due to higher charges in the Investment Bank, due to charges in ABS CDO Super Senior positions and losses on a small number of single name exposures. In addition, there was a non-recurring release of £223m in 2011. Furthermore, the impairment charge in Africa RBB increased 118% to £174m, principally due to the impact of one large name in the commercial property portfolio in South Africa. This was partially offset by lower loan impairment charges in Corporate Banking, principally in Spain where there are ongoing initiatives to reduce exposure within the property and construction sector.

The higher impairment charge and lower loan balances led to a higher wholesale loan loss rate of 61bps in 2012 (2011: 50bps).

CRLs in the wholesale portfolio decreased 11% to £9,744m primarily due to decreases in Investment Banking, where lower balances principally reflected asset sales and paydowns, as well as decreases in Corporate Banking, where the lower balances principally reflected the disposal of the Iveco Finance business in Europe.

Presented below is further information related to the Group s wholesale lending portfolios by business, with additional analysis of portfolios in the Investment Bank and Corporate Banking. Further detail is presented on the Group s wholesale exposure to Eurozone countries (pages 107-118); geographic and industry asset concentrations (pages 82-84 and 89-90) and asset credit quality (pages 86-87).

Wholesale loans and advances at amortised cost[a,b]

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2012							
Africa RBB	**9,246**	**323**	**8,923**	**772**	**8.3**	**174**	**188**
Investment Bank[c]	**147,439**	**2,463**	**144,976**	**4,209**	**2.9**	**448**	**30**
Corporate Banking	**65,835**	**2,098**	**63,737**	**4,141**	**6.3**	**824**	**125**
UK	**52,667**	**428**	**52,239**	**1,381**	**2.6**	**279**	**53**
Europe	**8,122**	**1,536**	**6,586**	**2,607**	**32.1**	**527**	**649**
Rest of World	**5,046**	**134**	**4,912**	**153**	**3.0**	**18**	**36**
Wealth and Investment Management[d]	**19,236**	**141**	**19,095**	**603**	**3.1**	**38**	**20**
Head Office and Other Functions	**1,466**	**16**	**1,450**	**19**	**1.3**		
Total	**243,222**	**5,041**	**238,181**	**9,744**	**4.0**	**1,484**	**61**
As at 31 December 2011							
Africa RBB	9,729	294	9,435	720	7.4	80	82
Investment Bank[c]	161,194	2,555	158,639	5,253	3.3	129	8
Corporate Banking	70,268	2,235	68,033	4,312	6.1	1,071	152
UK	52,772	545	52,227	1,267	2.4	345	65
Europe	12,899	1,574	11,325	2,876	22.3	699	542
Rest of World	4,597	116	4,481	169	3.7	27	59
Wealth and Investment Management[d]	17,157	110	17,047	611	3.6	35	20
Head Office and Other Functions	1,958	17	1,941	36	1.8	(2)	(10)
Total	260,306	5,211	255,095	10,932	4.2	1,313	50

Notes

a Loans and advances to business customers in Europe RBB are included in the retail loans and advances to customers at amortised cost table on page 93.
b For December 2012 reporting UKRBB Medium Business net lending (2011: £2,680m) and Barclaycard s Global Payment Acceptance, Global Commercial Payments and Business Cards portfolios (2011: £468m) have been reclassified from wholesale to retail. These reclassifications (including comparatives) better reflect the way in which risk in these portfolios is managed.
c Investment Bank gross loans and advances include cash collateral and settlement balances of £85,116m as at 31 December 2012 and £75,707m as at 31 December 2011. Excluding these balances, CRLs as a proportion of gross loans and advances were 6.8% and 6.1% respectively.
d Wealth and Investment Management Private Bank net lending (2011: £14,627m) has been reclassified from retail to wholesale as at December 2012.

PCRLs and coverage ratios[a]

	CRLs[b]		PPLs		PCRLs	
	2012	2011	**2012**	2011	**2012**	2011
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m
Africa RBB	**772**	720	**84**	132	**856**	852
Investment Bank	**4,209**	5,253	**327**	445	**4,536**	5,698
Corporate Banking	**4,141**	4,312	**617**	756	**4,758**	5,068
Wealth and Investment Management	**603**	611	**74**	39	**677**	650
Head Office and Other Functions	**19**	36			**19**	36
Total wholesale	**9,744**	10,932	**1,102**	1,372	**10,846**	12,304

	Impairment allowance		CRL coverage		PCRL coverage	
	2012	2011	**2012**	2011	**2012**	2011
As at 31 December	**£m**	£m	**%**	%	**%**	%
Africa RBB	**323**	294	**41.8**	40.8	**37.7**	34.5
Investment Bank	**2,463**	2,555	**58.5**	48.6	**54.3**	44.8
Corporate Banking	**2,098**	2,235	**50.7**	51.8	**44.1**	44.1
Wealth and Investment Management	**141**	110	**23.4**	18.0	**20.8**	16.9
Head Office and Other Functions	**16**	17	**84.2**	47.2	**84.2**	47.2
Total wholesale	**5,041**	5,211	**51.7**	47.7	**46.5**	42.4

CRL balances in the wholesale portfolio decreased 11% to £9.7bn (Dec 11: £10.9bn) primarily due to falls in: Investment Bank, where lower balances principally reflected asset sales and paydowns; and Corporate Banking, where the lower balances principally reflected the disposal of the Iveco Finance business in Europe.

The CRL coverage ratio increased to 51.7% (2011: 47.7%). PPL balances in the wholesale portfolio decreased 20% principally due to reduced balances in the UK and Europe in Corporate Banking and Investment Bank. The PCRL coverage ratio increased to 46.5% (2011: 42.4%) .

Notes

a UKRBB Medium Business lending and Barclaycard s Global Payment Acceptance, Global Commercial Payments and Business Cards portfolios have been reclassified from wholesale to retail, whilst Wealth and Investment Management s Private Bank portfolio has been reclassified from retail to wholesale. This has resulted in a net increase in retail PCRLs of £9m and impairment allowance of £12m with a corresponding decrease in wholesale PCRLs and impairment allowance in 2011. These reclassifications (including comparatives) better reflect the way in which risk in these portfolios is managed.

b Includes all forbearance accounts that are 90 days+ and/or impaired.

Risk review

Credit risk continued

Analysis of Investment Bank wholesale loans and advances at amortised cost

Investment Bank wholesale loans and advances decreased 9% to £147,439m (2011: £161,194m). This was driven by a reduction in corporate, interbank and other wholesale lending offset by higher settlement balances.

Included within corporate lending and other wholesale lending portfolios are £1,336m (2011: £3,204m) of loans backed by retail mortgage collateral classified within financial institutions.

Analysis of Investment Bank wholesale loans and advances at amortised cost

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2012							
Loans and advances to banks							
Interbank lending	**13,737**	**41**	**13,696**	**51**	**0.4**	**41**	**30**
Cash collateral and settlement balances	**23,350**		**23,350**				
Loans and advances to customers							
Corporate lending	**29,468**	**285**	**29,183**	**519**	**1.8**	**160**	**54**
Government lending	**1,369**		**1,369**				
ABS CDO Super Senior	**3,099**	**1,712**	**1,387**	**3,099**	**100.0**	**232**	**748**
Other wholesale lending	**14,650**	**425**	**14,225**	**540**	**3.7**	**15**	**10**
Cash collateral and settlement balances	**61,766**		**61,766**				
Total	**147,439**	**2,463**	**144,976**	**4,209**	**2.9**	**448**	**30**
As at 31 December 2011							
Loans and advances to banks							
Interbank lending	19,655	45	19,610	34	0.2	(5)	(3)
Cash collateral and settlement balances	23,066		23,066				
Loans and advances to customers							
Corporate lending	38,326	730	37,596	1,515	4.0	194	51
Government lending	3,276		3,276				
ABS CDO Super Senior	3,390	1,548	1,842	3,390	100.0	6	18
Other wholesale lending	20,840	232	20,608	314	1.5	(66)	(32)
Cash collateral and settlement balances	52,641		52,641				
Total	161,194	2,555	158,639	5,253	3.3	129	8

Wholesale forbearance programmes

Wholesale client relationships are individually managed with lending decisions made with reference to specific circumstances and on bespoke terms. Forbearance occurs when Barclays, for reasons relating to the actual or perceived financial difficulty of an obligor, grants a concession below current Barclays standard rates (i.e. lending criteria below our current lending terms), that would not normally be considered. This includes all troubled debt restructures granted below our standard rates.

Wholesale forbearance reporting split by exposure class

	Sovereign £m	Financial institutions £m	Corporate £m	Personal and trusts £m	Total £m
As at 31 December 2012					
Restructure: reduced contractual cash flows	4	16	405		425
Restructure: maturity date extension	5	107	1,412	33	1,557
Restructure: changed cash flow profile (other than extension)	5	46	876	26	953
Restructure: payment other than cash			71	1	72
Change in security			76	8	84
Adjustments/non-enforced covenants	10	7	626	128	771
Other			318	74	392
Total	24	176	3,784	270	4,254

Wholesale forbearance reporting split by business unit

	Corporate Banking £m	Investment Bank £m	Wealth and Investment Management £m	Africa RBB £m	Total £m
As at 31 December 2012					
Restructure: reduced contractual cash flows	258	138		29	425
Restructure: maturity date extension	952	408	112	85	1,557
Restructure: changed cash flow profile (other than extension)	624	152	70	107	953
Restructure: payment other than cash	64	7	1		72
Change in security	45	26	12	1	84
Adjustments/non-enforced covenants	377	115	277	2	771
Other	162		211	19	392
Total	2,482	846	683	243	4,254

The tables above detail balance information for wholesale forbearance cases. Comparable figures for previous reporting periods are not available.

Loan impairment on forbearance cases amounted to £1,149m at 31 December 2012, which represented 27% of total forbearance balances. At 31 December 2012, maturity date extension accounted for the largest proportion of forbearance recognised, followed by changes to cash flow profile other than maturity extension, adjustments to or non-enforcement of covenants, and reduction of contractual cash flows.

Corporate borrowers accounted for 89% of balances and 95% of impairment booked to forbearance exposures at 31 December 2012, with impairment representing 29% of forbearance balances.

Corporate Banking accounted for the single largest proportion of overall Group forbearance, with forbearance exposures concentrated in Western Europe and particularly Spain, which accounted for 29% of total Group forbearance balances and 45% of total impairment booked to forbearance exposures at 31 December 2012.

UK Commercial Real Estate (UK CRE)

The UK CRE portfolio includes property investment, development, trading and housebuilders but excludes social housing contractors.

Total loans and advances at amortised cost to UK CRE amounted to £9,676m[a] at 31 December 2012 (2011: £9,519m), with a total of £295m (3.0% of the total) being past due (2011: £366m; 3.8%). Impairment allowances totalled £80m at 31 December 2012 (2011: £78m).

The impairment charge for 2012 for the UK CRE portfolio was £49m (2011: £40m) with the increase primarily relating to UK Corporate Banking.

Note

a An additional £270m (2011: £321m) of UK CRE exposure is held at fair value.

Credit risk continued

Analysis of debt securities

Debt securities include government securities held as part of the Group s treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group.

The following tables provide an analysis of debt securities held by the Group for trading and investment purposes by issuer type and where the Group held government securities exceeding 10% of shareholders equity in any of the last three years.

Further information on the credit quality of debt securities is presented on pages 86-87. Further disclosure on sovereign exposures in the Eurozone is presented on pages 107-118.

Debt securities

	2012		2011	
As at 31 December	£m	%	£m	%
Of which issued by:				
Governments and other public bodies	**124,803**	**63.8**	117,489	62.1
Corporate and other issuers	**35,761**	**18.3**	40,041	21.2
US agency	**19,886**	**10.2**	17,249	9.1
Mortgage and asset backed securities	**14,556**	**7.4**	13,713	7.3
Bank and building society certificates of deposit	**548**	**0.3**	577	0.3
Total	**195,554**	**100.0**	189,069	100.0

Government securities

	2012	2011	2010
	Fair value	Fair value	Fair value
As at 31 December	£m	£m	£m
United States	**36,740**	45,932	25,553
United Kingdom	**29,252**	19,722	21,999
South Africa	**6,582**	6,657	5,324
France	**6,462**	6,357	3,731
Japan	**6,439**	8,221	7,210
Germany	**4,501**	6,823	3,008
Italy	**3,717**	4,432	6,443
Spain	**2,467**	3,152	6,573

Analysis of derivatives (audited)

The tables below set out the fair values of the derivative assets together with the value of those assets subject to enforceable counterparty netting arrangements for which the Group holds offsetting liabilities and eligible collateral.

Derivative assets (audited)

	Balance sheet assets £m	Counterparty netting £m	Net exposure £m
As at 31 December 2012			
Foreign exchange	**59,479**	**50,084**	**9,395**
Interest rate	**354,992**	**299,068**	**55,924**
Credit derivatives	**29,797**	**25,497**	**4,300**
Equity and stock index	**10,985**	**6,821**	**4,164**
Commodity derivatives	**13,893**	**6,202**	**7,691**
Total derivative assets	**469,146**	**387,672**	**81,474**
Cash collateral held			**46,855**
Net exposure less collateral			**34,619**
As at 31 December 2011			
Foreign exchange	63,886	53,570	10,316
Interest rate	376,162	315,924	60,238
Credit derivatives	63,313	51,930	11,383
Equity and stock index	13,202	8,944	4,258
Commodity derivatives	22,401	10,224	12,177
Total derivative assets	538,964	440,592	98,372
Cash collateral held			51,124
Net exposure less collateral			47,248

Barclays received collateral from clients in support of OTC derivative transactions. These transactions are generally undertaken under International Swaps and Derivatives Association (ISDA) agreements governed by either UK or New York law.

Exposure relating to derivatives, repurchase agreements, reverse repurchase agreements, stock borrowing and loan transactions is calculated using internal FSA approved models. These are used as the basis to assess both regulatory capital and capital appetite and are managed on a daily basis. The methodology encompasses all relevant factors to enable the current value to be calculated and the future value to be estimated, for example, current market rates, market volatility and legal documentation (including collateral rights).

Risk review

Credit risk continued

Barclays Credit Market Exposures (audited)[a]

During 2012, credit market exposures decreased by £5,851m to £9,310m, reflecting net sales and paydowns and other movements of £5,436m, foreign exchange movements of £459m, offset by net fair value gains and impairment charges of £44m.

Barclays credit market exposures

					2012		
As at 31 December	2012 $m	2011 $m	2012 £m	2011 £m	Fair value (losses)/ gains and net funding £m	Impairment (charge)/ release £m	Total (losses)/ gains £m
US residential mortgages							
ABS CDO Super Senior	**2,243**	2,844	**1,387**	1,842	**(33)**	**(232)**	**(265)**
US sub-prime and Alt-A[b]	**1,129**	2,134	**698**	1,381	**83**	**(22)**	**61**
Commercial mortgages							
Commercial real estate loans and properties	**4,411**	8,228	**2,727**	5,329	**115**		**115**
Commercial mortgage backed securities[b]	**411**	1,578	**254**	1,022	**154**		**154**
Monoline protection on CMBS		14		9			
Other credit market							
Leveraged Finance[c]	**5,732**	6,278	**3,544**	4,066	**(54)**	**11**	**(43)**
SIVs, SIV-Lites and CDPCs		9		6	**(1)**		**(1)**
Monoline protection on CLO and other	**956**	1,729	**591**	1,120	**(29)**		**(29)**
CLO and other assets[b]	**176**	596	**109**	386	**52**		**52**
Total	**15,058**	23,410	**9,310**	15,161	**287**	**(243)**	**44**

¡ Net sales, paydowns and other movements of £5,436m included:

£2,497m of commercial real estate loans and properties including sale of BauBeCon for £898m (1,131m) in August, 100% stake in Archstone for £857m ($1,338m) and sale of Calwest for £341m ($550m) in September;

£885m commercial mortgage backed securities;

£693m US sub-prime and Alt-A;

£470m leveraged finance primarily relating to three counterparties;

£449m monoline protection on CLO and other; and

£317m CLO and other assets.

¡ ABS CDO Super Senior and leveraged finance exposures are accounted for at amortised cost less impairment. The fair values of these exposures as at 31 December 2012 were £922m and £3,059m respectively (31 December 2011: £917m and £3,350m). Materially, all other credit market exposures are accounted for on a fair value basis.

Notes

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

b Collateral assets of £719m (31 December 2011: £2,272m) previously underlying the Protium loan are now included within the relevant asset classes as the assets are now managed alongside similar credit market exposures. These assets comprised: US sub-prime and Alt-A £352m (31 December 2011: £965m), commercial mortgage backed securities £258m (31 December 2011: £921m), CLO and other assets £109m (31 December 2011: £386m).

c Includes undrawn commitments of £202m (31 December 2011: £180m).

Exposures to Eurozone countries (audited)

Overview

The Group recognises the credit and market risk resulting from the ongoing volatility in the Eurozone and continues to monitor events closely while taking coordinated steps to mitigate the risks associated with the challenging economic environment. Risks associated with a potential partial break-up of the Euro area include:

- Direct risk arising from sovereign default of an exiting country and the impact on the economy of, and the Group s counterparties in, that country;
- Indirect risk arising from the subsequent impact on the economy of, and the Group s counterparties in, other Eurozone countries;
- Indirect risk arising from credit derivatives that reference Eurozone sovereign debt (see page 117); and
- Direct redenomination risk on the potential mismatch in the currency of the assets and liabilities on balance sheets of the Group s local operations in countries in the Eurozone (see page 118).

The Group has performed and continues to perform stress tests to model the event of a break-up of the Eurozone area. Contingency planning has also been undertaken based on a series of potential scenarios that might arise from an escalation in the crisis. Multiple tests have been run to establish the impact on customers, systems, processes and staff in the event of the most plausible scenarios. Where issues have been identified, appropriate remedial actions have either been completed or are underway.

During 2012 the Group s net on-balance sheet exposures to Spain, Italy, Portugal, Ireland, Cyprus and Greece reduced by 13% to £59.0bn. Exposure to retail customers and corporate clients reduced 12% to £48.1bn, largely reflecting reduced lending in Spain, Italy and Portugal as part of the active management to reduce redenomination risk. Sovereign exposure decreased 29% to £5.0bn, principally due to a reduction in government bonds held as available for sale.

Basis of preparation

These disclosures are prepared on the same basis as the previous Annual Report and present the direct balance sheet exposure to credit and market risk by country, with the totals reflecting allowance for impairment, netting and cash collateral held where appropriate.

Trading and derivatives balances relate to Investment Bank activities, principally as market-maker for government bond positions. Positions are held at fair value, with daily movements taken through profit and loss:

- Trading assets and liabilities are presented by issuer type, whereby positions are netted to the extent allowable under IFRS. Where liability positions exceed asset positions by counterparty type, exposures are presented as nil;
- Derivative assets and liabilities are presented by counterparty type, whereby positions are netted to the extent allowable under IFRS. Cash collateral held is then added to give a net credit exposure. Where liability positions and collateral held exceed asset positions by counterparty type, exposures are presented as nil; and
- Assets designated at fair value include debt and equity securities, loans and reverse repurchase agreements that have been designated at fair value.

Available for sale assets are principally investments in government bonds and other debt securities. Balances are reported on a fair value basis, with movements in fair value going through other comprehensive income (OCI).

Loans and advances held at amortised cost[a] comprise: (i) retail lending portfolios, predominantly mortgages secured on residential property; and (ii) corporate lending portfolios. Settlement balances and cash collateral are excluded from this analysis.

Sovereign exposures reflect direct exposures to central and local governments[b], the majority of which are used for hedging interest rate risk and liquidity purposes. The remaining portion is actively managed reflecting our role as a leading primary dealer, market maker and liquidity provider to our clients. Financial institution and corporate exposures reflect the country of operations of the counterparty or issuer depending on the asset class analysed (including foreign subsidiaries and without reference to cross-border guarantees). Retail exposures reflect the country of residence for retail customers and country of operations for business banking customers. Off-balance sheet exposure consists primarily of undrawn commitments and guarantees issued to third parties on behalf of our corporate clients.

Notes

a The Group also enters into reverse repurchase agreements and other similar secured lending, which are materially fully collateralised.
b In addition, the Group held cash with the central banks of these countries totalling £0.7bn as at 31 December 2012 (2011: £0.8bn). Other material balances with central banks are classified within loans to financial institutions.

Risk review

Credit risk continued

Summary of Group exposures

The following table shows Barclays exposure to Eurozone countries monitored internally as being higher risk and thus being the subject of particular management focus. Detailed analysis on these countries is on pages 110-116. Exposures on loans and advances to geographic regions including Europe as a whole are set out on pages 89-90. The net exposure provides the most appropriate measure of the credit risk to which the Group is exposed. The gross exposure is also presented below, alongside off-balance sheet contingent liabilities and commitments. Gross exposure reflects total exposures before the effects of economic hedging by way of trading portfolio liabilities, derivative liabilities, and cash collateral, but after taking into account impairment allowances and IFRS netting.

Net exposure by country and counterparty (audited)

	Sovereign £m	Financial institutions £m	Corporate £m	Residential mortgages £m	Other retail lending £m	Total net on-balance sheet exposure £m	Contingent liabilities and commitments £m	Total net exposure £m
As at 31 December 2012								
Spain	**1,690**	**1,488**	**4,135**	**13,305**	**2,428**	**23,046**	**3,301**	**26,347**
Italy	**2,669**	**528**	**1,962**	**15,591**	**1,936**	**22,686**	**3,082**	**25,768**
Portugal	**637**	**48**	**1,958**	**3,474**	**1,783**	**7,900**	**2,588**	**10,488**
Ireland	**11**	**3,768**	**1,127**	**112**	**83**	**5,101**	**1,644**	**6,745**
Cyprus	**8**		**106**	**44**	**26**	**184**	**131**	**315**
Greece	**1**		**61**	**8**	**9**	**79**	**5**	**84**
As at 31 December 2011								
Spain	2,530	987	5,345	14,654	3,031	26,547	3,842	30,389
Italy	3,493	669	2,918	15,934	2,335	25,349	3,140	28,489
Portugal	810	51	3,295	3,651	2,053	9,860	2,536	12,396
Ireland	244	4,311	977	94	86	5,712	1,582	7,294
Cyprus	15		128	51	2	196	127	323
Greece	14	2	67	5	18	106	26	132

During 2012 the Group s sovereign exposure to Spain, Italy, Portugal, Ireland, Cyprus and Greece reduced by 29% to £5.0bn. Spanish sovereign exposure reduced 33% to £1.7bn due to the disposal of available for sale government bonds, held for the purpose of interest rate hedging and liquidity, which have been replaced by interest rate swaps with alternative counterparties. Italian sovereign exposure decreased 24% to £2.7bn principally due to a reduction in government bonds held as available for sale.

Residential mortgage exposure reduced by 5% to £32.5bn, reflecting lower new originations across Spain, Italy and Portugal in line with Group strategy to reduce redenomination risk. Other retail lending reduced by 17% to £6.3bn driven primarily by reduced lending to business banking customers in Spain and Portugal as a result of the challenging economic conditions. Corporate exposure reduced 27% to £9.3bn, largely reflecting reduced lending in Spain, Italy and Portugal as part of the active management to reduce the aggregate net funding mismatch in local balance sheets. Exposures to financial institutions fell marginally by 3% to £5.8bn, with reduced exposure in Ireland of £0.5bn and in Italy of £0.1bn offsetting an increase in Spain of £0.5bn.

Gross exposure by country and counterparty (audited)

	Sovereign £m	Financial institutions £m	Corporate £m	Residential mortgages £m	Other retail lending £m	Total gross on-balance sheet exposure £m	Contingent liabilities and commitments £m	Total gross exposure £m
As at 31 December 2012								
Spain	**2,523**	**9,253**	**4,447**	**13,305**	**2,428**	**31,956**	**3,301**	**35,257**
Italy	**5,428**	**7,687**	**2,348**	**15,591**	**1,936**	**32,990**	**3,082**	**36,072**

Portugal	**1,035**	**347**	**2,130**	**3,474**	**1,783**	**8,769**	**2,588**	**11,357**
Ireland	**46**	**8,613**	**1,397**	**112**	**83**	**10,251**	**1,644**	**11,895**
Cyprus	**8**	**102**	**120**	**44**	**26**	**300**	**131**	**431**
Greece	**3**	**1,181**	**61**	**8**	**9**	**1,262**	**5**	**1,267**
As at 31 December 2011								
Spain	3,278	8,593	5,751	14,654	3,031	35,307	3,842	39,149
Italy	5,530	6,921	3,469	15,934	2,335	34,189	3,140	37,329
Portugal	1,102	400	3,541	3,651	2,053	10,747	2,536	13,283
Ireland	348	10,105	1,665	94	86	12,298	1,582	13,880
Cyprus	15	120	128	51	2	316	127	443
Greece	14	1,111	67	5	18	1,215	26	1,241

Barclays has exposures to other Eurozone countries as set out below. Total net on-balance sheet exposures to individual countries that are less than £1bn are reported in aggregate under Other .

Net exposure by country and counterparty (audited)

	Sovereign £m	Financial institutions £m	Corporate £m	Residential mortgages £m	Other retail lending £m	Total net on-balance sheet exposure £m	Contingent liabilities and commitments £m	Total net exposure £m
As at 31 December 2012								
France	**3,746**	**5,345**	**3,905**	**2,607**	**121**	**15,724**	**7,712**	**23,436**
Germany	**277**	**4,454**	**4,945**	**27**	**1,734**	**11,437**	**6,604**	**18,041**
Netherlands	**3,503**	**4,437**	**2,002**	**16**	**92**	**10,050**	**2,205**	**12,255**
Luxembourg	**13**	**1,481**	**704**	**151**	**49**	**2,398**	**812**	**3,210**
Belgium	**2,548**	**284**	**239**	**9**	**6**	**3,086**	**1,525**	**4,611**
Austria	**1,047**	**228**	**187**	**5**		**1,467**	**127**	**1,594**
Finland	**1,044**	**209**	**140**	**3**		**1,396**	**461**	**1,857**
Other	**210**	**9**	**24**	**26**	**41**	**310**	**25**	**335**
As at 31 December 2011								
France	4,189	4,969	4,232	2,796	260	16,446	8,121	24,567
Germany	3,444	2,570	2,963	14	1,551	10,542	6,623	17,165
Netherlands	244	4,596	1,807	14	4	6,665	1,899	8,564
Luxembourg[a]		1,842	809	103	85	2,839	765	3,604
Belgium	2,033	42	282	10		2,367	881	3,248
Austria	134	360	237	5	2	738	119	857
Finland	298	47	43	3		391	447	838
Other	202	3	35	32	43	315	49	364

During 2012 the Group s net on-balance sheet exposures to other Eurozone countries increased by 14% to £45.9bn. Sovereign exposure increased 17% to £12.4bn principally due to an increase in government bonds held as available for sale in the Netherlands, Austria and Finland of £4.4bn, partially offset by a reduction in traded exposures to Germany of £3.0bn. Exposures to financial institutions and corporates increased 14% and 17%, to £16.4bn and £12.1bn respectively, reflecting increases in securities issued by German counterparties.

Gross exposure by country and counterparty (audited)

	Sovereign £m	Financial institutions £m	Corporate £m	Residential mortgages £m	Other retail lending £m	Total gross on-balance sheet exposure £m	Contingent liabilities and commitments £m	Total gross exposure £m
As at 31 December 2012								
France	**6,310**	**44,631**	**5,301**	**2,607**	**121**	**58,970**	**7,712**	**66,682**
Germany	**7,413**	**45,686**	**7,156**	**27**	**1,734**	**62,016**	**6,604**	**68,620**
Netherlands	**5,365**	**20,217**	**2,856**	**16**	**92**	**28,546**	**2,205**	**30,751**
Luxembourg	**13**	**5,092**	**1,061**	**151**	**49**	**6,366**	**812**	**7,178**
Belgium	**3,764**	**6,214**	**560**	**9**	**6**	**10,553**	**1,525**	**12,078**
Austria	**1,332**	**2,320**	**273**	**5**		**3,930**	**127**	**4,057**
Finland	**1,624**	**7,228**	**265**	**3**		**9,120**	**461**	**9,581**
Other	**525**	**28**	**29**	**26**	**41**	**649**	**25**	**674**
As at 31 December 2011								
France	6,636	44,879	5,771	2,796	260	60,342	8,121	68,463

Germany	9,105	45,639	5,708	14	1,551	62,017	6,623	68,640
Netherlands	2,116	14,399	7,273	14	4	23,806	1,899	25,705
Luxembourg	1,034	4,221	1,056	103	85	6,499	765	7,264
Belgium	2,889	9,760	653	10		13,312	881	14,193
Austria	454	2,922	289	5	2	3,672	119	3,791
Finland	1,023	11,821	127	3		12,974	447	13,421
Other	489	35	35	32	43	634	49	683

Note

a Exposure to financial institutions has been restated to exclude exposures to supranational entities.

Risk review

Credit risk continued

Spain (audited)

Fair value through profit or loss

	Trading portfolio			Derivatives				Designated at FV	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2012	2011
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	905	(806)	99	27	(27)				99	
Financial institutions	577	(117)	460	7,648	(7,560)	(88)		291	751	221
Corporate	272	(106)	166	489	(206)		283	365	814	629

Fair value through OCI

	Available for sale assets[a]			
	Cost	AFS reserve	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	1,588	(26)	1,562	2,468
Financial institutions	491	(11)	480	490
Corporate	10		10	2

Held at amortised cost

	Loans and advances			
	Gross	Impairment allowances	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	29		29	62
Financial institutions	271	(14)	257	276
Residential mortgages	13,424	(119)	13,305	14,654
Corporate	4,371	(1,060)	3,311	4,714
Other retail lending	2,564	(136)	2,428	3,031

Off-balance sheet

	Contingent liabilities and commitments	
	2012	2011
As at 31 December	£m	£m
Sovereign		188
Financial institutions	88	22
Residential mortgages	12	20
Corporate	1,938	2,510
Other retail lending	1,263	1,102

Note

a Cost refers to the fair value of the asset at recognition, less any impairment booked. AFS reserve is the cumulative fair value gain or loss on the assets that is held in equity. Total is the fair value of the assets at the balance sheet date.

Sovereign

- £1,562m (2011: £2,468m) AFS holdings in government bonds. No impairment and £26m (2011: £51m) cumulative fair value loss held in AFS reserve.

Financial institutions

- £751m (2011: £221m) held at fair value through profit and loss, predominantly debt securities held by the Investment Bank to support trading and market making activities; and
- £480m (2011: £490m) AFS assets with £11m (2011: £17m) cumulative loss held in AFS reserve.

Residential mortgages

- £13,305m (2011: £14,654m) fully secured on residential property with average balance weighted marked to market LTV of 64.6% (2011: 60.1%). The increase in LTV is reflected in the CRL coverage of 36% (2011: 28%);
- 90 day arrears rates have increased to 0.7% (2011: 0.5%) while gross charge-off rates have increased to 1.1% (2011: 0.6%).

Corporate

- Net lending to corporates of £3,311m (2011: £4,714m) with CRLs of £1,887m (2011: £2,073), impairment allowance of £1,060m (2011: £1,187m) and CRL coverage of 56% (2011: 57%). Balances on early warning lists peaked in November 2010. The portfolio is kept under close review and impairment recognised as appropriate;
- Net lending to the property and construction industry of £1,188m (2011: £1,866m) largely secured on real estate collateral, with CRLs of £1,429m (2011: £1,664m), impairment allowance of £820m (2011: £810m) and CRL coverage of 57% (2011: 49%);
- Corporate impairment in Spain was at its highest level during the first half of 2010 when commercial property declines were reflected earlier in the cycle; and
- £359m (2011: £488m) lending to multinational and large national corporates, which continues to perform.

Other retail lending

- £1,052m (2011: £1,115m) credit cards and unsecured loans. 30 days and 90 days arrears rates and charge-off rates in credit cards and unsecured loans were broadly stable in 2012; and
- £1,045m (2011: £1,529m) lending to small and medium enterprises (SMEs), largely secured against residential or commercial property.

Risk review

Credit risk continued

Italy (audited)

Fair value through profit or loss

	Trading portfolio			Derivatives				Designated at FV	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2012	2011
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	2,178	(2,178)		1,702	(581)		1,121	2	1,123	1,144
Financial institutions	271	(85)	186	7,074	(5,341)	(1,733)		166	352	456
Corporate	282	(116)	166	477	(214)	(56)	207	326	699	171

Fair value through OCI

	Available for sale assets[a]			
	Cost	AFS reserve	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	1,509	28	1,537	2,334
Financial institutions	134	4	138	138
Corporate	27	2	29	27

Held at amortised cost

	Loans and advances			
	Gross	Impairment allowances	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	9		9	15
Financial institutions	38		38	75
Residential mortgages	15,698	(107)	15,591	15,934
Corporate	1,354	(120)	1,234	2,720
Other retail lending	2,042	(106)	1,936	2,335

Off-balance sheet

	Contingent liabilities and commitments	
	2012	2011
As at 31 December	£m	£m
Financial institutions	90	17
Residential mortgages	45	101
Corporate	2,158	2,034
Other retail lending	789	988

Sovereign

¡ Predominantly £1,537m (2011: £2,334m) AFS government bonds with no impairment and £28m cumulative fair value gain (2011: £123m cumulative fair value loss) held in the AFS reserve.

Residential mortgages

¡

£15,591m (2011: £15,934m) secured on residential property with average valuation weighted marked to market LTV of 46.7% (2011: 46.9%). CRL coverage of 23% (2011: 25%) remains stable; and

- 90 day arrears at 1.0% (2011: 1.0%) were stable; however gross charge-off rates increased to 0.8% (2011: 0.5%).

Corporate

- £1,234m (2011: £2,720m) focused on large corporate clients with very limited exposure to the property sector; and

- Balances in early warning lists were broadly stable since December 2011.

Other retail lending

- £1,337m (2011: £1,615m) Italian salary advance loans (repayment deducted at source by qualifying employers and Barclays is insured in the event of termination of employment or death). Arrears rates on salary loans improved during 2012 while charge-off rates deteriorated; and

- £434m (2011: £483m) credit cards and other unsecured loans. Arrears rates (both 30 and 90 days) and gross charge-off rates in cards and unsecured loans have improved in 2012.

Note

a Cost refers to the fair value of the asset at recognition, less any impairment booked. AFS reserve is the cumulative fair value gain or loss on the assets that is held in equity. Total is the fair value of the assets at the balance sheet date.

Portugal (audited)

Fair value through profit or loss

	Trading portfolio			Derivatives				Designated at FV	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2012	2011
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	144	(136)	8	262	(262)				8	69
Financial institutions	22	(4)	18	295	(176)	(119)			18	11
Corporate	62	(16)	46	362	(151)	(5)	206		252	328

Fair value through OCI

	Available for sale assets[a]			
	Cost	AFS reserve	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	598	(4)	594	716
Financial institutions	2		2	2
Corporate	332	(1)	331	677

Held at amortised cost

	Loans and advances			
	Gross	Impairment allowances	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	35		35	25
Financial institutions	28		28	38
Residential mortgages	3,505	(31)	3,474	3,651
Corporate	1,671	(296)	1,375	2,290
Other retail lending	1,985	(202)	1,783	2,053

Off-balance sheet

	Contingent liabilities and commitments	
	2012	2011
As at 31 December	£m	£m
Sovereign		3
Financial institutions	1	3
Residential mortgages	25	52
Corporate	889	1,101
Other retail lending	1,673	1,377

Sovereign

- £637m (2011: £810m) largely AFS government bonds. No impairment and £4m (2011: £159m) cumulative fair value loss held in the AFS reserve.

Residential mortgages

- Secured on residential property with average balance weighted marked to market LTV of 77.6% (2011: 69.6%). The higher LTV is reflected in a higher CRL coverage of 25% (2011: 14%); and

- 90 day arrears rates remained stable at 0.7% (2011: 0.6%) while the recoveries impairment coverage improved to 25.6% (2011: 15.0%) driven by an increase in loss given default rates.

Corporate

- Net lending to corporates of £1,375m (2011: £2,290m), with CRLs of £501m (2011: £443m), impairment allowance of £296m (2011: £194m) and CRL coverage of 59% (2011: 44%); and

- Net lending to the property and construction industry of £364m (2011: £541m) secured, in part, against real estate collateral, with CRLs of £275m (2011: £277m), impairment allowance of £149m (2011: £107m) and CRL coverage of 54% (2011: 39%).

Other retail lending

- £950m (2011: £1,052m) credit cards and unsecured loans. During 2012, arrears rates in the cards portfolio deteriorated while charge-off rates improved; and

- CRL coverage of 74% (2011: 78%) driven by credit cards and unsecured loans exposure.

Note

a Cost refers to the fair value of the asset at recognition, less any impairment booked. AFS reserve is the cumulative fair value gain or loss on the assets that is held in equity. Total is the fair value of the assets at the balance sheet date.

Risk review

Credit risk continued

Ireland (audited)

Fair value through profit or loss

	Trading portfolio			Derivatives				Designated at FV	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2012	2011
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	35	(35)						2	2	39
Financial institutions	1,003	(32)	971	4,813	(3,828)	(985)		582	1,553	1,561
Corporate	170	(37)	133	386	(35)	(198)	153	7	293	52

Fair value through OCI

	Available for sale assets[a]			
	Cost	AFS reserve	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	9		9	205
Financial institutions	63	(3)	60	249
Corporate	4		4	

Held at amortised cost

	Loans and advances			
	Gross	Impairment allowances	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Financial institutions	2,309	(154)	2,155	2,501
Residential mortgages	122	(10)	112	94
Corporate	866	(36)	830	925
Other retail lending	83		83	86

Off-balance sheet

	Contingent liabilities and commitments	
	2012	2011
As at 31 December	£m	£m
Financial institutions[b]	628	702
Corporate	1,007	872
Other retail lending	9	8

Financial institutions

- Exposure focused on financial institutions with investment grade credit ratings;
- Exposure to Irish banks amounted to £102m (2011: £58m); and

- £1.4bn (2011: £1.3bn) of loans relate to issuers domiciled in Ireland whose principal business and exposures are outside of Ireland.

Corporate

- £830m (2011: £925m) net loans and advances, including a significant proportion to other multinational entities domiciled in Ireland, whose principal businesses and exposures are outside of Ireland; and

- The portfolio continues to perform and has not been impacted materially by the decline in the property sector.

Notes

a Cost refers to the fair value of the asset at recognition, less any impairment booked. AFS reserve is the cumulative fair value gain or loss on the assets that is held in equity. Total is the fair value of the assets at the balance sheet date.
b The comparative figure has been restated following the re-designation of counterparties from the year end.

Cyprus (audited)

Fair value through profit or loss

	Trading portfolio			Derivatives				Designated at FV	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2012	2011
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial institutions				102	(102)					
Corporate				26	(8)	(6)	12		12	11

Held at amortised cost

	Loans and advances			
	Gross	Impairment allowances	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign	8		8	15
Residential mortgages	44		44	51
Corporate	94		94	117
Other retail lending	26		26	2

Off-balance sheet

	Contingent liabilities and commitments	
	2012	2011
As at 31 December	£m	£m
Corporate	94	107
Other retail lending	37	20

Risk review

Credit risk continued

Greece (audited)

Fair value through profit or loss

	Trading portfolio			Derivatives				Designated at FV	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2012	2011
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	3	(2)	1						1	8
Financial institutions				1,181	(231)	(950)				2
Corporate	3		3						3	3

Fair value through OCI

	Available for sale assets[a]			
	Cost	AFS reserve	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Sovereign				6

Held at amortised cost

	Loans and advances			
	Gross	Impairment allowances	2012 Total	2011 Total
As at 31 December	£m	£m	£m	£m
Residential mortgages	8		8	5
Corporate	58		58	64
Other retail lending	22	(13)	9	18

Off-balance sheet

	Contingent liabilities and commitments	
	2012	2011
As at 31 December	£m	£m
Financial institutions		1
Corporate	3	3
Other retail lending	2	22

Note

a Cost refers to the fair value of the asset at recognition, less any impairment booked. AFS reserve is the cumulative fair value gain or loss on the assets that is held in equity. Total is the fair value of the assets at the balance sheet date.

Analysis of indirect exposures

Indirect exposure to sovereigns can arise through a number of different sources, including credit derivatives referencing sovereign debt; guarantees to savings and investment funds which hold sovereign risk; lending to financial institutions who themselves hold exposure to sovereigns and guarantees, implicit or explicit, by the sovereign to the Group s counterparties. A geographic and industrial analysis of the Group s loans and advances, including lending to European counterparties by type, is set out on pages 89-90.

Credit derivatives referencing sovereign debt

The Group enters into credit mitigation arrangements (principally credit default swaps and total return swaps) for which the reference asset is government debt. For Spain, Italy and Portugal these have the net effect of reducing the Group s exposure in the event of sovereign default. An analysis of the Group s credit derivatives referencing sovereign debt is presented below.

	Spain £m	Italy £m	Portugal £m	Ireland £m	Cyprus £m	Greece £m
As at 31 December 2012						
Fair value						
Bought	**656**	**1,092**	**337**	**84**	**1**	
Sold	**(640)**	**(1,026)**	**(327)**	**(94)**	**(1)**	
Net derivative fair value	**16**	**66**	**10**	**(10)**		
Contract notional amount						
Bought	**(11,840)**	**(18,008)**	**(3,535)**	**(3,220)**	**(7)**	
Sold	**11,702**	**17,635**	**3,437**	**3,274**	**7**	
Net derivative notional amount	**(138)**	**(373)**	**(98)**	**54**		
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	**(122)**	**(307)**	**(88)**	**44**		
As at 31 December 2011						
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(157)	(374)	(26)	(49)		19

The fair values and notional amounts of credit derivative assets and liabilities would be lower than reported under IFRS if netting was permitted for assets and liabilities with the same counterparty or for which we hold cash collateral. An analysis of the effects of such netting is presented below.

	Spain £m	Italy £m	Portugal £m	Ireland £m	Cyprus £m	Greece £m
As at 31 December 2012						
Fair value						
Bought	**165**	**289**	**119**	**33**	**1**	
Sold	**(149)**	**(223)**	**(109)**	**(43)**	**(1)**	
Net derivative fair value	**16**	**66**	**10**	**(10)**		
Contract notional amount						
Bought	**(2,550)**	**(3,943)**	**(1,118)**	**(1,006)**	**(4)**	
Sold	**2,412**	**3,570**	**1,020**	**1,060**	**4**	
Net derivative notional amount	**(138)**	**(373)**	**(98)**	**54**		
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	**(122)**	**(307)**	**(88)**	**44**		
As at 31 December 2011						
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(157)	(374)	(26)	(49)		19

Credit derivatives are contracts whereby the default risk of an asset (reference asset) is transferred from the buyer to the seller of the credit derivative contract. Credit derivatives referencing sovereign assets are bought and sold to support client transactions and for risk management purposes. The contract notional amount represents the size of the credit derivative contracts that have been bought or sold, while the fair value represents the change in the value of the reference asset. The net protection or exposure from credit derivatives in the event of sovereign default amount represents a net purchase or sale of insurance by the Group. This

insurance reduces or increases the Group s total exposure and should be considered alongside the direct exposures disclosed in the preceding pages.

In addition, the Group has indirect sovereign exposure through the guarantee of certain savings and investment funds, which hold a proportion of their assets in sovereign debt. As at 31 December 2012, the net liability in respect of these guarantees was £33m (2011: £41m).

Risk review

Credit risk continued

Exposure to Eurozone residential property sector

Barclays risk exposure and impairment in Spain and Portugal has been and will be affected by the housing sector in those countries as a result of changes to the bank s risk appetite in a declining housing sector, where the desired level of new business has been reduced, and with it, the total exposure.

Falls in property prices have led to higher credit risk and higher impairment charges. The 2012 impairment charge to our residential mortgage book in Spain was £72m (2011: £38m) and in Portugal was £24m (2011: £9m). These increases were principally driven by:

(i) Negative house price movements: this has reduced market demand and also mortgage supply with the result that a customer s ability to sell has reduced and the likelihood of repossessions has increased. Impairment charges have risen, given a loss event as the loss on default has increased due to lower amounts realised from the sale of properties in a distressed market; and

(ii) Customers behaviour and a reduced willingness to pay as a result of their perception of a lower equity stake.

For information on our exposures to home loans in Spain and Portugal see pages 95-96.

Eurozone balance sheet redenomination risk

Redenomination risk is the risk of financial loss to the Group should one or more countries exit the Euro, leading to a potentially different valuation of local balance sheet assets and liabilities. The Group is directly exposed to redenomination risk where there could be a different value for locally denominated assets and liabilities.

Within Barclays, retail banking, corporate banking and wealth management activities in the Eurozone are generally booked locally within each country. Locally booked customer assets and liabilities, primarily loans and advances to customers and customer deposits, are predominantly denominated in Euros. The remaining funding need is met through local funding secured against customer loans and advances, with any residual need funded through the Group.

During 2012, a series of mitigating actions was taken to reduce local net funding mismatches primarily by raising local liabilities in Spain, Portugal and Italy. These actions included the drawdown of 8.2bn in the European Central Bank s three year Long Term Refinancing Operation (LTRO) in Spain and Portugal. As a result of these mitigating actions the Group reduced the aggregate net funding mismatch in local balance sheets from £12.1bn to a £1.9bn surplus in Spain, from £6.9bn to £3.3bn in Portugal and from £12.0bn to £9.6bn in Italy.

Barclays continues to monitor the potential impact of the Eurozone volatility on local balance sheet funding and will consider actions as appropriate to manage the risk. Direct exposure to Greece is very small with negligible net funding required from Group. For Ireland there is no local balance sheet funding requirement by the Group as total liabilities in this country exceed total assets.

Market risk

All disclosures in this section (pages 119-125) are unaudited unless otherwise stated

Market risk

Market risk is the risk of the Group s earnings or capital being reduced due to volatility of trading book positions or an inability to hedge the banking book balance sheet.

Analysis of traded market risk exposures

Following a volatile beginning to the year, markets steadily improved through the second half of the year with momentum gaining in the fourth quarter of 2012, even as some wider concerns persisted. The Investment Bank s focus on market risk exposures centred on limiting illiquid risk exposures when possible. Primary risk metrics showed a fall in market risk from 2011 levels.

The three main contributors to total Daily Value at Risk (DVaR) were credit, spread and interest rate risk. From 2011 levels, average credit risk DVaR fell by £3m (11%), spread DVaR fell by £2m (8%) and interest rate DVaR fell by £3m (18%). Total management DVaR fell by £19m (33%) reflecting the sharp reduction in the DVaR measure.

Tail risk measures also indicate a similar decline in risk profile, with a particularly sharp fall in 3W. However, some of this decline can be attributed to the rolling of the time period within the historical simulation.

The daily average, maximum and minimum values of DVaR, Expected Shortfall and 3W (audited)

For the year ended 31 December	2012			2011		
	Average	High[a]	Low[a]	Average	High[a]	Low[a]
DVaR (95%)	£m	£m	£m	£m	£m	£m
Interest rate risk	**14**	**23**	**7**	17	48	8
Inflation risk	**3**	**7**	**2**	4	9	2
Spread risk	**23**	**31**	**17**	25	40	17
Credit risk	**26**	**44**	**18**	29	48	17
Basis risk	**11**	**21**	**5**	6	6	6
Foreign exchange risk	**6**	**10**	**2**	5	8	2
Equity risk	**9**	**19**	**4**	18	34	9
Commodity risk	**6**	**9**	**4**	12	18	7
Diversification effect[b]	**(60)**	**na**	**na**	(54)	na	na
Total DVaR	**38**	**75**	**27**	57	88	33
Expected Shortfall[c]	**47**	**91**	**30**	71	113	43
3W[d]	**77**	**138**	**44**	121	202	67

¡ Interest rate risk measures the impact of changes in interest (swap) rates and volatilities on cash instruments and derivatives;

- Inflation risk measures the impact of changes in inflation rates and volatilities on cash instruments and derivatives;

- Spread risk measures the impact of changes to the swap spread, i.e. the difference between swap rates and government bond yields;

- Credit risk measures the impact of changes to the credit spread of credit risky sovereign bonds, corporate bonds, securitised products or credit derivatives such as Credit Default Swaps;

- Basis risk measures the impact of changes in Interest rate tenor basis (e.g. the basis between swaps vs. 3M LIBOR and swaps vs. 6M LIBOR) and cross currency basis;

- Foreign exchange risk measures the impact of changes in foreign exchange rates and volatilities;

- Equity risk measures the impact of changes in equity prices, volatilities and dividend yields;

- Commodity risk measures the impact of changes in commodity prices and volatilities, including the basis between related commodities; and

- Diversification effect reflects the fact the risk of a diversified portfolio is smaller than the sum of the risks of its constituent parts. It is measured as the sum of the individual asset class DVaR estimates less the total DVaR.

Notes

a The high and low DVaR figures reported for each category did not necessarily occur on the same day as the high and low DVaR reported as a whole. Consequently a diversification effect balance for the high and low DVaR figures would not be meaningful and is therefore omitted from the above table.
b Diversification for 2011 has been restated to increase granularity by reporting DVaR asset class, primarily relating to credit and inflation, which were applied for the whole period, and basis VaR, which was introduced in 2011 resulting in its partial contribution to average diversification.
c The average of all one day hypothetical losses beyond the 95% confidence level DVaR.
d The average of the three largest one day estimated losses.

Risk review

Market risk continued

Investment Bank management DVaR

Investment Bank daily trading revenue

Management DVaR fell sharply early in 2012 from levels seen in 2011. For the remainder of the year, DVaR remained relatively stable but at lower levels than seen in recent years. VaR based tail measures such as Expected Shortfall and 3W also saw sharp falls from 2011.

Analysis of trading revenue (audited)

The histogram above shows the distribution of daily trading revenue for the Investment Bank in 2012 and 2011. Trading revenue excludes income from Private Equity and Principal Investments.

The average daily revenue at the Investment Bank in 2012 was £46m, up 11% from 2011. There were more positive trading revenue days in 2012 than in 2011, with 88% of days generating positive trading revenue compared to 80% in 2011. The second half of 2012 was much stronger than in 2011.

Analysis of stress testing

Stress tests and scenario analysis also indicate a fall in market risk levels from 2011, in line with the trend in DVaR. Combined stress scenarios show that a sharp and rapid slowdown in global economic activity is the largest threat to the trading exposures. The scenario assumes an extreme and instant sell off across all risky assets coupled with a contraction in credit, and limited gains in safe havens. The calculation assumes an instant shock to positions, without any opportunity to hedge immediately, and assumes an appropriate holding period where the firm may be unable to unwind its trading positions.

Non-traded market risk exposures (audited)

Analysis of net interest income sensitivity

The table below shows sensitivity analysis on the pre-tax net interest income for the non-trading financial assets and financial liabilities held at 31 December 2012 and 31 December 2011. The sensitivity has been measured using AEaR methodology as described on page 296 (using a 100 bps movement). The benchmark interest rate for each currency is set as at 31 December 2012. The figures include the effect of hedging instruments but exclude banking book exposures held or issued by the Investment Bank as these are measured and managed using DVaR.

Net interest income sensitivity (AEaR) by currency (audited)

As at 31 December	2012		2011	
	+100 bps	-100 bps	+100 bps	-100 bps
	£m	£m	£m	£m
GBP	**96**	**(273)**	68	(321)
USD	**30**	**(23)**	(9)	(11)
EUR	**20**	**(49)**	(41)	(5)
ZAR	**27**	**(25)**	31	(29)
Others	**9**	**(4)**	14	(5)
Total	**182**	**(374)**	63	(371)
As percentage of net interest income	**1.56%**	**(3.21%)**	0.52%	(3.04%)

Non-traded interest rate risk, as measured by AEaR, was £374m as at 31 December 2012, an increase of £3m compared to 31 December 2011. The increase in risk reflects an increase in the Group equity balances and associated hedges, partly offset by reduction in the margin compression in the retail bank. AEaR is measured for a reduction in rates for the purposes of this analysis.

Analysis of equity sensitivity

The table below shows the overall impact of a 100bps movement in interest rates on available for sale and cash flow hedge reserves. This data is captured using PV01 (present value of 1bp), which is an indicator of the overall shift in asset value for a 1bp shift in the yield.

Analysis of equity sensitivity (audited)

	31 December 2012		31 December 2011	
	+100 bps	-100 bps	+100 bps	-100 bps
	£m	£m	£m	£m
Net interest income	182	(374)	63	(371)
Taxation effects on the above	(51)	105	(21)	122
Effect on profit for the year	131	(269)	42	(249)
As percentage of net profit after tax	(55.51%)	113.98%	1.06%	(6.30%)
Effect on profit for the year (per above)	131	(269)	42	(249)
Available for sale reserve	(674)	674	(1,108)	1,102
Cash flow hedge reserve	(2,179)	2,260	(2,248)	2,280
Taxation effects on the above	799	(822)	1,101	(1,109)
Effect on equity	(1,923)	1,843	(2,213)	2,024
As percentage of equity	(3.05%)	2.93%	(3.39%)	3.10%

Margins and Balances

Basis of preparation

Customer assets represents loans and advances to customers and net interest income on customer assets represents interest received from customers less interest expense for funding those assets at the relevant internal funding rate. Customer liabilities represents customer deposits. Net interest income on customer liabilities represents the interest income from the funds generated from customer liabilities at the internal rate of funding less the interest paid to customers. Customer net interest income is the sum of customer asset and customer liability net interest income. Under this approach, customer net interest income reflects interest related to customer assets and liabilities only and does not include any interest on securities or other non-customer assets and liabilities.

Non-customer interest income principally reflects the impact of product and equity structural hedges, as well as certain other net interest income received on government bonds and other debt securities held for the purposes of interest rate hedging and liquidity for local banking activities. All reverse repurchase and repurchase agreements and related interest are recorded in the Investment Bank and are therefore not included in the Retail and Business Banking, Corporate Banking and Wealth and Investment Management customer margins data.

The customer asset margin is defined as net interest income earned on customer assets (excluding the impact of the product structural hedge relating to those assets), divided by total average customer assets. Similarly, the customer liability margin is net interest income earned on customer liabilities (excluding the impact of the product structural hedge relating to those liabilities), divided by total average customer liabilities.

The customer net interest margin is calculated as net interest income on both customer assets and liabilities (excluding the impact of product structural hedges) as a percentage of the sum of average customer assets and liabilities, consistent with the presentation of the net interest margin.

The non-customer generated margin is calculated as non-customer net interest income (principally comprising the impact of both the product and equity structural hedges) as a percentage of the sum of average customer assets and liabilities, consistent with the presentation of the net interest margin.

Risk review

Market risk continued

Analysis of net interest income

	2012 £m	2011 £m
Retail and Business Banking, Corporate Banking and Wealth and Investment Management customer net interest income		
Customer assets	**6,723**	6,983
Customer liabilities	**3,093**	2,866
Total customer net interest income	**9,816**	9,849
Retail and Business Banking, Corporate Banking and Wealth and Investment Management non-customer net interest income		
Product structural hedge[a]	**989**	1,168
Equity structural hedge[b]	**231**	824
Other	**118**	148
Retail and Business Banking, Corporate Banking and Wealth and Investment Management net interest income	**11,154**	11,989
Investment Bank	**619**	1,177
Head Office and Other Operations	**(134)**	(965)
Group net interest income	**11,639**	12,201

Group net interest income decreased by £562m to £11,639m (2011: £12,201m) principally due to reduced contributions from structural hedges. The overall contribution to Group income from structural hedges decreased by £1,540m to £1,737m. Of this decrease, £1,061m related to the non-recurrence of gains from the sale of hedging instruments in the second half of 2011, which did not contribute to Group net interest income in 2011 as it was recognised as non-interest income, but a proportion of which is reflected in the net interest income of Retail and Business Banking, Corporate Banking and Wealth and Investment Management, shown above.

Retail and Business Banking, Corporate Banking and Wealth and Investment Management net interest income

Barclays distinguishes the relative net interest contribution from customer assets and customer liabilities, and separates this from the contribution delivered by non-customer income, which principally arises from the Group hedging activities.

Customer net interest income

Customer net interest income decreased marginally to £9,816m (2011: £9,849m), principally due to reductions in the customer asset margin across the majority of businesses partially offset by growth in average customer assets and liabilities.

The customer asset margin declined to 2.11% (2011: 2.19%), reflecting an increase in funding rates across Retail and Business Banking, Corporate Banking and Wealth and Investment Management businesses. This was partially offset by a move towards higher margin business in Africa RBB.

The customer liability margin increased to 1.09% (2011: 1.06%) reflecting increased funding rates and therefore value generated from Retail and Business Banking, Corporate Banking and Wealth and Investment Management customer liabilities.

Non-customer net interest income

Non-customer net interest income decreased 37% to £1,338m, reflecting a reduction in the benefits from Group hedging activities. Group hedging activities utilise structural interest rate hedges to mitigate the impact of the low interest rate environment on customer liabilities and the Group s equity.

Product structural hedges generated a lower contribution of £989m (2011: £1,168m). Hedge durations were maintained throughout the period. Based on current interest rate curves and the ongoing hedging strategy, fixed rate returns on product structural hedges are expected to continue to make a significant but declining contribution in 2013.

The contribution from equity structural hedges in Retail and Business Banking, Corporate Banking and Wealth and Investment Management decreased to £231m (2011: £824m) following the sale of hedging instruments in the second half of 2011 and the continued low interest rate environment.

Other Group net interest income

Head Office and Other Operations net interest expense decreased to £134m (2011: £965m) principally reflecting the non-recurrence of a transfer of gains from the sale of hedging instruments to businesses.

Investment Bank net interest income decreased 47% to £619m, due to a reduction in interest income from equity structural hedges and credit market exposures.

Total Group income from equity structural hedges decreased to £748m (2011: £2,109m) including £517m (2011: £1,285m) that was allocated to the Investment Bank and Head Office.

Notes

a Product structural hedges convert short term interest margin volatility on product balances (such as non-interest bearing current accounts and managed rate deposits) into a more stable medium term rate and are built on a monthly basis to achieve a targeted maturity profile.

b Equity structural hedges are in place to manage the volatility in net earnings generated by businesses on the Group s equity, with the impact allocated to businesses in line with their economic capital usage.

Net interest margin

The net interest margin for Retail and Business Banking, Corporate Banking and Wealth and Investment Management decreased to 1.85% (2011: 2.03%), reflecting the reduction in contribution from Group hedging activities. Consistent with prior periods the net interest margin is expressed as a percentage of the sum of average customer assets and liabilities, to reflect the impact of the margin generated on retail and commercial banking liabilities.

The net interest margin, expressed as a percentage of average customer assets only, declined to 3.50% (2011: 3.77%).

An analysis is provided below for Retail and Business Banking, Corporate Banking and Wealth and Investment Management for each of the component parts of net interest income.

Net interest margin

	UKRBB %	Europe RBB %	Africa RBB[a] %	Barclaycard %	Corporate Banking[a] %	Wealth and Investment Management %	Total %
2012							
Customer asset margin	**1.07**	**0.83**	**3.26**	**9.39**	**1.14**	**0.65**	**2.11**
Customer liability margin	**0.97**	**0.38**	**2.34**	**(0.60)**	**1.09**	**1.12**	**1.09**
Customer net interest margin	**1.03**	**0.71**	**2.90**	**9.01**	**1.11**	**0.99**	**1.63**
Non-customer generated margin	**0.34**	**0.37**	**0.22**	**(0.55)**	**0.13**	**0.23**	**0.22**
Net interest margin	**1.37**	**1.08**	**3.12**	**8.46**	**1.24**	**1.22**	**1.85**
Average customer assets (£m)	**124,275**	**40,790**	**34,108**	**32,452**	**67,494**	**19,670**	**318,789**
Average customer liabilities (£m)	**111,753**	**14,824**	**22,085**	**1,286**	**83,149**	**50,155**	**283,252**
2011							
Customer asset margin	1.22	0.87	2.92	9.52	1.46	0.77	2.19
Customer liability margin	0.87	0.65	2.76		0.94	0.99	1.06
Customer net interest margin	1.05	0.81	2.86	9.52	1.19	0.93	1.67
Non-customer generated margin	0.46	0.47	0.36	(0.08)	0.27	0.36	0.36
Net interest margin	1.51	1.28	3.22	9.44	1.46	1.29	2.03
Average customer assets (£m)	118,503	43,749	37,944	30,289	70,398	17,546	318,429
Average customer liabilities (£m)	107,761	17,702	23,531		77,372	44,536	270,902

The 2012 decrease in customer asset and liability margins partially reflects a year on year increase in the Group s average internal funding rates. The increase in funding rates has had an adverse impact on customer asset margins and a benefit to customer liability margins, resulting in a reduction of 3bps (2011: 2bps) in the net interest margin.

The Group uses a range of internal funding rates which price intra-group funding and liquidity to give credit to businesses with net surplus liquidity and to charge those businesses in need of wholesale funding at a rate that is driven by prevailing market rates and includes term premiums. The objective is to price internal funding for assets and liabilities in line with the cost of alternative external funding, which ensures there is consistency between retail and wholesale sources. Rates are applied to all entities within the Group on a consistent basis. There have been no material changes to the methodologies used during 2012.

Note

a 2011 comparatives have been revised to reflect certain corporate banking activities previously reported in Africa RBB which are now included within Corporate Banking. Corporate Banking average customer assets, average customer liabilities and net interest income have therefore been adjusted by £1,731m, £6,740m and £118m respectively although the net interest margin remains at 1.46%. Africa RBB comparatives have additionally been revised to include gross cheque advances and cheque deposits of £798m within average assets and average liabilities respectively where these were previously reported net. The Africa RBB net interest margin is therefore revised to 3.22% (previously reported as 3.07%) and the Group 2011 net interest margin is revised to 2.03% (previously

reported as 2.04%).

Risk review

Market risk continued

Foreign exchange risk (audited)

The Group is exposed to two sources of foreign exchange risk:

a) Transactional foreign currency exposure

Transactional foreign exchange exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Group s risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by the Investment Bank which is monitored through DVaR.

There were no material net transactional foreign currency exposures outside the trading portfolio at either 31 December 2012 or 2011. Due to the low level of non-trading exposures no reasonably possible change in foreign exchange rates would have a material effect on either the Group s profit or movements in equity for either of the years ended 31 December 2012 or 2011.

b) Translational foreign exchange exposure

The Group s investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies principally US Dollar, Euro and South African Rand. Changes in the Sterling value of the investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in Core Tier 1 capital.

The Group s strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by using the Core Tier 1 capital movements to broadly match the revaluation of the Group s foreign currency RWA exposures.

During 2012, total structural currency exposures net of hedging instruments decreased from £16.7bn to £16.3bn, as a result of hedging decisions taken in accordance with the Group s capital ratio management strategy for foreign exchange rate movements.

The economic hedges primarily represent the US Dollar and Euro preference shares and reserve capital instruments in issue that are treated as equity under IFRS, and do not qualify as hedges for accounting purposes.

Functional currency of operations (audited)

	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
As at 31 December 2012						
US Dollar	**35,280**	**6,251**	**13,861**	**15,168**	**4,822**	**10,346**
Euro	**5,369**	**1,494**	**1,990**	**1,885**	**1,951**	**(66)**
Rand	**4,048**		**131**	**3,917**		**3,917**
Japanese Yen	**597**	**175**	**407**	**15**		**15**
Other	**3,084**		**1,027**	**2,057**		**2,057**
Total	**48,378**	**7,920**	**17,416**	**23,042**	**6,773**	**16,269**
As at 31 December 2011						
US Dollar	30,335	7,217	8,094	15,024	5,072	9,952

Euro	6,568	4,096	280	2,192	2,017	175
Rand	4,258			4,258		4,258
Japanese Yen	681	293	336	52		52
Other	3,144		930	2,214		2,214
Total	44,986	11,606	9,640	23,740	7,089	16,651

Other market risks

Pension risk

Barclays maintains a number of defined benefit pension schemes for past and current employees. The ability of the pension fund to meet the projected pension payments is maintained principally through investments. Pension risk arises because the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. Barclays monitors the market risks arising from its defined benefit pension schemes, and works with the trustees to address shortfalls. In these circumstances, Barclays could be required or might choose to make extra contributions to the pension fund. Financial details of the pension fund are in Note 37 on page 260.

Asset management structural risk

Asset management structural risk arises where the fee and commission income earned by asset management products is affected by a change in market levels, primarily through the link between income and the value of assets under management. Asset management structural risk mainly resides in Wealth and Investment Management. It is Barclays policy that businesses monitor and regularly assess potential hedging strategies.

Disclosures about certain trading activities including non-exchange traded commodity contracts

The Group provides a fully integrated service to clients for base metals, precious metals, oil, power, natural gas, coal, freight, emission credits, structured products and other related commodities.

The Group offers both over the counter (OTC) and exchange traded derivatives, including swaps, options, forwards and futures and enters into physically settled contracts in base metals, power and gas, oil and related products. Physical commodity positions are held at fair value and reported under the trading portfolio in Note 13 on page 213.

The fair values of physical and derivative positions are primarily determined through a combination of recognised market observable prices, exchange prices, and established inter-commodity relationships. Further information on fair value measurement of financial instruments can be found in Note 18 on page 219-231.

Credit risk exposures are actively managed by the Group. Refer to the credit risk section on page 80 for more information on the Group s approach to credit risk management and the credit quality of derivative assets.

The tables below analyse the overall fair value of the OTC commodity derivative contracts by movement over time and contractual maturity. As at 31 December 2012 the fair value of the commodity derivative contracts reflects a gross positive fair value of £13,227m (2011: £20,588m) and a gross negative value of £14,061m (2011: £20,133m).

Movement in fair value of commodity derivative positions

	2012 £m	2011 £m
Fair value of contracts outstanding as at 1 January	**455**	(363)
Contracts realised or otherwise settled during the period	**(460)**	1,494
Fair value of new contracts entered into during the period	**(731)**	(33)
Other changes in fair values	**(98)**	(643)
Fair value of contracts outstanding as at 31 December	**(834)**	455

Maturity analysis of commodity derivative fair value

	2012 £m	2011 £m
Not more than one year	**(478)**	447
Over one year but not more than five years	**(371)**	35
Over five years	**15**	(27)
Total	**(834)**	455

On occasion, Barclays will hold dominant positions in base metals on the London Metal Exchange (LME), as per the Exchange s definition. Barclays complies fully with LME s Lending Guidance, which is the Exchange s mechanism for limiting the impact of dominant market positions by prescribing the amount and level at which positions must be lent.

Funding risk   Capital

All disclosures in this section (pages 126-135) are unaudited unless otherwise stated

Capital risk

Capital risk is the risk that the Group is unable to maintain appropriate capital ratios, which could lead to: an inability to support business activity; a failure to meet regulatory requirements; or a change to credit ratings.

Capital management is integral to the Group s approach to financial stability and sustainability management and is therefore embedded in the way our businesses and legal entities operate. Our capital management strategy is driven by the strategic aims of the Group and the risk appetite set by the Board.

For further information on related policies, please refer to the Risk management section on pages 274-303.

For further information on supervision and regulation, refer to pages 154-160.

Barclays has continued to maintain a capital buffer over the FSA s minimum regulatory capital requirements.

- The Core Tier 1 ratio decreased to 10.9% (2011: 11.0%) reflecting a reduction in Core Tier 1 capital of £0.9bn to £42.1bn, partially offset by a 1% reduction in risk weighted assets to £386.9bn.

Barclays generated £1.8bn Core Tier 1 capital from earnings after absorbing the impact of dividends paid and provisions for PPI and interest rate hedging product redress. The increase from earnings was more than offset by other movements in Core Tier 1 capital, principally:

- £1.2bn increase in the adjustment for defined benefit pensions, driven by an additional contribution made to the UK Retirement Fund in April 2012 and deducting expected future deficit contributions over the next five years;

- £1.6bn reduction due to foreign currency movements, primarily due to depreciation of the US Dollar, Euro and South African Rand against Sterling which was broadly offset by foreign currency movements in risk weighted assets; and

- Total capital resources increased by £2.1bn reflecting lower deductions for material holdings principally as a result of the sale of the stake in BlackRock, Inc. Within Tier 2 capital, the redemption of £2.7bn dated subordinated liabilities was partially offset by the issuance of $3bn of contingent capital notes (CCNs).

Capital Composition

Key capital ratios

As at 31 December	2012	2011
Core Tier 1	**10.9%**	11.0%
Tier 1	**13.3%**	12.9%
Total capital	**17.1%**	16.4%

Capital Resources (audited)

As at 31 December	2012 £m	2011 £m
Shareholders equity (excluding non-controlling interests) per balance sheet	**53,586**	55,589
Own credit cumulative loss/(gain)[a]	**804**	(2,680)
Unrealised (gains)/losses on available for sale debt securities[a,b]	**(417)**	803
Unrealised gains on available for sale equity (recognised as Tier 2 capital)[a]	**(110)**	(828)
Cash flow hedging reserve[a]	**(2,099)**	(1,442)
Non-controlling interests per balance sheet	**9,371**	9,607
Less: Other Tier 1 capital preference shares	**(6,203)**	(6,235)
Less: Other Tier 1 capital reserve capital instruments		
Less: Non-controlling Tier 2 capital	**(547)**	(573)
Other regulatory adjustments to non-controlling interests	**(171)**	(138)
Other regulatory adjustments and deductions:		
Defined benefit pension adjustment[a]	**(2,445)**	(1,241)
Goodwill and intangible assets[a]	**(7,622)**	(7,560)
50% excess of expected losses over impairment[a]	**(648)**	(506)
50% of securitisation positions	**(1,206)**	(1,577)
Other regulatory adjustments[b]	**(172)**	(153)
Core Tier 1 capital	**42,121**	43,066
Other Tier 1 capital:		
Preference shares	**6,203**	6,235
Tier 1 notes[c]	**509**	530
Reserve capital instruments	**2,866**	2,895
Regulatory adjustments and deductions:		
50% of material holdings	**(241)**	(2,382)
50% of the tax on excess of expected losses over impairment	**176**	129
Total Tier 1 capital	**51,634**	50,473
Tier 2 capital:		
Undated subordinated liabilities	**1,625**	1,657
Dated subordinated liabilities	**14,066**	15,189
Non-controlling Tier 2 capital	**547**	573
Reserves arising on revaluation of property[a]	**39**	25
Unrealised gains on available for sale equity[a]	**110**	828
Collectively assessed impairment allowances	**2,002**	2,385
Tier 2 deductions:		
50% of material holdings	**(241)**	(2,382)
50% excess of expected losses over impairment (gross of tax)	**(824)**	(635)
50% of securitisation positions	**(1,206)**	(1,577)
Total capital regulatory adjustments and deductions:		
Investments that are not material holdings or qualifying holdings	**(1,139)**	(1,991)
Other deductions from total capital	**(550)**	(597)
Total regulatory capital	**66,063**	63,948

Notes

a The capital impacts of these items are net of tax.

b Available for sale reserves for debt securities has been revised to include the adjustment for the scope of regulatory consolidation previously disclosed in other regulatory adjustments.

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

Risk review

Funding risk   Capital continued

Movement in total regulatory capital

	2012 £m	2011 £m
Core Tier 1 capital as at 1 January	**43,066**	42,861
(Loss)/profit for the year	**(236)**	3,951
Removal of own credit[a]	**3,484**	(2,059)
Dividends paid	**(1,427)**	(1,387)
Retained capital generated from earnings	**1,821**	505
Movement in reserves impact of share schemes	**(165)**	714
Movement in currency translation reserves	**(1,578)**	(1,607)
Movement in qualifying available for sale equity reserves		749
Other reserves movements	**33**	128
Movement in other qualifying reserves	**(1,710)**	(16)
Movement in regulatory adjustments and deductions:		
Defined benefit pension adjustment[a]	**(1,204)**	(1,340)
Goodwill and intangible asset balances[a]	**(62)**	766
50% excess of expected losses over impairment[a]	**(142)**	(238)
50% of securitisation positions	**371**	783
Other regulatory adjustments	**(19)**	(255)
Core Tier 1 capital as at 31 December	**42,121**	43,066
Other Tier 1 capital as at 1 January	**7,407**	10,685
Redemption of Tier 1 notes		(518)
Redemption of reserve capital instruments		(3,188)
Regulatory adjustments on other Tier 1 capital	**(82)**	(95)
50% of material holdings	**2,141**	294
50% of the tax on excess of expected losses over impairment	**47**	229
Tier 1 capital as at 31 December	**51,634**	50,473
Tier 2 capital as at 1 January	**16,063**	16,019
Issuance of contingent capital notes and subordinated notes	**2,258**	880
Redemption of subordinated notes	**(2,672)**	(2,655)
Amortisation adjustments	**(155)**	696
Regulatory adjustments on Tier 2 capital	**(612)**	(287)
Reserves arising on revaluation of property[a]	**14**	(4)
Unrealised gains on available for sale equity[a]	**(718)**	828
Collectively assessed impairment allowances	**(383)**	(24)
50% of material holdings	**2,141**	294
50% excess of expected losses over impairment (gross of tax)	**(189)**	(467)
50% of securitisation positions	**371**	783
Tier 2 capital as at 31 December	**16,118**	16,063
Other deductions from total capital as at 1 January	**(2,588)**	(2,250)
Investments that are not material holdings or qualifying holdings	**852**	(369)
Other deductions from total capital	**47**	31
Other deductions from total capital as at 31 December	**(1,689)**	(2,588)
Total regulatory capital as at 31 December	**66,063**	63,948

Note

a The capital impacts of these items are net of tax.

Risk Weighted Assets (RWAs) by risk type and business

	Credit risk			Counterparty credit risk		Market risk			Operational risk	
	STD £m	F-IRB £m	A-IRB £m	Internal model method £m	Non-model method £m	STD £m	Modelled VaR £m	Charges add-on and non-VaR modelled £m	£m	Total RWAs £m
As at 31 December 2012										
UKRBB	**1,163**		**31,096**						**6,524**	**38,783**
Europe RBB	**5,727**		**9,157**		**3**				**2,225**	**17,112**
Africa RBB	**6,217**	**5,778**	**10,580**		**7**				**4,426**	**27,008**
Barclaycard	**16,641**		**13,442**						**6,381**	**36,464**
Investment Bank	**9,530**	**3,055**	**47,991**	**25,127**	**4,264**	**25,396**	**22,497**	**15,429**	**24,730**	**178,019**
Corporate Banking	**25,744**	**3,430**	**31,743**	**500**					**6,556**	**67,973**
Wealth and Investment Management	**11,540**	**317**	**593**		**199**				**3,184**	**15,833**
Head Office and Other Operations	**205**		**5,301**						**160**	**5,666**
Total RWAs	**76,767**	**12,580**	**149,903**	**25,627**	**4,473**	**25,396**	**22,497**	**15,429**	**54,186**	**386,858**
As at 31 December 2011										
UKRBB	1,193		27,896						4,867	33,956
Europe RBB	6,147		9,691		2				1,596	17,436
Africa RBB	8,840	6,615	11,452		6				3,376	30,289
Barclaycard	15,262		14,167						4,757	34,186
Investment Bank	11,395	2,882	47,937	32,570	4,792	27,823	26,568	17,560	15,173	186,700
Corporate Banking	30,826	2,926	34,338	561					4,191	72,842
Wealth and Investment Management	10,262	297	834		153				1,530	13,076
Head Office and Other Operations	833		1,431						250	2,514
Total RWAs	84,758	12,720	147,746	33,131	4,953	27,823	26,568	17,560	35,740	390,999

Movement in RWAs

	£bn
As at 1 January 2012	**391.0**
Methodology and model changes	**38.7**
Business activity	**(28.4)**
Foreign exchange	**(11.3)**
Change in risk parameters	**(3.1)**
As at 31 December 2012	**386.9**

Risk review

Funding risk   Capital continued

RWAs reduced by 1% to £386.9bn driven by:

- Methodology and model changes: the £38.7bn increase is primarily driven by:

  - £18.4bn increase in operational risk driven by a recalibration of risk scenarios taking into account risk events impacting Barclays and the banking industry;

  - £12.0bn increase in market risk within Investment Bank, principally relating to VaR model scope and the sovereign incremental risk charge;

  - £4.7bn increase due to the introduction of minimum loss given default parameters for sovereign exposures; and

  - £2.8bn increase in credit risk as a result of changes to the treatment of real estate exposures.

- Business risk reduction: the £28.4bn decrease is primarily driven by:

  - £24.6bn decrease as a result of Investment Bank risk reduction primarily in market risk and derivative counterparty credit risk, including a £4.2bn decrease as a result of the sell down of legacy assets (in addition to £1.0bn lower capital deductions related to legacy business);

  - £6.9bn credit risk decrease within Corporate Banking, reflecting business risk reduction and the exit from non-core international portfolios;

  - Offset by £2.2bn increase within UKRBB predominantly driven by mortgage balance growth.

- Foreign exchange: the £11.3bn decrease is primarily due to the depreciation of the US Dollar, Euro and South African Rand against Sterling; and

- Change in risk parameters: the £3.1bn decrease is primarily driven by improvements in underlying risk profiles and market conditions.

Impact of Basel 3

The new capital requirements regulation and capital requirements directive that implement Basel 3 proposals within the EU (collectively known as CRD IV) are still under consideration. The requirements are expected to be finalised during 2013, however the implementation date is uncertain.

- CRD IV includes the requirement for a minimum Common Equity Tier 1 (CET1) ratio of 4.5%, a minimum Tier 1 ratio of 6% and a minimum total capital ratio of 8%. There is an additional requirement for a Capital Conservation Buffer (CCB) of 2.5% and Counter-Cyclical Capital Buffer (CCCB) of up to 2.5% to be applied when macroeconomic conditions indicate areas of the economy are over-heating. Our working assumption is that the CCCB would be zero if implemented today;

- In addition globally systemically important banks are expected to hold a buffer of up to 2.5%. For Barclays, this was confirmed in November 2012 by the Financial Stability Board (FSB) to be 2.0% resulting in an expected regulatory target CET1 ratio of 9.0%. This regulatory target capital requirement will phase in between adoption of CRD IV and 2019;

- The proposed changes to the definition of CET1 also include transitional provisions relating to capital deductions and grandfathering of ineligible capital instruments that are in line with the FSA s statement on CRD IV transitional provisions in October 2012;

- Given the phasing of both capital requirements and target levels, in advance of needing to comply with the fully loaded end state requirements Barclays will have the opportunity to continue to generate additional capital from earnings and take management actions to mitigate the impact of CRD IV. Our expectation is that ineligible Additional Tier 1 capital, which qualifies for grandfathering under the transitional relief, will be replaced with eligible capital over time;

- To provide an indication of the potential impact on Barclays, we have estimated our pro forma RWAs and CET1 ratio on both a transitional and fully loaded basis, reflecting our current interpretation of the rules and assuming they were applied as at 1 January 2013. As at that date Barclays pro forma RWAs on a CRD IV basis would have been estimated at approximately £468bn, with a resultant transitional CET1 ratio of approximately 10.6% and a fully loaded CET1 ratio of approximately 8.2%. Further analysis of the impacts are set out on page 134;

- Based on our estimated proforma capital ratios, identified actions and retained earnings, we expect to be in excess of the minimum capital requirements as they are expected to apply over the transitional period and through to the end state position;

- The Basel 3 guidelines include a proposed leverage metric to be implemented by national supervisors initially under a parallel run for disclosure purposes only, and migrating to a mandatory limit over a period of five years. Based on our interpretation of the current proposals, the Group s CRD IV leverage ratio as at 31 December 2012 would be within the proposed limit of 33x, allowing for transitional relief to Tier 1 capital. Further analysis of the impacts are set out on page 134;

- The actual impact of CRD IV on capital ratios may be materially different as the requirements and related technical standards have not yet been finalised, for example provisions relating to the scope of application of the CVA volatility charge and restrictions on short hedges relating to insignificant financial holdings. The actual impact will also be dependent on required regulatory approvals and the extent to which further management action is taken prior to implementation.

Estimated impact of CRD IV

	As at 31 December 2012	Pro forma CET1 Transitional As at 1 January 2013	Pro forma CET1 Fully-loaded As at 1 January 2013
	£bn	£bn	£bn
Core Tier 1 capital (FSA 2009 definition)	42.1	42.1	42.1
IFRS 10 impact (introduced on 1 Jan 2013)		(0.4)	(0.4)
Core Tier 1 capital post-IFRS 10 (FSA 2009 definition)	42.1	41.7	41.7
Risk Weighted Assets (RWA) (current Basel 2.5 rules)	387	387	387
Core Tier 1 ratio (Basel 2.5)	10.9%	10.8%	10.8%
CRD IV impact on Core Tier 1 capital:			
Adjustments not impacted by transitional provisions			
Conversion from securitisation deductions to RWAs		1.0	1.0
Prudential Valuation Adjustment (PVA)		(1.2)	(1.2)
Other		(0.2)	(0.2)
Adjustments impacted by transitional provisions			
Goodwill and intangibles		7.6	
Expected losses over impairment		0.6	(1.1)
Deferred tax assets deduction		(0.1)	(1.3)
Excess minority interest			(0.9)
Debit Valuation Adjustment (DVA)			(0.3)
Pensions			(0.1)
Gains on available for sale equity and debt			0.7
CET1 capital		49.5	38.4
RWAs (post CRD IV)		468	468
CET1 ratio		10.6%	8.2%

Basis of calculation of the impact of CRD IV

CRD IV, models and waivers

¡ The proforma ratios, capital computations and RWAs are based on our interpretation of the draft July 2011 CRD IV rules and best expectation of how these draft rules will be updated for subsequent Basel announcements and EU discussions. They assume that all items in the Internal Model Method application to the FSA are approved, and existing FSA waivers, where such discretion is available under CRD IV, will continue.

Capital resources

¡ Proforma capital numbers at 1 January 2013 are based on 31 December 2012 actuals with an adjustment for IFRS 10 impact (as a result of consolidating some entities that were not previously consolidated and deconsolidating some entities that were previously consolidated);

¡ Transitional CET1 capital is based on application of the CRD IV transitional provisions and FSA guidance dated 26 October 2012 setting out the minimum pace of transitions with certain exceptions set out in the guidance. In line with this guidance, deferred tax assets deduction is assumed to transition in at 10% in 2013. Other deductions (including goodwill and intangibles, expected losses over impairment and DVA) transition in at 0% in 2013, 20% in 2014, 40% in 2015 and so on;

¡ PVA was previously assumed to be subject to transitional treatment. Following FSA guidance, the impact of PVA is now factored into CET1 on inception in full. PVA is subject to final rules to be agreed by the EBA and the impact is currently based on methodology agreed with the FSA;

- The draft July 2011 CRD IV rules include the implementation of a capital deduction for financial holdings greater than 10% of CET1 capital, which under Basel 2.5 are subject to equity market risk capital requirements. Under current regulatory rules, the Group s financial holdings net down to £3.3bn exposure after allowing for permitted economic hedging. The current draft of the CRD IV rules applies a further restriction, where the maturity of the hedging instrument is less than one year, which would result in a higher net position of approximately £10.1bn. This would be in excess of 10% of our CET1 and would result in a capital deduction on a fully loaded basis of approximately £4.6bn at CET1 level and a further deduction of approximately £1.4bn at total capital level. However, we have identified management actions that would be taken in the event that the CRD IV draft requirements remain unchanged, and as a result we are highly confident that no capital deduction would be required; and

- Excess minority interest has been calculated on a CRD IV basis and included in our full impact capital base on the assumption that supervisory regimes outside the EU that are implementing Basel 3, and are currently considered equivalent supervisory and regulatory regimes, will continue to be considered equivalent regimes under CRD IV.

Risk review

Funding risk Capital continued

RWAs

- It is assumed that EU corporates, pension funds and sovereigns are exempt from CVA volatility charge;
- It is assumed all central counterparties will implement the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Principles for Financial Market Infrastructures and hence will be deemed to be Qualifying . The final determination of Qualifying status will be made by the appropriate Regulatory Authority;
- The pro forma RWA increase from Basel 3 includes 1250% risk weighting of securitisation positions while pro forma capital includes add back of Basel 2 50/50 securitisation deductions;
- Pro forma RWAs for definition of default assume that national discretion over 180 days definition of default remains for UK retail mortgages;
- Other CRD IV impact to RWAs include adjustments for withdrawal of national discretion of definition of default relating to non-UK mortgage retail portfolios (£1.4bn), deferred tax assets (£2.3bn), material holdings (£2.3bn), other counterparty credit risk (£6.4bn) and other items; and
- RWAs are sensitive to market conditions. Pro forma impact on RWAs for all periods reflects market conditions as at 31 December 2012.

Adjusted gross leverage

Adjusted gross leverage

As at 31 December	2012 £m	2011 £m
Total assets[a]	**1,490,321**	1,563,527
Counterparty net/collateralised derivatives[b]	**(434,527)**	(491,716)
Assets held in respect of linked liabilities to customers under investment contracts[c]	**(1,494)**	(1,681)
Net settlement balances and cash collateral	**(71,718)**	(61,913)
Goodwill and intangible assets	**(7,915)**	(7,846)
Adjusted total tangible assets	**974,667**	1,000,371
Total qualifying Tier 1 capital	**51,634**	50,473
Adjusted gross leverage	**19x**	20x
Adjusted gross leverage (excluding liquidity pool)	**16x**	17x
Ratio of total assets to shareholders equity	**24x**	24x
Ratio of total assets to shareholders equity (excluding liquidity pool)	**21x**	22x

Barclays continues to manage its balance sheet within limits and targets for balance sheet usage. The adjusted gross leverage reduced to 19x as at 31 December 2012 (2011: 20x) principally as a result of an increase in qualifying Tier 1 capital to £51.6bn (2011: £50.5bn), offset by a reduction in adjusted total tangible assets by 2.6% to £975bn. At month ends during 2012 the ratio moved in a range from 19x to 23x (2011: 20x to 23x), with fluctuations arising primarily within collateralised reverse repurchase lending and high quality trading portfolio assets. Significant monthly fluctuations included:

¡

an increase to 23x in April 2012 driven by an increase in reverse repurchase agreements and holdings of trading portfolio assets and a decrease in Tier 1 capital;

- a fall in June 2012 to 20x driven by an increase in Tier 1 capital, and decreases in holdings of trading portfolio assets and reverse repurchase agreements; and

- a decrease to 19x in December 2012 resulting from decreases in reverse repurchase agreements, holdings of trading portfolio assets and cash and balances at central banks.

Adjusted total tangible assets include cash and balances at central banks of £86.2bn (2011: £106.9bn). Excluding these balances, the balance sheet leverage would be 17x (2011: 18x). Excluding the liquidity pool, leverage would be 16x (2011: 17x).

Notes

a Includes liquidity pool of £150bn (2011: £152bn).
b Comprising counterparty netting of £387,672m (2011: £440,592m) and collateral held of £46,855m (2011: £51,124m) as disclosed on page 105.
c Comprising financial assets designated at fair value and associated cash balances.

The ratio of total assets to total shareholders equity was 24x as at 31 December 2012 (2011: 24x). The ratio moved within a month end range of 24x to 28x (2011: 24x to 28x), driven by trading activity fluctuations noted above and changes in gross interest rate derivatives and settlement balances. Significant drivers of fluctuations other than those noted above comprised:

¡ an increase to 26x in April 2012 due to increases in settlement balances and trading portfolio assets offset by decreases in gross derivative balances;

¡ a further increase to 28x in May 2012 arising from increases in gross derivatives balances and trading portfolio assets; and

¡ decreases to 26x in August 2012 and 24x in December 2012 as a result of decreases in gross derivative balances, trading portfolio assets and in settlement balances.

Group Treasury agrees adjusted tangible asset targets at a segment level to manage the Barclays balance sheet and leverage ratio. The Investment Bank s adjusted tangible assets are managed and reviewed monthly by the Corporate and Investment Banking Treasury Committee which includes members of Treasury, Finance and the businesses. The Committee agrees limits with each business across the Investment Bank and monitors balance sheet usage against those limits. Businesses were required to manage the balance sheet to defined limits and were not permitted to exceed them without prior approval by nominated Committee members. Barclays continues to operate within limits and targets for balance sheet usage as part of its balance sheet management activities.

Implementation of Basel 3 leverage impacts

Barclays already measures and reports adjusted gross leverage as an internal measure of balance sheet leverage based on adjusted tangible assets divided by qualifying regulatory Tier 1 capital. The business operates within limits and targets for balance sheet usage at a Group and business unit level as part of its balance sheet management activities. As at 31 December 2012, the Group s adjusted gross leverage was 19x.

CRD IV introduces a non-risk based leverage ratio that is intended to act as a supplementary buffer to the risk based capital requirements. By 1 January 2018 banks will be required to be above the proposed limit of 3% leverage (equivalent to 33x). Prior to that date there are no regulatory requirements to exceed this threshold, but banks will be required to publish their leverage ratio annually in the Pillar 3 disclosures once the rules come into force.

The CRD IV leverage ratios are higher than the adjusted gross leverage ratio, primarily due to the CRD IV ratio excluding netting of settlement balances and cash collateral against derivatives and including off-balance sheet potential future exposures and undrawn commitments, which the adjusted gross leverage ratio (consistent with many other banks treatment) does not. The key adjustments to total assets under the CRD IV leverage ratio are as follows:

¡ Netting adjustments: netting permitted for regulatory purposes in relation to derivative and secured financing transaction (SFT) assets against corresponding liabilities;

¡ Regulatory deductions: items (comprising goodwill and intangibles, deferred tax asset losses, own paper, cash flow hedge reserve, and pension assets) deducted from the capital measure are also deducted from total assets to ensure consistency between the numerator and denominator of the ratio;

¡ Other adjustments: includes adjustments required to change from an IFRS scope of consolidation to a regulatory scope of consolidation. The final rules with regards to scope of consolidation for leverage purposes are uncertain;

¡ Potential Future Exposure on derivatives: add-on calculated by assigning standardised percentages to underlying values on derivative contracts in accordance with the CRD IV mark-to-market method, which is aimed at creating an assessment of the potential future credit exposure; and

¡ Undrawn Commitments: regulatory add-on relating to off-balance sheet undrawn commitments based on a credit conversion factor of 10% for unconditionally cancellable commitments and 100% for other commitments.

Risk review

Funding risk Capital continued

Leverage ratio calculation

To provide an indication of the potential impact on Barclays, we have estimated our pro forma CRD IV leverage ratio as at 31 December 2012. The CRD IV requirements, when implemented, will be based upon a three month average.

CRD IV leverage ratio calculation

As at 31 December 2012	Adjusted gross leverage £m	Proforma CRD IV leverage £m
Cash and balances at central banks	**86,175**	**86,175**
Trading portfolio assets	**145,030**	**145,030**
Financial assets designated at fair value	**46,061**	**46,061**
Derivative financial instruments	**469,146**	**469,146**
Loans and advances to banks and customers	**466,218**	**466,218**
Reverse repurchase agreements and other similar secured lending	**176,956**	**176,956**
Available for sale investments	**75,109**	**75,109**
Goodwill and intangible assets	**7,915**	**7,915**
Other assets	**17,711**	**17,711**
Total assets	**1,490,321**	**1,490,321**
Netting adjustments for derivatives and SFTs	**(387,672)**	**(394,908)**
Collateral on derivatives	**(46,855)**	**na**
Net settlement balances and cash collateral	**(71,718)**	**na**
Regulatory deductions and other adjustments	**(9,409)**	**(21,665)**
Adjusted total tangible assets	**974,667**	**na**
Potential future exposure on derivatives		**160,550**
Undrawn commitments		**179,134**
End point CRD IV leverage exposure measure		**1,413,433**
Transitional adjustments to assets deducted from regulatory Tier 1 Capital		**490**
Transitional CRD IV leverage exposure measure		**1,413,923**

Leverage ratio

As at 31 December	Tier 1 capital £m	Leverage	Leverage
CRD IV transitional measure	**50,282**	**28x**	**3.6%**
CRD IV adjusted full end point measure	**49,578**	**29x**	**3.5%**
CRD IV full end point measure	**39,983**	**35x**	**2.8%**
Adjusted gross leverage	**51,634**	**19x**	**5.3%**

CRD IV transitional measure is based on Tier 1 capital, allowing for both transitional treatment of deductions from CET1 and transitional relief for grandfathered ineligible Tier 1 instruments. This is the measure of Tier 1 capital that will apply for capital ratio requirements. Leverage ratio requirements will not be mandatory until 2018.

CRD IV adjusted full end point measure is based on Tier 1 capital, not allowing for transitional treatment of deductions from CET1 but adding back ineligible Tier 1 instruments.

CRD IV full end point measure is based on the fully loaded definition of Tier 1 capital, not allowing for either transitional treatment of deductions from CET1 or transitional relief for grandfathered ineligible Tier 1 instruments. In practice, our expectation is that ineligible Additional Tier 1 capital, which qualifies for grandfathering under the transitional relief, will be replaced with eligible capital over time.

In the event that the July 2011 CRD IV rules relating to maturity restrictions on hedging remain unchanged, the fully loaded Tier 1 capital position would reduce by approximately £4.8bn to £35.2bn, increasing CRD IV leverage to 32x on an adjusted full end point basis and to 40x on a full end point basis. However, we

have identified management actions that would be taken in the event that the CRD IV draft requirements remain unchanged, and as a result we are highly confident that no capital reduction would be required.

Economic capital

Economic capital is an internal measure of the risk profile of the bank expressed as the estimated stress loss at a 99.98% confidence level. Barclays assesses capital requirements by measuring the Group s risk profile using internally developed models. The Group assigns economic capital primarily within the following risk categories: credit risk, market risk, operational risk, fixed asset risk (property and equipment) and pension risk.

The Group regularly reviews its economic capital methodology and benchmarks outputs to external reference points. The framework uses default probabilities during average credit conditions, rather than those prevailing at the balance sheet date, thus seeking to remove cyclicality from the economic capital calculation. The economic capital framework takes into consideration time horizon, correlation of risks and risk concentrations. Economic capital is allocated on a consistent basis across all of Barclays businesses and risk activities.

Economic capital is used as part of the Group s Internal Capital Adequacy Assessment Process (ICAAP) and for assessing the Group s Financial Volatility within the Risk Appetite framework.

Average economic capital allocation by business £m[a,b,c]

Average economic capital allocation by risk type £m[a,b,c]

Notes

- a Calculated using an adjusted average over the year and rounded to the nearest £50m for presentation purposes.
- b Total period end average economic capital requirement (including pension risk) as at 31 December 2012 stood at £32,050m (2011: £35,800m).
- c Average economic capital charts exclude the economic capital calculated for pension risk (average pension risk for 2012 is £3,300m compared with £2,550m in 2011).
- d Includes transition businesses and capital for central function risk. Also includes the Group s investment in BlackRock, Inc. which was sold during the second quarter of 2012.
- e Includes credit risk loans.
- f Includes investments in associates, private equity risk, insurance risk, residual value and business risk. Also includes the Group s investment in BlackRock, Inc. which was sold in during the second quarter of 2012.

Risk review

Funding risk Liquidity

All disclosures in this section (pages 136-150) are unaudited and exclude Absa Group unless otherwise stated

Liquidity risk

Liquidity risk is the failure to meet obligations leading to an inability to support normal business activity and to meet liquidity regulatory requirements.

Barclays has a comprehensive Liquidity Risk Management Framework (the Liquidity Framework) for managing the Group s liquidity risk. The Liquidity Framework meets the FSA s standards and is designed to ensure that the Group maintains sufficient financial resources of appropriate quality for the Group s funding profile. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

Liquidity risk is managed separately at Absa Group due to local currency and funding requirements. For details of liquidity risk management at Absa, see page 147.

For further detail on liquidity risk governance and framework see page 297.

Liquidity risk stress testing

Under the Liquidity Framework, the Group has established the Liquidity Risk Appetite (LRA), which is the level of liquidity risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. It is measured with reference to anticipated stressed net contractual and contingent outflows for a variety of stress scenarios and is used to size the liquidity pool.

Liquidity Risk Appetite

As part of the LRA, the Group runs three primary liquidity stress scenarios, aligned to the FSA s prescribed stresses:

- a three month market-wide stress event;
- a one month Barclays-specific stress event; and
- a combined one month market-wide and Barclays-specific stress event.

Under normal market conditions, the liquidity pool is managed to be at least 100% of anticipated outflows under each of these stress scenarios. Barclays is primarily focused upon the one month Barclays-specific stress scenario, which results in the greatest net outflows of each of the liquidity stress tests. The combined one month scenario assumes outflows consistent with a firm-specific stress for the first two weeks of the stress period, followed by relatively lower outflows consistent with a market-wide stress for the remainder of the stress period.

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Key LRA assumptions include:

Liquidity risk driver	Barclays specific stress
Net wholesale funding outflow	¡ Outflows at contractual maturity of wholesale funding and conduit commercial paper, with no rollover/new issuance; and ¡ Prime Brokerage: 100% loss of excess client derivative margin and 100% loss of excess client cash.
Loss of secured financing and increased haircuts	¡ Loss of repo capacity at contractual maturity date and incremental haircut widening, depending upon collateral type.
Retail and commercial bank deposit outflows	¡ Substantial outflows as Barclays is seen as greater credit risk than competitors.
Intra-day risk	¡ Liquid collateral held against intra-day requirement at clearing and payment systems is regarded as encumbered with no liquidity value assumed; and ¡ Liquid collateral is held against withdrawal of unsecured intra-day lines provided by third parties.
Intra-group risk	¡ Risk of liquidity within subsidiaries becoming unavailable to the wider Group.
Funding concentration risk	¡ Additional outflows recognised against concentration of providers of wholesale secured financing.
Off-balance sheet risk	¡ Collateral outflows due to market movements, taking account of disputes and mismatches between collateralised and uncollateralised OTC and exchange-traded positions; ¡ Outflow of all collateral owed by Barclays to counterparties but not yet called; ¡ Anticipated increase in the firm s derivative initial margin requirement in a stressed environment; ¡ Collateral outflows contingent upon a multi-notch credit rating downgrade of Barclays Bank PLC; ¡ Significant drawdown on committed facilities provided to corporates, based on counterparty type, creditworthiness and facility type; and ¡ Drawdown on retail commitments.
Franchise viability	¡ Barclays liquidity stress testing recognises that it will be necessary to hold additional liquidity in order to meet outflows that are non-contractual in nature, but are necessary in order to support the firm s ongoing franchise (for example, market-making activities).
Mitigating actions	¡ Unencumbered marketable assets that are held outside of the liquidity pool, and that are of known liquidity value to the firm, are assumed to be monetised (subject to haircut/valuation adjustment).

In the summer of 2012, Barclays reduced its risk appetite by tightening limits and extending the time horizon of the LRA. The reduction was a pre-emptive and precautionary measure in response to market conditions and the LIBOR announcement and senior management resignations. No material deterioration in funding conditions materialised.

Liquidity regulation

Since June 2010, the Group has reported its liquidity position against Individual Liquidity Guidance (ILG) provided by the FSA. The FSA defines both eligible liquidity pool assets and stress outflows against reported balances.

The Group also monitors its position against anticipated Basel 3 liquidity metrics the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR is designed to promote short term resilience of a bank s liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of one year and has been developed to promote a sustainable maturity structure of assets and liabilities.

Risk review

Funding risk Liquidity continued

In January 2013, the Basel Committee on Banking Supervision published a revised standard for the LCR. Compared to the previous version of the standard (published by the Basel Committee in December 2010), these revisions result in significantly lower stress requirements and allow for the inclusion in the liquidity pool of an additional category of high-quality liquid assets (referred to as Level 2B assets). Furthermore, the Basel Committee announced that the LCR requirement will be subject to a phase-in period between January 2015 (60% minimum requirement) and January 2019 (100% minimum requirement). The minimum NSFR requirement is to be introduced in January 2018 at 100%.

Based on the revised Basel standards, as at 31 December 2012, Barclays had a surplus to both of these requirements with an estimated Basel 3 LCR of 126% and an estimated Basel 3 NSFR of 104% (2011: 97%)[a].

Comparing internal and regulatory liquidity stress tests

The LRA stress scenarios, the FSA ILG and Basel 3 LCR are all broadly comparable short term stress scenarios in which the adequacy of defined liquidity resources is assessed against contractual and contingent stress outflows. The FSA ILG and the Basel 3 LCR stress tests provide an independent assessment of the Group s liquidity risk profile.

Stress Test	Barclays LRA	FSA ILG	Basel 3 LCR	Basel 3 NSFR
Time Horizon	1 3 months	3 months	30 days	1 year
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Stable funding resources to stable funding requirements

As at 31 December 2012, the Group held eligible liquid assets significantly in excess of 100% of stress requirements for each of the one month Barclays-specific LRA scenario and the Basel 3 LCR requirement:

Compliance with internal and regulatory stress tests

	Barclays LRA (one month Barclays specific requirement)[b]	Estimated Basel 3 LCR (revised text January 2013)
As at 31 December 2012	**£bn**	**£bn**
Total eligible liquidity pool	**150**	**155**
Asset inflows		**18**
Stress outflows		
Retail and commercial deposit outflows	(29)	(36)
Wholesale funding	(45)	(47)
Net secured funding	(11)	(12)
Derivatives	(10)	(10)
Contractual credit rating downgrade exposure	(13)	(14)
Drawdowns of loan commitments	(6)	(22)
Other	(2)	
Total stress net cash flows	**(116)**	**(123)**
Surplus	**34**	**32**

Liquidity pool as a percentage of anticipated net cash flows	**129%**	**126%**

Barclays plans to maintain its surplus to the internal and regulatory stress requirements at an efficient level. Barclays will continue to monitor the money markets closely, in particular for early indications of the tightening of available funding. In these conditions, the nature and severity of the stress scenarios are reassessed and appropriate action taken with respect to the liquidity pool. This may include further increasing the size of pool or monetising the pool to meet stress outflows.

Notes

a Under the previous version of the Basel standards published in December 2010, the Group LCR estimate as at 31 December 2012 was 103% (2011: 82%). Banks employ a wide range of interpretations and assumptions to calculate the Basel liquidity ratios. These interpretations and assumptions are subject to change prior to implementation in January 2015 (LCR) and January 2018 (NSFR). The LCR and NSFR estimates are calculated for the Group on a consolidated basis (including Absa Group), in line with the latest guidance from the Basel Committee. The inclusion of Absa Group in the calculation does not have a significant impact on the estimated ratios.

b Of the three stress scenarios monitored as part of the LRA, the one month Barclays specific scenario results in the lowest ratio at 129% (2011: 107%). This compares to 141% (2011: 127%) under the three month market-wide scenario and 145% (2011: 118%) under the one month combined scenario.

Liquidity pool (audited)

The Group liquidity pool is held unencumbered against contractual and contingent stress outflows in the LRA stress tests and is not used to support payment or clearing requirements. As at 31 December 2012, the Group liquidity pool was £150bn (2011: £152bn). During 2012 the month-end liquidity pool ranged from £150bn to £173bn and the month-end average balance was £162bn (2011: £156bn).

Barclays does not include any own-name securities in its liquidity pool.

Composition of the Group liquidity pool as at 31 December 2012 (audited)

	Liquidity pool	Liquidity pool of which FSA eligible	Liquidity pool of which Basel 3 LCR eligible Level 1	Level 2A[a]
	£bn	£bn	£bn	£bn
Cash and deposits with central banks[b]	85	82	82	
Government bonds[c]				
AAA rated	40	39	40	
AA+ to AA- rated	5	4	5	
A+ to A- rated	1			1
Total government bonds	46	43	45	1
Other				
Supranational bonds and multilateral development banks	4	4	4	
Agencies and agency mortgage-backed securities	7		5	2
Covered bonds (rated AA- and above)	5			5
Other	3			
Total Other	19	4	9	7
Total	150	129	136	8

The Group liquidity pool is well diversified by major currency and the Group monitors LRA stress scenarios for major currencies.

Liquidity pool by currency

	USD	EUR	GBP	Other	Total
	£bn	£bn	£bn	£bn	£bn
Liquidity pool	26	66	25	33	150

Management of the Group liquidity pool (audited)

The composition of the Group liquidity pool is efficiently managed. The maintenance of the liquidity pool increases the Group s costs as the interest expense paid on the liabilities used to fund the liquidity pool is greater than the interest income received on liquidity pool assets. This cost can be reduced by investing a greater portion of the Group liquidity pool in highly liquid assets other than cash and deposits with central banks. These assets primarily comprise government bonds and their inclusion in the liquidity pool does not compromise the liquidity position of the Group.

The composition of the liquidity pool is subject to limits set by the Board, Treasury Committee and the independent credit risk and market risk functions. In addition, the investment of the liquidity pool is monitored for concentration risk by issuer, currency, asset type and country. Given the incremental returns generated by these highly liquid assets, the risk and reward profile is continuously managed.

As at 31 December 2012 the portion of the Group liquidity pool comprised of cash and deposits with central banks reduced to £85bn (2011: £105bn) as a result of a reallocation to government bonds and other highly liquid assets.

Barclays manages the liquidity pool on a centralised basis. As at 31 December 2012, 90% of the liquidity pool was located in Barclays Bank PLC (2011: 94%) and was available to meet liquidity needs across the Group. The residual liquidity pool is held predominantly within Barclays Capital Inc. (BCI). The portion of the liquidity pool outside of Barclays Bank PLC is held against entity-specific stressed outflows and regulatory requirements. To the extent the use of this portion of the liquidity pool is restricted due to regulatory requirements, it is assumed to be unavailable to the rest of the Group.

For more information on the governance framework for investing the Group liquidity pool see page 297.

Notes

a The LCR eligible assets presented in this table represent only those assets which are also eligible for the Group liquidity pool and do not include any Level 2B assets as a result.
b Of which over 95% (2011: over 95%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.
c Of which over 80% (2011: over 80%) of securities are comprised of UK, US, Japan, France, Germany, Denmark and the Netherlands.

Risk review

Funding risk   Liquidity continued

Contingent liquidity

In addition to the Group liquidity pool, Barclays has access to other unencumbered assets which provide a source of contingent liquidity. Whilst these are not relied on in the Group s LRA, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale.

In either a Barclays-specific or market-wide liquidity stress, liquidity available via market sources could be severely disrupted. In circumstances where market liquidity is unavailable or available only at heavily discounted prices, Barclays could generate liquidity via central bank facilities. The Group maintains a significant amount of collateral pre-positioned at central banks and available to raise funding.

For more detail on the Group s other unencumbered assets see page 144.

Funding Structure

The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. The Group s overall funding strategy is to develop a diversified funding base (both geographically and by depositor type) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimising the cost of funding.

Within this, the Group aims to align the sources and uses of funding. As such, retail and commercial customer loans and advances are largely funded by customer deposits. Other assets together with other loans and advances and unencumbered assets, are funded by long term wholesale debt and equity.

Trading portfolio assets and reverse repurchase agreements are largely funded in the wholesale markets by repurchase agreements and trading portfolio liabilities, while derivative assets are largely matched by derivatives liabilities. The liquidity pool is predominantly funded through wholesale markets. These funding relationships are summarised below as of 31 December 2012:

Assets

Customer loans and advances[a]	£ 364bn
Group liquidity pool	£ 150bn
Other assets[b]	£ 163bn
Reverse repurchase agreements and matched assets and liabilities[c]	£ 347bn
Derivative financial instruments[b]	£ 466bn

Liabilities

Customer deposits[a]	£ 336bn
<1 Year wholesale funding	£ 101bn
>1 Year wholesale funding	£ 138bn
Equity and other liabilities[b]	£ 108bn

Repurchase agreements and matched assets and liabilities[c]	£ 347bn
Derivative financial instruments[b]	£ 460bn

Deposit funding (including Absa Group; audited)

Deposit Funding[d]

Funding of loans and advances to customers	2012 Loans and advances to customers £bn	2012 Customer deposits £bn	2012 Loan to deposit ratio %	2011 Loan to deposit ratio %
Retail and Business Banking	**232.8**	**158.4**	**147**	146
Corporate Banking[e]	**62.9**	**97.1**	**65**	83
Wealth and Investment Management	**21.2**	**53.8**	**39**	40
Total funding excluding secured	**316.9**	**309.3**	**102**	111
Secured funding		**48.8**		
Sub-total including secured funding	**316.9**	**358.1**	**88**	101
Retail and Business Banking, Corporate Banking and Wealth and Investment Management[e]	**316.9**	**309.3**	**102**	111
Investment Bank	**46.2**	**26.1**	**177**	138
Head Office and Other Operations	**0.8**	**0.2**		
Trading settlement balances and cash collateral	**61.8**	**50.1**	**123**	142
Total	**425.7**	**385.7**	**110**	118

Notes

a Excluding cash collateral and settlement balances.
b Absa Group balances other than customer loans and advances of £37bn and customer deposits of £33bn are included in other assets and liabilities.
c Comprised of reverse repurchase that provide financing to customers collateralised by highly liquid securities on a short term basis or are used to settle short term inventory positions; repo financing of trading portfolio assets and matched cash collateral and settlement balances.
d Included within Retail and Business Banking, Corporate Banking and the Investment Bank are Absa Group related balances totalling £37bn of loans and advances to customers funded by £33bn of customer deposits.
e In addition Corporate Banking holds £17.6bn (2011: £17.2bn) loans and advances as financial assets held at fair value.

The Group loan to deposit ratio as at 31 December 2012 was 110% (2011: 118%).

Retail and Business Banking, Corporate Banking and Wealth and Investment Management activities are largely funded with customer deposits. As at 31 December 2012, the loan to deposit ratio for these businesses was 102% (2011: 111%). The funding gap for these businesses is met using asset backed securities (ABS) and covered bonds secured primarily over customer loans and advances such as residential mortgages and credit card receivables, resulting in a loan to deposit and secured funding ratio of 88% (2011: 101%).

The excess of the Investment Bank s loans and advances over customer deposits is funded with long term debt and equity. The Investment Bank does not rely on customer deposit funding from Retail and Business Banking, Corporate Banking and Wealth and Investment Management.

As at 31 December 2012, £112bn of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits, there were £3bn of other liabilities insured by governments.

Although, contractually, current accounts are repayable on demand and savings accounts at short notice, the Group s broad base of customers numerically and by depositor type helps protect against unexpected fluctuations in balances. Such accounts form a stable funding base for the Group s operations and liquidity needs. Barclays models the behaviour of both assets and liabilities on a net cash flow basis using our experience of customer behaviour to assess balance sheet behaviouralised funding gaps under business as usual conditions. These behavioural maturities are used to determine funds transfer pricing interest rates at which businesses are rewarded and charged for sources and uses of funds.

Behavioural Maturity Profile (including Absa Group; audited)

	Loans and advances to customers	Customer deposits	Customer funding surplus/ (deficit)	Behavioural maturity profile cash outflow/ (inflow)	
				Less than one year	Greater than one year
As at 31 December 2012	£bn	£bn	£bn	£bn	£bn
Retail and Business Banking	232.8	158.4	(74.4)	(16.8)	(57.6)
Corporate Banking	62.9	97.1	34.2	11.3	22.9
Wealth and Investment Management	21.2	53.8	32.6	6.9	25.7
Total funding excluding secured	316.9	309.3	(7.6)	1.4	(9.0)
Secured funding		48.8	48.8	14.5	34.3
Total Retail and Business Banking, Corporate Banking and Wealth and Investment Management funding	316.9	358.1	41.2	15.9	25.3

The relatively low cash outflow within one year demonstrates that customer funding remains broadly matched from a behavioural perspective.

Wholesale funding (audited)

Wholesale funding relationships as at 31 December 2012:

Assets	£bn
Trading portfolio assets and other securities	85
Reverse repurchase agreements	132
Reverse repurchase agreements	44
Derivative financial instruments	466
Liquidity pool	150
Other assets[a]	148
Liabilities	£bn

Repurchase agreements	**217**
Trading portfolio liabilities	**44**
Derivative financial instruments	**460**
Less than 1 year wholesale debt	**101**
Greater than 1 year wholesale debt and equity	**197**

Trading portfolio assets are largely funded by repurchase agreements. The majority of reverse repurchase agreements (i.e. secured lending) are matched by repurchase agreements. The remainder of reverse repurchase agreements are used to settle trading portfolio liabilities. Derivative assets and liabilities are largely matched. A substantial proportion of balance sheet derivative positions qualify for counterparty netting and the remaining portions are largely offset once netted against cash collateral received and paid. The liquidity pool is largely funded by wholesale debt, the majority of which matures in less than one year. Other assets are largely matched by term wholesale debt and equity.

Note

a Predominantly available for sale investments, trading portfolio assets, financial assets designated at fair value and loans and advances to banks funded by greater than one year wholesale debt and equity.

Risk review

Funding risk Liquidity continued

Composition of wholesale funding (audited)

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from money markets, repo markets and term investors, across a variety of distribution channels and geographies. The Group is an active participant in money markets, has direct access to US, European and Asian capital markets through its global investment banking operations and long term investors through its clients worldwide. As a result, wholesale funding is well diversified by product, maturity, geography and major currency.

As at 31 December 2012, total wholesale funding outstanding (excluding repurchase agreements) was £240bn (2011: £265bn). £101bn of wholesale funding matures in less than one year (2011: £130bn) of which £18bn relates to term funding (2011: £27bn)a. £138bn of wholesale funding had a residual maturity of over one year (2011: £135bn).

As at 31 December 2012, outstanding wholesale funding comprised £39bn of secured funding (2011: £39bn) and £201bn of unsecured funding (2011: £227bn).

Maturity profile of wholesale funding[b] (audited)

	Not more than one month £bn	Over one month but not more than three months £bn	Over three months but not more than six months £bn	Over six months but not more than one year £bn	Sub-total less than one year £bn	Over one year but not more than two years £bn	Over two years £bn	Total £bn
Deposits from banks	10.8	8.7	1.5	0.7	21.7	1.6	7.2	30.5
Customer deposits and commercial paper	5.8	23.4	9.0	6.9	45.1	2.0	1.3	48.4
Asset backed commercial paper	2.9	2.5			5.4			5.4
Senior unsecured (public benchmark)	3.3			0.6	3.9	7.8	14.4	26.1
Senior unsecured (privately placed)	0.7	4.1	4.0	5.3	14.1	10.8	38.5	63.4
Covered bonds/ABS		0.4	1.3	0.4	2.1	4.7	20.8	27.6
Subordinated liabilities		0.6		0.1	0.7		22.0	22.7
Other[c]	3.8	1.4	1.9	1.2	8.3	1.2	5.9	15.4
Total as at 31 December 2012	**27.3**	**41.1**	**17.7**	**15.2**	**101.3**	**28.1**	**110.1**	**239.5**
Of which secured	**4.6**	**4.0**	**2.4**	**1.3**	**12.3**	**5.2**	**21.5**	**39.0**
Of which unsecured	**22.7**	**37.1**	**15.3**	**13.9**	**89.0**	**22.9**	**88.6**	**200.5**
Total as at 31 December 2011					**130.3**			**265.2**
Of which secured					**16.9**			**38.7**
Of which unsecured					**113.4**			**226.5**

The Group has £63bn of privately placed senior unsecured notes in issue. These notes are issued through a variety of distribution channels including intermediaries and private banks. A large proportion of end users of these products are individual retail investors.

The liquidity risk of wholesale funding is carefully managed primarily through the LRA stress tests, against which the liquidity pool is held. Although not a requirement, the liquidity pool exceeded wholesale funding maturing in less than one year by £49bn as at 31 December 2012 (2011: £22bn).

The average maturity of wholesale funding net of the liquidity pool was at least 61 months (2011: 58 months).

Notes

a Term funding maturities comprise public benchmark and privately placed senior unsecured notes, covered bonds/ABS and subordinated debt where the original maturity of the instrument was more than one year. In addition, as at 31 December 2012, £3bn of these instruments were not counted towards term financing as they had an original maturity of less than one year.

b The composition of wholesale funds comprises the balance sheet reported deposits from banks, financial liabilities at fair value, debt securities in issue and subordinated liabilities, excluding cash collateral and settlement balances. It does not include collateral swaps, including participation in the Bank of England s FLS. Included within deposits from banks are £6.7bn of liabilities drawn in the European Central Bank s three year LTRO.

c Primarily comprised of fair value deposits (£7.1bn) and secured financing of physical gold (£6.0bn).

Currency composition of wholesale debt

As at 31 December 2012, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funds

	USD %	EUR %	GBP %	Other %
Deposits from banks	**11**	**51**	**30**	**8**
Customer deposits and commercial paper	**50**	**30**	**20**	
Asset backed commercial paper	**78**	**13**	**9**	
Senior unsecured	**27**	**37**	**16**	**20**
Covered bonds/ABS	**22**	**58**	**19**	**1**
Subordinated liabilities	**28**	**24**	**47**	**1**
Total as at 31 December 2012	**31**	**38**	**22**	**9**
Total as at 31 December 2011	27	42	17	14

To manage cross-currency refinancing risk Barclays manages to foreign exchange cash-flow limits, which limit risk at specific maturities.

Term financing (audited)

The Group continues to attract deposits in unsecured money markets and to raise additional secured and unsecured term funding in a variety of markets. During 2012 the Group issued approximately £28bn of term funding, comprising:

- £3.4bn equivalent of public benchmark senior unsecured debt;
- £6.2bn equivalent of net privately placed senior unsecured debt;
- £16.8bn equivalent of secured debt; and
- £1.9bn of subordinated debt.

Included within secured funding issued during 2012 is £6bn of funding raised through participation in the Bank of England s FLS.

Subordinated debt issued during 2012 comprises a Tier 2 issue of £1.9bn equivalent of contingent capital notes which includes a write-off feature should the Group s Core Tier 1 or CET1 capital, as appropriate, fall below 7%.

As previously disclosed, in addition to the above issuance, Euro funding gaps in Spain and Portugal were reduced through accessing 8.2bn of the European Central Bank s three year LTRO in February 2012 (see page 118 for more detail of Eurozone balance sheet redenomination risk).

Funding plan

Barclays maintains a long term strategic funding plan, designed to reduce structural funding risk and optimise interest costs.

Total 2012 issuance was sufficient to cover the Group s needs for 2012 and also to pre-fund a large portion of the Group s needs for 2013.

The Group s needs in 2012 were significantly lower than the £27bn of term funding maturing in that year due to the improvement in the customer loan to deposit ratio and a reduction in legacy assets.

The Group has £18bn of term debt maturing in 2013 and a further £24bn maturing in 2014. However, with expected deposit growth and reduction in legacy assets, funding needs are likely to be lower. The Group continues to recognise the importance of a diversified funding base, and therefore monitors opportunities across a

variety of funding markets.

Risk review

Funding risk Liquidity continued

Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Barclays funds a portion of trading portfolio assets and other securities via repurchase agreements and other similar secured borrowing and pledges a portion of customer loans and advances as collateral in securitisation, covered bond and other similar secured structures.

Barclays monitors the mix of secured and unsecured funding sources within the Group s funding plan and seeks to efficiently utilise available collateral to raise secured funding and meet other collateralised obligations. Over the last 18 months the proportion of term funding requirements met with secured funding has increased, resulting in an increase in the encumbrance of loans and advances to customers. We expect to moderately increase encumbrance of loans and advances to customers through additional term secured funding in the Group s Funding Plan, however, this is not expected to materially impact the overall proportion of assets that are encumbered.

As at 31 December 2012, only £231bn of the Group s balance sheet assets were encumbered (excluding reverse repurchase agreements), which primarily related to firm financing of trading portfolio assets and other securities and to funding secured against loans and advances to customers. In addition, £308bn of the total £359bn securities accepted as collateral, and held off-balance sheet, were on-pledged, the significant majority of which relates to matched-book activity where reverse repurchase agreements are matched by repurchase agreements entered into to facilitate client activity. The remainder relates primarily to reverse repurchases used to settle trading portfolio liabilities as well as collateral posted against derivatives margin requirements.

Asset encumbrance

			Unencumbered assets	
On-balance sheet	**Assets £bn**	**Encumbered assets[a] £bn**	**Readily available[b] £bn**	**Other[c] £bn**
Cash and balances at central banks	**84.6**		**82.1**	**2.5**
Trading portfolio assets	**142.0**	**85.0**	**54.6**	**2.4**
Financial assets at fair value[d]	**37.1**	**8.1**	**6.9**	**22.1**
Available for sale investments	**70.3**	**12.3**	**58.0**	
Loans and advances to banks[e]	**16.0**			**16.0**
Loans and advances to customers[e]	**327.7**	**72.9**	**40.4**	**214.4**
Other (incl. derivatives)	**489.0**			**489.0**
Cash collateral and settlement balances	**85.1**	**52.5**		**32.6**
Total on-balance sheet (excl. reverse repurchase agreements)	**1,251.8**	**230.8**	**242.0**	**779.0**

Off-balance sheet

			Unencumbered assets	
	Collateral received £bn	**Collateral received of which on-pledge £bn**	**Readily available[b] £bn**	**Other[c] £bn**
Fair value of securities accepted as collateral	**359.1**	**308.0**	**51.1**	
Total unencumbered collateral			**293.1**	**779.0**

Of the £1,072bn total unencumbered assets, £293bn are classified as readily available for use as collateral. This includes cash and securities held in the Group liquidity pool as well as additional unencumbered assets which provide a source of contingent liquidity. While these additional assets are not relied on in the Group s LRA, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale.

Unencumbered assets not classified as readily available for use as collateral consist primarily of derivatives and loans and advances to customers. Loans and advances to customers are only classified as readily available if they are already in a form such that they can be used to raise funding without further management actions. This includes excess collateral already in secured funding vehicles and collateral pre-positioned at central banks and available for use in secured financing

transactions. All other loans and advances are conservatively classified as not readily available, however a proportion would be suitable for use in secured funding structures.

Notes

- a Encumbered assets have been identified via the Group s assets pledged process. For securities and commodities assets are considered encumbered if there has been legal title transfer against repurchase, stock lending and other similar secured borrowing agreements, trading portfolio liabilities or derivatives margin. Encumbered loans and advances have been identified where assets are pledged against external securitisations or covered bonds or have been used in external repurchase or other similar agreements with market counterparts or central banks. Additionally, encumbered assets include cash collateral posted. Encumbered assets do not include assets which may have been pledged for other reasons and does not include client activity.
- b Readily available assets are those on and off-balance sheet assets that have not been identified as encumbered and are in transferable form.
- c Other unencumbered cash and balances at central banks represents required central bank reserves.
- d Excluding reverse repurchase agreements at fair value.
- e Excluding cash collateral and settlement balances.

Encumbrance of loans and advances

Barclays issues ABS, covered bonds and other similar secured instruments that are secured primarily over customer loans and advances. Notes issued from these programmes are also used in repurchase agreements with market counterparts and in central bank facilities. Barclays also utilises loan collateral in central bank facilities in non-securitised form.

The Group currently manages four primary on balance sheet asset-backed funding programmes to obtain term financing for mortgage and credit card lending. The UK regulated covered bond and the residential mortgage master trust securitisation programmes both utilise assets originated by the Group s UK residential mortgage business. The other programmes are credit card master trust securitisations and use receivables from the Group s UK and US credit card businesses. The programmes utilise true sale mechanics to transfer the title of the loan assets from Barclays Bank PLC (BBPLC) to insolvency remote special purpose vehicles. These programmes initially transfer the respective assets by way of a beneficial transfer of the assets. However, should there be a perfection event (including, amongst other things, the insolvency of BBPLC or BBPLC not maintaining the appropriate credit rating required by the relevant rating agency), then legal transfer of the assets would occur.

As at 31 December 2012, £98bn of customer loans and advances were transferred to these and other asset backed funding programmes or utilised to secure funding from central bank facilities. These assets were used to support £27bn of externally issued notes and a further £31bn of retained notes and non-securitised loan collateral used in repurchase agreements with market counterparts and at central bank facilities. Inclusive of required over-collateralisation of £15bn, a total of 17% of total loans and advances to customers were used to secure external funding via these programmes.

In addition, as at 31 December 2012 the Group had £15bn of excess collateral within its asset backed funding programmes that can readily be used to raise additional secured funding and support future issuance. A portion of retained notes are also available to raise secured funding.

Encumbrance of customer loans and advances

			Notes issued	
	Assets[a]	Externally issued notes	Other secured funding[b]	Retained
As at 31 December 2012	**£bn**	**£bn**	**£bn**	**£bn**
Mortgages (residential mortgage backed securities)	34.1	5.1	19.6	3.8
Mortgages (covered bonds)	29.9	16.2	1.9	
Mortgages (loans)[c]	14.2		7.3	
Credit cards	12.9	5.5		1.0
Corporate loans	2.5	0.2	1.1	3.1
Other[d]	4.8		1.2	3.1
Total	98.4	27.0	31.1	11.0

Repurchase agreements and reverse repurchase agreements

Barclays enters into repurchase and other similar secured borrowing agreements to finance its trading portfolio assets. The majority of reverse repurchase agreements are matched by offsetting repurchase agreements entered into to facilitate client activity. The remainder are used to settle trading portfolio liabilities.

Due to the high quality of collateral provided against secured financing transactions, the liquidity risk associated with this activity is significantly lower than unsecured financing transactions. Nonetheless, Barclays manages to gross and net secured mismatch limits to limit refinancing risk under a severe stress scenario and a portion of the Group s liquidity pool is held against stress outflows on these positions. The Group secured mismatch limits are calibrated based on market capacity, liquidity characteristics of the collateral and risk appetite of the Group.

The cash value of repurchase and reverse repurchase transactions will typically differ from the market value of the collateral against which these transactions are secured by an amount referred to as a haircut (or overcollateralisation). Typical haircut levels vary depending on the quality of the collateral that underlies these transactions. For transactions secured against highly liquid collaterale, lenders demand relatively small haircuts (typically ranging from 0-2%). For transactions secured against less liquid collateral, haircuts vary by asset class (typically ranging from 5-10% for corporate bonds and other less liquid collateral).

As at 31 December 2012, the significant majority of repurchase activity related to matched-book activity. The Group may face refinancing risk on the net maturity mismatch for matched-book activity. However, 75% of matched-book activity is against highly liquid collateral and where against less liquid collateral net repurchase maturities are managed to longer-tenors.

Notes

a Includes £3bn of cash reserves supporting secured funding vehicles.
b Comprised of bilateral repurchase agreements, collateral swaps and participation in central bank facilities.
c For mortgage loan collateral, assets reflects the value of collateral pledged and other secured funding reflects the liquidity value obtained.
d Primarily comprised of local authority covered bonds and export credit agency guaranteed loan collateral.
e Highly liquid assets include government bonds, agency securities and mortgage backed securities. Less liquid assets include asset backed securities, corporate bonds, equities and other.

Risk review

Funding risk Liquidity continued

Net matched book activity[a]

Negative number represents net repurchase agreement (net liability)	Less than one month £bn	One month to three months £bn	Over three months £bn
Highly liquid[b]	(14.1)	6.6	7.5
Less liquid[b]	5.7	(1.7)	(4.0)
Total	(8.4)	4.9	3.5

The residual repurchase agreement activity is the firm-financing component and reflects Barclays funding of a portion of its trading portfolio assets. The primary risk related to firm-financing activity is the inability to roll-over transactions as they mature. However, 74% of firm-financing activity was secured against highly liquid assets and the weighted average maturity of firm-financing activity secured against less liquid assets was 98 days.

Firm financing repurchase agreements

	Less than one month £bn	One month to three months £bn	Over three months £bn	Total £bn
Highly liquid[b]	66.8	6.5	2.9	76.2
Less liquid[b]	16.0	4.3	6.0	26.3
Total	82.8	10.8	8.9	102.5

Credit Ratings

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

A credit rating downgrade could result in contractual outflows to meet collateral requirements on existing contracts. Outflows related to a multiple-notch credit rating downgrade are included in the LRA stress scenarios and a portion of the liquidity pool is held against this risk. Credit ratings downgrades could also result in increased costs or reduced capacity to raise funding.

Credit Ratings

As at 31 December 2012	Standard & Poor s	Moody s	Fitch	DBRS
Barclays PLC				
Long Term	A (Negative)	A3 (Negative)	A (Stable)	n/a
Short Term	A-1	P-2	F1	n/a
Barclays Bank PLC				
Long Term	A+ (Negative)	A2 (Negative)	A (Stable)	AA (Negative)
Short Term	A-1	P-1	F1	R-1 (High)

During 2012, Barclays Bank PLC rating was downgraded by Moody s, from Aa3/P-1 to A2/P-1, as a result of the agency s rating repositioning of banks and securities firms with global capital market operations, and by DBRS, from AA High/ R-1 High to AA/R-1 High, as the result of the resignation of senior management during the summer. Barclays was fully reserving for maximum contractual outflows as a result of the ratings actions in the liquidity pool. There has been no significant change in deposit funding or wholesale funding in relation to the rating actions.

Further credit rating downgrades could result in contractual outflows to meet collateral requirements on existing contracts. The below table shows contractual collateral requirements following one and two notch long term and associated short term simultaneous downgrades across all credit rating agencies, which are fully reserved for in the liquidity pool. These numbers do not assume any management or restructuring actions that could be taken to reduce posting requirements. These outflows do not include the potential liquidity impact from loss of unsecured funding, such as from money market funds, or loss of secured funding capacity. However, unsecured and secured funding stresses are included in the LRA stress scenarios and a portion of the liquidity pool is held against these risks.

Notes

a Includes collateral swaps.
b Highly liquid assets include government bonds, agency securities and mortgage-backed securities. Less liquid assets include asset-backed securities, corporate bonds, equities and other.

Contractual credit rating downgrade exposure (cumulative cash flow)

	Cumulative cash outflow	
	One-notch downgrade	Two-notch downgrade
As at 31 December 2012	£bn	£bn
Securitisation derivatives	5	7
Contingent liabilities	7	7
Derivatives margining		1
Liquidity facilities	1	2
Total contractual funding or margin requirements	13	17

Liquidity Management at Absa Group (audited)

Liquidity risk is managed separately at Absa Group due to local currency, funding and regulatory requirements.

In addition to the Group liquidity pool, as at 31 December 2012, Absa Group held £4.6bn of liquidity pool assets against Absa-specific anticipated stressed outflows. The liquidity pool consists of South African government bonds and Treasury bills.

The Absa loan to deposit ratio as at 31 December 2012 was 112% (2011: 115%). The improvement in the loan to deposit ratio was driven by a reduction in loans and advances as a result of exchange rate movements combined with lower demand for credit across the South African economy in general, as well as a continued focus on ensuring that high credit standards continue to be applied. Absa has also seen an increase in the term of customer deposits over the period.

As at 31 December 2012, Absa had £12bn of wholesale funding outstanding (2011: £15bn), of which £6bn matures in less than 12 months (2011: £9bn). Issuance of term debt during 2012 included £0.5bn of senior unsecured debt and £0.4bn of subordinated debt, further extending the term and diversity of the funding base.

Contractual maturity of financial assets and liabilities (audited)

Details of contractual maturities for assets and liabilities form an important source of information for the management of liquidity risk. Such information is used (among other things) as the basis for modelling a behavioural balance sheet, for input into the liquidity framework, as discussed above.

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the on demand column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have been included in other assets and other liabilities as the Group is not exposed to liquidity risk arising from them; any request for funds from creditors would be met by simultaneously liquidating or transferring the related investment.

Risk review

Funding risk Liquidity continued

Contractual maturity of financial assets and liabilities (including Absa Group; audited)

As at 31 December 2012	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	42,419	43,756							86,175
Items in the course of collection from other banks	1,225	231							1,456
Trading portfolio assets	145,030								145,030
Financial assets designated at fair value	1,268	15,672	772	1,225	2,054	3,354	1,861	18,592	44,798
Derivative financial instruments	465,346	169	49	56	355	1,993	717	461	469,146
Loans and advances to banks	4,646	32,788	236	967	933	288	172	459	40,489
Loans and advances to customers	37,479	76,288	7,971	17,243	26,789	74,479	64,467	121,013	425,729
Reverse repurchase agreements and other similar secured lending	36	166,029	8,135	2,457	66	199	12	22	176,956
Available for sale financial investments	333	4,338	2,770	9,955	10,805	19,408	15,189	12,311	75,109
Other financial assets		1,615			386				2,001
Total financial assets	697,782	340,886	19,933	31,903	41,388	99,721	82,418	152,858	1,466,889
Other assets									23,432
Total assets									1,490,321
Liabilities									
Deposits from banks	8,619	57,099	1,664	844	1,617	5,925	229	1,013	77,010
Items in the course of collection due to other banks	1,449	124							1,573
Customer accounts	255,747	90,490	9,810	12,954	11,148	2,790	1,981	787	385,707
Repurchase agreements and other similar secured borrowing	394	207,312	4,538	3,742	47	1,309			217,342
Trading portfolio liabilities	44,794								44,794
Financial liabilities designated at fair value	1,434	7,882	6,278	7,178	11,977	23,037	10,145	8,855	76,786
Derivative financial instruments	459,334	63	32	48	333	844	1,074	740	462,468
Debt securities in issue	1,523	38,850	10,796	9,128	16,388	28,011	12,208	2,677	119,581
Subordinated liabilities		877		92	363	2,240	11,883	8,563	24,018
Other financial liabilities		4,080			641				4,721
Total financial liabilities	773,294	406,777	33,118	33,986	42,514	64,156	37,520	22,635	1,414,000
Other liabilities									13,364
Total liabilities									1,427,364
Cumulative liquidity gap	(75,512)	(141,403)	(154,588)	(156,671)	(157,797)	(122,232)	(77,334)	52,889	62,957

Contractual maturity of financial assets and liabilities (including Absa Group; audited)

As at 31 December 2011	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	58,317	48,577							106,894
Items in the course of collection from other banks	1,188	624							1,812
Trading portfolio assets	152,183								152,183
Financial assets designated at fair value	802	4,257	1,046	1,725	1,812	4,355	2,532	19,118	35,647
Derivative financial instruments	535,306	122	109	188	64	1,389	904	882	538,964
Loans and advances to banks	6,133	35,730	2,047	827	1,211	753	326	419	47,446
Loans and advances to customers	43,523	74,024	8,124	16,583	26,882	78,404	61,784	122,610	431,934
Reverse repurchase agreements and other similar secured lending	24	141,751	7,674	3,423	374	128	133	158	153,665
Available for sale investments	360	10,423	4,798	4,047	3,710	20,827	12,392	11,934	68,491
Other financial assets		1,978			640				2,618
Total financial assets	797,836	317,486	23,798	26,793	34,693	105,856	78,071	155,121	1,539,654
Other assets									23,873
Total assets									1,563,527
Liabilities									
Deposits from banks	7,866	79,507	880	896	351	1,283	333		91,116
Items in the course of collection due to other banks	965	4							969
Customer accounts	213,927	119,010	8,839	11,568	3,774	5,408	2,206	1,300	366,032
Repurchase agreements and other similar secured borrowing	23	196,066	9,356	1,554	72	183	36	2	207,292
Trading portfolio liabilities	45,887								45,887
Financial liabilities designated at fair value	1,525	11,743	4,033	11,077	8,391	27,718	11,511	10,318	86,316
Derivative financial instruments	524,551	345	146	44	63	1,078	592	1,091	527,910
Debt securities in issue	75	52,189	13,084	7,803	8,848	28,727	13,235	5,775	129,736
Subordinated liabilities		78		115	855	741	13,403	9,678	24,870
Other financial liabilities		3,629			1,594				5,223
Total financial liabilities	794,819	462,571	36,338	33,057	23,948	65,138	41,316	28,164	1,485,351
Other liabilities									12,980
Total liabilities									1,498,331
Cumulative liquidity gap	3,017	(142,068)	(154,608)	(160,872)	(150,127)	(109,409)	(72,654)	54,303	65,196

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

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

¡ Retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the Group s operations and liquidity needs because of the broad base of customers both numerically and by depositor type (see Behavioural Maturity Profile on page 141); and

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

Risk review

Funding risk   Liquidity continued

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

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values).

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

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

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

Contractual maturity of financial liabilities   undiscounted (including Absa Group; audited)

	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
As at 31 December 2012					
Deposits from banks	**8,619**	**59,675**	**7,629**	**1,267**	**77,190**
Items in the course of collection due to other banks	**1,449**	**124**			**1,573**
Customer accounts	**255,747**	**113,516**	**14,492**	**3,624**	**387,379**
Reverse repurchase agreements and other similar secured lending	**394**	**215,599**	**1,357**		**217,350**
Trading portfolio liabilities	**44,794**				**44,794**
Financial liabilities designated at fair value	**1,434**	**21,380**	**35,753**	**24,301**	**82,868**
Derivative financial instruments	**459,334**	**144**	**1,193**	**2,079**	**462,750**
Debt securities in issue	**1,523**	**60,396**	**46,742**	**16,566**	**125,227**
Subordinated liabilities		**1,948**	**6,284**	**24,266**	**32,498**
Other financial liabilities		**4,080**	**641**		**4,721**
Total financial liabilities	**773,294**	**476,862**	**114,091**	**72,103**	**1,436,350**
Off-balance sheet items					
Loan commitments	**121,522**	**42,587**	**78,962**	**4,996**	**248,067**
Other commitments	**170**	**714**	**110**	**50**	**1,044**
Total off-balance sheet items	**121,692**	**43,301**	**79,072**	**5,046**	**249,111**
Total financial liabilities and off-balance sheet items	**894,986**	**520,163**	**193,163**	**77,149**	**1,685,461**
At 31 December 2011					
Deposits from banks	7,866	81,308	1,651	409	91,234
Items in the course of collection due to other banks	965	4			969
Customer accounts	213,927	139,617	9,418	5,659	368,621
Reverse repurchase agreements and other similar secured lending	23	207,000	257	41	207,321
Trading portfolio liabilities	45,887				45,887
Financial liabilities designated at fair value	1,525	28,147	39,459	30,743	99,874
Derivative financial instruments	524,551	828	1,512	2,333	529,224

Debt securities in issue	75	74,953	40,983	21,754	137,765
Subordinated liabilities		1,002	4,456	27,584	33,042
Other financial liabilities		3,629	1,594		5,223
Total financial liabilities	794,819	536,488	99,330	88,523	1,519,160
Off-balance sheet items					
Loan commitments	223,622	12,071	3,548	1,125	240,366
Other commitments	364	793	198	6	1,361
Total off-balance sheet items	223,986	12,864	3,746	1,131	241,727
Total financial liabilities and off-balance sheet items	1,018,805	549,352	103,076	89,654	1,760,887

Operational risk

All disclosures in this section are unaudited

Operational risk

Operational risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.

Operational risks are inherent in the Group s business activities and are typical of any large enterprise. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Losses from operational risks of small significance are expected to occur and are accepted as part of the normal course of business. Those of material significance are rare and the Group seeks to reduce the likelihood of these in accordance with its risk appetite.

The Principal Risk comprises the following Key Risks: CyberSecurity risk, External suppliers, Fraud, Financial reporting, Information, Legal, Product, Payments, People, Premises and security, Regulatory, Taxation, Technology and Transaction operations. For definitions of these key risks see page 302.

For more information on Legal, Regulatory and Taxation risks please see pages 76, 77 and 79.

Operational risk profile

The Barclays operational risk profile in 2012 was dominated by the regulatory penalties in respect of LIBOR and EURIBOR submissions (£290m) and provisions for PPI (£1.6bn) and interest rate hedging product redress (£850m).

Within operational risk a high proportion of risk events have a low associated financial cost and a very small proportion of operational risk events will have a material impact on results of operations and financial conditions of the Group. In 2012 74.7% of the Group s net operational risk losses had a value of £50,000 or less (2011: 70.4%) and accounted for only 1.3% of the Group s total net loss impact. The analysis below presents Barclays operational risk events by Basel 2 category. There has been an increase in the proportion of losses by amount within the Clients, products and business practices category to 92.2% (2011: 65.9%), driven by penalties relating to the industry-wide investigation into the setting of interbank offered rates, provisions for PPI and interest rate hedging product redress. In 2012, Execution, delivery and process management (46.1%) and External fraud (40.8%) remain the categories with the highest frequency of events. Execution, delivery and process management events are common to the banking industry where high volumes of transactions are processed on a daily basis. These are often fully or partially recovered, resulting in low value net losses. High volume, low value external fraud events are also consistent with industry experience, driven by debit and credit card fraud. These remained within the expected levels during 2012.

The Group s operational risk profile is informed by bottom-up risk assessment by business unit and top-down qualitative review from the Operational Risk Committee. This continues to highlight Clients, products and business practices as a key operational risk exposure. CyberSecurity risk is an area identified for increased focus which has driven the introduction of a new key risk category and impacts business disruption and system failures and external fraud risk events.

For further information see Risk management section (pages 274-303).

Operational risk events by risk category

% of total risk events by count

Operational risk events by risk category

% of total risk events by value

Reputation risk

All disclosures in this section are unaudited

Reputation risk

Reputation risk is the risk of damage to Barclays brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical.

Such damage reduces, directly or indirectly, the attractiveness of Barclays to stakeholders and may lead to negative publicity; loss of revenue; litigation; regulatory or legislative action; loss of existing and potential client business; reduced workforce morale; and difficulties in recruiting talent. Sustained reputational damage could have a materially negative impact on our licence to operate and destroy significant shareholder value.

Reputation risk is broadly triggered by failure to comply with either stated or expected norms in two ways:

- As an additional consequence of not applying other risk controls; and
- As a consequence of otherwise inappropriate behaviour, where there is no breach of control, law or regulation, but the decision or behaviour is generally regarded as unethical or inconsistent with our values.

Assessments of reputation risk cannot be static as they are driven by evolving norms and are composed of risks that can take numerous diverse forms. For example, risk can arise from:

- Association with controversial clients or sectors: for example, if Barclays provided funding or services to a client connected with (or perceived to be connected with) controversial activities;
- Operating or doing business in an inappropriate manner: for example, if Barclays paid bribes to secure commercial advantages; and
- Past, present or potential failures in corporate governance or management: for example, if Barclays provided funding or services to clients without fully implementing anti-money laundering precautions.

Managing reputation risk on a day-to-day basis is the direct responsibility of the individuals involved in making commercial decisions in their respective businesses or functions. Every member of staff must take responsibility, so the foundation of our approach is to clearly establish our goal, purpose and values and ensure that all individuals across the organisation deliver in a way consistent with that culture.

Where individuals are confronted by a decision which appears to have wider reputational consequences, they will be supported by a clear set of rules and processes that provide a clear articulation of the expectations for how people should identify and manage risk consistently, including how to escalate the issue.

Recognising that Barclays has one global brand, management of reputation risk cannot be ring-fenced and allocated to a single global owner . However, where truly difficult decisions with the potential to materially affect the Bank are escalated, they will be dealt with by a committee of senior executives (Barclays Reputation Council).

In 2012, Barclays experienced a number of reputation-impacting events. Many of these events were the result of prior years decisions and behaviours, and included executive remuneration, the industry-wide investigation into the setting of interbank offered rates such as LIBOR, and the mis-selling of PPI to consumers and interest rate hedging products to business customers.

We sought to manage the impact of these events to restore trust in Barclays. In addition, as part of our Transform Programme, we have tried to learn from these events and understand their drivers so that we can better prevent events going forward. Key lessons and areas where we will continue to make improvements include:

- Visibly principled leadership;
- Values-based assessment and rewards;
- Strong and integrated governance; and
- Broad, active and on-going bilateral stakeholder engagement.

Barclays began to revise its approach to reputation risk comprehensively and holistically in 2012. In order to strengthen the governance relating to reputation matters, we have recategorised reputation risk as a new Principal Risk and have created a Board Conduct, Reputation and Operational Risk Committee in 2013. The Barclays Reputation Council created a Bank wide Reputation Risk Control Framework and Reputation Risk Impact/ Control Policy, both of which were approved by the Board. The Council has also delivered training on reputation risk to senior executives across the bank to ensure the knowledge and culture is embedded.

We will continue to strengthen foundations, enhance governance and improve proactive risk identification/remediation throughout 2013.

Conduct risk

All disclosures in this section are unaudited

Conduct risk

Conduct risk is the risk that detriment is caused to the Bank, our customers, clients or counterparties because of the inappropriate execution of our business activities.

During 2012 there were a number of conduct risk issues affecting the group, as set out under legal risk and regulatory risk in the risk factors section on pages 76-77.

In response, during 2013 we have specifically recategorised conduct risk as a Principal Risk which will be under the supervision of Sir Hector Sants, Head of Compliance and Government and Regulatory Relations. In order to strengthen the governance relating to conduct matters we have created a Board Conduct, Reputation and Operational Risk Committee. The Committee meets quarterly under the auspices of the Chairman of the Group. We will also establish a management committee to focus on conduct risk.

In addition the restructuring of the FSA has led to a focus on conduct risk. This is intended to go beyond the previous focus on compliance with rules, on process and on treating customers fairly, to embrace a holistic approach of how a firm organises itself and does business in order to ensure good customer outcomes.

The FSA and, from 1 April 2013 the Financial Conduct Authority (FCA), expects regulated firms to be able to focus holistically on conduct risk and to report internally to management and to regulators on conduct risk which the FCA will assess through the Firm Systematic Framework. This necessitates a new approach and Barclays has proactively initiated a number of initiatives in order to ensure that it both meets business needs and the expectations of regulators and other stakeholders.

We will continue developing our definition and standard of conduct risk and building out and embedding a new framework for conduct risk management and have established a group wide programme to deliver this outcome. The programme has Executive Committee sponsorship from the Head of Compliance and Regulatory and Government Relations. The components of the programme include:

- Design and rollout: design and embedding of a new conduct risk Principal Risk in accordance with the group principal risks policy;
- Strategy and management information: assessing how best to feed conduct risk appetite into strategic decision-making and developing management information to support decision-making and facilitate the monitoring of the conduct risk profile against appetite; and
- Conduct risk assessment: assessing the current state of controls within each business to capture what we do well and identify where we must improve.

The programme will look to build on and enhance the work already done in this area, for example the focus on treating customers fairly and complaints handling. It will also take account of emerging regulatory developments following the legal creation of the FCA.

Risk management

Supervision and regulation

All disclosures in this section (pages 154 to 160) are unaudited

Supervision of the Group

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

In the UK, until 31 March 2013, the Financial Services Authority (FSA) remains the independent body responsible for the regulation and supervision of deposit taking, life insurance, home mortgages, general insurance and investment business.

Following the passage of the Financial Services Act 2012, the Bank of England will have responsibility for monitoring the financial system as a whole and the system of regulation in the UK will be reorganised. From 1 April 2013, the regulation and supervision of the Group will be divided between the Prudential Regulation Authority (PRA) which is established as a subsidiary of the Bank of England and the Financial Conduct Authority (FCA). In addition, the Financial Policy Committee (FPC) of the Bank of England will have significant influence on the prudential requirements that may be imposed on the banking system. It is also intended that it will have a number of macro-prudential tools at its disposal that may be used to vary the prudential requirements to which the Group is subject, including the power to vary the counter-cyclical capital buffer and to vary sectoral capital requirements. Further details on the reform of regulation in the UK can be found below.

The Financial Services and Markets Act 2000 (FSMA) as amended remains the principal statute under which financial institutions are regulated in the UK. Barclays Bank PLC is authorised under the FSMA to carry on a range of regulated activities within the UK and is subject to consolidated prudential supervision by the FSA and, from 1 April, by the PRA. In its role as supervisor, the FSA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The FSA s continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy. This will remain the case under the PRA.

Firms are subject to a rolling programme of continuous, intensive and intrusive engagement on prudential and conduct matters. The FSA also promulgates requirements that banks and other financial institutions are required to meet on matters such as capital adequacy, limits on large exposures to individual entities and groups of closely connected entities, liquidity and rules of business conduct. From 1 April 2013, the regulation and supervision of conduct matters will be assumed by the FCA.

The Banking Act 2009 (the Banking Act) provides a regime to allow the Bank of England (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK, in consultation with the FSA and HM Treasury as appropriate. Under the Banking Act, these authorities are given powers, including (a) the power to make share transfer orders pursuant to which all or some of the securities issued by a UK bank may be transferred to a commercial purchaser or the UK government; and (b) the power to transfer all or some of the property, rights and liabilities of a UK bank to a commercial purchaser or Bank of England entity. A share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including Barclays Bank PLC) or its holding company (Barclays PLC) and warrants for such shares and bonds. From 1 April 2013, certain of these powers will be extended to companies within the same group as a UK bank. The Banking Act also gives the authorities powers to override events of default or termination rights that might be invoked as a result of the exercise of the resolution powers. The Banking Act powers apply regardless of any contractual restrictions and compensation may be payable in the context of both share transfer orders and property appropriation.

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

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

In addition to establishing the FPC, PRA and FCA, the Financial Services Act 2012 among other things, clarifies responsibilities between HM Treasury and the Bank of England in the event of a financial crisis by giving the Chancellor of the Exchequer powers to direct the Bank of England where public funds are at risk and there is a serious threat to financial stability; it establishes the objectives and accountabilities of the new regulatory bodies; amends the Threshold Conditions

for authorisation; and gives the new bodies additional powers, including powers of direction over the unregulated parent undertakings (such as Barclays PLC) where this is necessary to ensure effective consolidated supervision of the Group; and a power for the FCA to make temporary product intervention rules for a maximum period of six months, if necessary without consultation. The Act also gives the FCA the power to set rules in relation to the setting of benchmarks and creates a new criminal offence relating to the making of a false or misleading statement, or the creation of a false or misleading impression, in connection with the setting of a benchmark.

Following the financial crisis and the failure of a number of financial institutions, the FSA has paid particular attention to compliance with rules on client money and assets, and developing further policy and rules in this area. In January 2011, Barclays Capital Securities Limited (BCSL) was subject to an FSA fine for breaches of the client money and assets (CASS) segregation rules. Specifically, BCSL failed to segregate client monies placed on GBP money market deposits intra-day in a segregated trust account. Throughout the relevant period the funds were segregated overnight but on an intra-day basis client money was co-mingled with firm money for between five and seven hours each day. Upon discovery of the intra-day segregation issue BCSL corrected the situation promptly.

BCSL also undertook a wider CASS review in 2010 and implemented a remediation plan to address the issues identified in that review which included:

Enhancements to the client documentation and static data control framework: enhancements were made to the contractual and static data control framework to provide for systemic and centralised capture of the relevant contractual client money and custody terms and alignment to downstream calculation, segregation and reconciliation processes.

An exercise was undertaken to align the client money contractual terms within the Terms of Business with the operational segregation practices and where required enter into supplemental or amended contracts with clients to clarify the basis upon which the monies and/or assets that they place with Barclays are held.

Increased automation of the client money calculation and reconciliation practices: BCSL has introduced an automated client money system which has significantly reduced the level of manual processing involved in the client money calculation and segregation procedures and enhanced the available audit trail to inform the daily assurance processes.

Increased clarity and transparency of CASS Policies, Procedures and Roles and Responsibilities: a CASS oversight officer has been appointed and a formal organisational structure (including roles and responsibilities) covering CASS requirements has been agreed and implemented across relevant business and infrastructure areas. Awareness of CASS and the application to the firm s business activities has been enhanced through the introduction of a mandatory structured training course for those involved in CASS Processing and the development of detailed operational policies and procedures.

Enhanced Governance and Oversight Controls: a formal Governance, Control and Oversight committee structure with formal reporting obligations into the firm s central governance framework has been established.

A CASS specialist team has been established within the Operational Regulatory Control team and ongoing CASS quality assurance and incident management and reporting processes have been established and implemented.

This CASS remediation plan has been completed.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme FSCS) which operates when an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in Sterling or other currencies are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC. In the event that the FSCS raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group s results. Further details can be found in Note 28 on page 241.

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

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

Barclays operations in South Africa, including Absa Group Limited, are supervised and regulated by mainly the South African Reserve Bank (SARB), the Financial Services Board (FSB) as well as the Department of Trade and Industry (DTI). SARB oversees the banking industry and follows a risk-based approach to supervision, whilst the FSB oversees the non-banking financial services industry such as insurance and investment business and focuses on enhancing consumer protection and regulating market conduct. The DTI regulates consumer credit through the National Credit Act (NCA) 2005, as well as other aspects of consumer protection not regulated under the jurisdiction of the FSB through the Consumer Protection Act (CPA) 2008. It is intended that regulatory responsibilities in South Africa will in future be divided between the SARB which will be responsible for prudential regulation and the FSB will be responsible for matters of market conduct. The precise timing for the move to twin peaks regulation remains to be determined.

Risk management

Supervision and regulation continued

In the United States, Barclays PLC, Barclays Bank PLC and Barclays US banking subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956, as amended (BHC Act), the Foreign Bank Supervision Enhancement Act of 1991, the Financial Services Modernization Act of 1999, the USA PATRIOT Act of 2001 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). This framework regulates the activities of Barclays, including its US banking subsidiaries and the US branches of Barclays Bank PLC, as well as imposing prudential restrictions, such as limits on extensions of credit by the Bank s US branches and the US banking subsidiaries to a single borrower and to affiliates. The New York and Florida branches of Barclays Bank PLC are subject to extensive federal and state supervision and regulation by the FRB and, as applicable, the New York State Department of Financial Services and the Florida Office of Financial Regulation . Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Federal Deposit Insurance Corporation (FDIC), the Delaware State Bank Commissioner and the Consumer Financial Protection Bureau. The deposits of Barclays Bank Delaware are insured by the FDIC. Barclays Wealth Trustees (US) NA is an uninsured non-depository trust company chartered and supervised by the OCC. The licensing authority of each US branch of Barclays Bank PLC has the authority, in certain circumstances, to take possession of the business and property of Barclays Bank PLC located in the state of the office it licenses or to revoke or suspend such license. Such circumstances generally include violations of law, unsafe business practices and insolvency.

Barclays PLC and Barclays Bank PLC are bank holding companies registered with the FRB, which exercises umbrella authority over Barclays US operations. Barclays PLC and Barclays Bank PLC have each elected to be treated as a financial holding company under the BHC Act. Financial holding companies may engage in a broader range of financial and related activities than are permitted to registered bank holding companies that do not maintain financial holding company status, including underwriting and dealing in all types of securities. Financial holding companies such as Barclays PLC and Barclays Bank PLC are required to meet or exceed certain capital ratios and be deemed to be well managed , and Barclays Bank Delaware and Barclays Wealth Trustees (US) NA are each required to meet certain capital requirements and be deemed to be well managed . In order for Barclays PLC and Barclays Bank PLC to maintain their status as financial holding companies, Barclays Bank Delaware must be both well capitalised and well managed under applicable regulatory standards. In addition, Barclays Bank Delaware must have at least a satisfactory rating under the Community Reinvestment Act of 1977 (CRA). Entities ceasing to meet any of these requirements, are allotted a period of time in which to restore capital levels or the management or CRA rating. Should Barclays PLC or Barclays Bank PLC fail to meet the above requirements, during the allotted period of time they could be prohibited from engaging in new types of financial activities or making certain types of acquisitions. If the capital level or rating is not restored, the Group may be required by the FRB to cease certain activities in the United States.

Under the Federal Deposit Insurance Act of 1950, as amended by the DFA, Barclays is required to act as a source of financial strength for Barclays Bank Delaware. This could, among other things, require Barclays to inject capital into Barclays Bank Delaware if it fails to meet minimum regulatory capital requirements.

A major focus of US government policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. Regulations applicable to US operations of Barclays Bank PLC and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution. In particular, on August 16, 2010, the United States filed in the United States District Court for the District of Columbia a criminal information against Barclays, which alleged violations of US sanctions laws. The United States and Barclays simultaneously entered into a Deferred Prosecution Agreement (DPA), pursuant to which the United States agreed to defer prosecution for a period of two years, provided that Barclays complied with various undertakings, including undertakings relating to cooperation and remediation. The DPA provided that if Barclays complied with those undertakings, the United States would move to dismiss the information. On August 31, 2012, the United States moved the Court to dismiss the information with prejudice on the ground that Barclays had fully cooperated with the United States, complied with all of its obligations under the DPA, and not otherwise violated the DPA . On November 30, 2012, the Court granted the motion to dismiss.

Barclays US securities broker/dealer, investment advisory and Investment banking operations are subject to ongoing supervision and regulation by the SEC, the Financial Industry Regulatory Authority (FINRA) and other government agencies and self-regulatory organisations (SROs) as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under the US federal and state securities laws. Similarly, Barclays US commodity futures and options-related operations are subject to ongoing supervision and regulation by the CTFC, the National Futures Association and other SROs.

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

Regulatory developments

The regulatory change generated by the financial crisis is having and will continue to have a substantial impact on all financial institutions, including the Group. The full impact of this change remains unclear, but will be significant. Regulatory change is being pursued at a number of levels, globally notably through the G20, Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS), regionally through the European Union and nationally, especially in the UK and US. Increased prudential requirements and changes to the definitions of capital and liquid assets may affect the Group s planned activities and could increase costs and contribute to adverse impacts on the Group s earnings. Similarly, increased requirements in relation to capital markets activities and to market conduct requirements may affect the Group s planned activities and could increase costs and thereby contribute to adverse impacts on the Group s earnings.

Global

The programme of reform of the global regulatory framework that was agreed by G20 Heads of Government in April 2009 has continued to be taken forward during 2012.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme. It has focused particularly on the risks posed by systemically important financial institutions. In 2011, G20 Heads of Government adopted FSB proposals to reform the regulation of globally systematically important financial institutions (G-SIFIs). A key element of this programme is that G-SIFIs should be capable of being resolved without recourse to taxpayer support. Barclays has been designated a G-SIFI by the FSB. G-SIFIs will be subject to:

The FSB s international standard for national resolution regimes, Key Attributes of Effective Resolution Regimes for Financial Institutions. Among other things, this seeks to give resolution authorities powers to intervene in and resolve a financial institution that is no longer viable, including through the transfers of business and creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator-determined point of non-viability that may precede insolvency. The concept of bail-in may affect the rights of senior unsecured creditors subject to any bail-in in the event of a resolution of a failing bank.

Requirements for resolvability assessments and for recovery and resolution planning.

Requirements for banks determined to be globally systemically important to have additional loss absorption capacity above that required by Basel 3 standards (see below). The surcharges rise in increments from 1% to 2.5% of risk weighted assets (with an empty bucket of 3.5% to discourage institutions from developing their business in a way that heightens their systemic nature). This additional buffer must be met with common equity.

More intensive supervision, including through stronger supervisory mandates, resources and powers, and higher supervisory expectations for risk management functions, data aggregation capabilities, risk governance and internal controls.

G-SIFIs are subject to enhanced supervision and a comprehensive crisis management framework within supervisory colleges.
In its November 2012 list of G-SIFIs, the FSB placed Barclays in a bucket that would require it to meet a 2% surcharge. The additional loss absorbency requirements will apply to those banks identified in November 2014 as globally systemically important and will be phased in starting in January 2016, with full implementation by January 2019. G-SIFIs must also meet the higher supervisory expectations for data aggregation capabilities by January 2016. In October 2012, the FSB and BCBS finalised a principles based framework for domestic systemically important banks (D-SIBs). National authorities will begin to apply requirements to banks identified as D-SIBs from January 2016 in line with the phase in arrangements for G-SIFIs.

The FSB continues to pursue a number of work streams that will affect the Group, its counterparties and the markets in which it operates. These include policy work on shadow banking and on enhanced disclosures.

The BCBS issued the final guidelines on Basel 3 capital and liquidity standards in December 2010, with revisions to counterparty credit risk in July and November 2011. It has continued to refine elements of this package, notably in relation to regulatory liquidity where revisions were agreed in January 2013 to the definitions of high quality liquid assets and net cash outflows for the purpose of calculating the Liquidity Coverage Ratio, as well as establishing a timetable for phasing-in the standard from January 2016. The requirements of Basel 3 as a whole are subject to a number of transitional provisions that run to the end of 2018. An assessment of the likely impact of the Basel 3 capital, leverage and liquidity requirements and the Group response can be found in the analysis of funding risk in relation to capital and to liquidity (pages 130-134 and 138 respectively). The Group is, however, primarily subject to the EU s implementation of the Basel 3 standard through the Capital Requirements Directive (see below).

The BCBS also maintains a number of active work streams that will affect the Group. These include a fundamental review of the trading book where a consultation on enhanced capital standards was issued in May 2012. Consultations on enhanced standards were also held in relation to margin requirements for non-centrally cleared derivatives, capital requirements for exposures to central counterparties, the management of risks associated with the settlement of foreign exchange transactions and on the securitisation framework. The results of this work are expected in 2013. The BCBS is also understood to be examining a regime for large exposures. These developments may further increase the capital required by the Group to transact affected business and/or affect the ability of the Group to undertake certain transactions.

European Union

The EU continues to develop its regulatory structure in response to the financial and Eurozone crises. At the December 2012 meeting of EU Finance Ministers, following the Euro Area Summit of 29 June, it was agreed to establish a single supervisory mechanism within the Eurozone. The European Central Bank (ECB) will have responsibility for the supervision of the most significant Eurozone credit institutions, financial holding companies or mixed financial holding companies. The ECB may extend its supervision to institutions of significant relevance that have established subsidiaries in more than one participating member state and with significant cross-border assets or liabilities. It is expected that the single supervisory mechanism will become operational in 2014.

The European Banking Authority which came into being on 1 January 2011, along with the other European Supervisory Authorities, remains charged with the development of a single rulebook for the EU as a whole and with enhancing co-operation between national supervisory authorities. The European Securities Markets Authority has a similar role in relation to the capital markets and to banks and other firms doing investment and capital markets business. The progressive reduction of national discretion on the part of national regulatory authorities within the EU may lead to the elimination of prudential arrangements that have been agreed with those authorities. This may serve to increase or decrease the amount of capital and other resources that Barclays is required to hold. The overall effect is not clear and may only become evident over a number of years. The European Banking Authority and the European Securities Markets Authority each have the power to mediate between and override national authorities under certain circumstances. Responsibility for day to day supervision remains with national authorities and for banks, like the Group, that are incorporated in countries that will not participate in the single supervisory mechanism, is expected to remain so.

Risk management

Supervision and regulation continued

Basel 3 will be implemented in the EU by amendment to the Capital Requirements Directive (CRD IV). Formal proposals to amend the CRD IV were adopted by the European Commission in July 2011. These take the form of a regulation and a directive which are currently going through the EU legislative process. It had been expected that CRD IV would enter into force on 1 January 2013. However, delays in the legislative process mean that this date has been missed and no further implementation date has been specified. Much of the detailed implementation is expected to be done through binding technical standards to be developed by the European Banking Authority, that are intended to ensure a harmonised application of rules through the EU but which have yet to be developed. While there may be some differences between CRD IV and Basel 3, the current expectation is that the overall impact will be broadly similar.

A significant addition to the EU legislative framework for financial institutions is the proposal for a Directive establishing a framework for the recovery and resolution of credit institutions and investment firms. This proposal is intended to implement many of the requirements of the FSB s Key Attributes of Effective Resolution Regimes for Financial Institutions . The proposal would give resolution authorities extensive powers to bail-in liabilities (i.e. write down liabilities or convert them to equity) and firms would need a minimum percentage of liabilities in a form that allows them to be subject to bail-in . The proposal also requires the development of recovery and resolution plans at group and firm-level. The proposal sets out a harmonised set of resolution tools across the EU, including the power to impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts. There are also significant funding implications for financial institutions: the proposal envisages the establishment of pre-funded resolution funds of 1% of covered deposits to be built up over 10 years, although the proposal also envisages that national deposit guarantee schemes may be able to fulfil this function. The proposal is currently going through the legislative process and the financial impact on the Group is not yet clear.

An unrelated proposal to amend the Directive on Deposit Guarantee Schemes is also being considered, and the linkage that has emerged with the Recovery and Resolution Directive remains to be clarified. The proposal on Deposit Guarantee schemes also envisages that national schemes should be pre-funded, with a fund to be raised over a number of years. This would be a significant change for UK banks where levies are currently raised as needed after failure. The proposals remain under debate and the financial impact on the Group is not yet clear.

In October 2012, a group of experts set up by the European Commission to consider possible reform of the structure of the EU banking sector presented its report. Among other things, the group recommended the mandatory separation of proprietary trading and other high-risk trading activities from other banking activities. The European Commission has consulted on the proposals put forward by this group, but has yet to determine whether it will take these forward and, if so, how. It is expected that the European Commission will clarify its intentions later this year.

The European Market Infrastructure Regulation (EMIR) introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. When it enters fully into force, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives, to: report

every derivative contract that they enter to a trade repository; implement new risk management standards, including operational processes and margining, for all bilateral over-the-counter derivatives trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation. EMIR has potential operational and financial impacts on the group, including collateral requirements. However, not all the implementing regulation is available and it is not possible at this stage to determine the full impact.

Proposals to amend the Markets in Financial Instruments Directive continue to be debated. This will affect many of the investment markets in which the Group operates and the instruments in which it trades, and how it transacts with market counterparties and other customers. These proposals are currently going through the legislative process and the overall impact on the Group is not yet clear.

United Kingdom

Following the passage of the Financial Services Act 2012 which amended the structure of regulation and supervision in the UK as described above, the Government is proposing legislation to take forward the proposals of the Independent Commission on Banking (ICB).

On 4 February 2013, the UK Government introduced the Financial Services (Banking Reform) Bill to the House of Commons. The Bill would give the UK authorities the powers to implement the key recommendations of the ICB by requiring, amongst other things: (i) the separation of the UK and EEA retail banking activities of a UK bank in a legally distinct, operationally separate and economically independent entity within the same group (ring fencing) and (ii) the increase of the loss-absorbing capacity of ring-fenced banks and UK headquartered global systemically important banks to levels higher than the Basel 3 guidelines. The Bill would also give depositors protected under the Financial Services Compensation Scheme preference if a bank enters insolvency. At the same time, the Government announced that it will be bringing forward amendments to the Bill to establish a reserve power allowing the regulator, with approval from the Government, to enforce full separation under certain circumstances. The Bill consists in large part of enabling provisions, with much of the detail expected to be contained in secondary legislation. The Government is expected to publish the draft secondary legislation later this year. The Government intends that primary and secondary legislation will be in place by the end of this Parliament (May 2015) and that UK banks will be required to be compliant by 1 January 2019.

The Parliamentary Commission on Banking Standards was formed in July 2012. The Commission is appointed by both Houses of Parliament to consider and report on:

- professional standards and culture of the UK banking sector, taking account of regulatory and competition investigations into the LIBOR rate-setting process
- lessons to be learned about corporate governance, transparency and conflicts of interest, and their implications for regulation and for Government policy and to make recommendations for legislative and other action.

The recommendations of the Commission are expected in March 2013 and are likely to influence UK Government policy and legislative proposals, possibly through amendment to the Banking Reform Bill and its accompanying secondary legislation which will be under debate through much of 2013.

While the new regulatory structure takes effect on 1 April 2013, the UK has sought to shadow the new regime to the extent possible without the support of the necessary legislation. The Bank of England has operated an Interim FPC and the FSA, has since 1 April 2012 has been operating in two distinct and largely autonomous business units covering prudential and conduct matters respectively. The FPC has recommended that the FSA should seek to ensure that UK banks hold greater levels of capital as a means of balancing financial stability with the desirability of lending to the real economy. Both business units of the FSA have continued to develop and apply a more intrusive and assertive approach to supervision and its policy of credible deterrence in relation to enforcement that has continued to see significant growth in the size of regulatory fines. In anticipation of international agreement, the FSA has established and implemented capital and liquidity requirements that are substantially increased from pre-crisis levels, and has, together with the Bank of England, proceeded to establish Recovery and Resolution Planning requirements. In keeping with the requirements of the FSB, the Group submitted its Recovery and Resolution Plan by 30 June 2012. The Retail Distribution Review entered into force on 1 January 2013 and the Mortgage Market Review will apply from 26 April 2014. These will affect the economics of investment advice and home finance provision respectively. The FSA, following consultation, has also begun to take a more interventionist approach to the design of financial products and to the governance processes around product design. This approach will be carried through into the FCA when it is established.

As noted above, the Financial Services Act 2012 brings the setting of benchmarks within the scope of regulation and makes the manipulation or attempted manipulation of benchmarks a criminal offence. This followed the recommendations of the Wheatley Review into LIBOR that the UK authorities should introduce statutory regulation of both administration of, and submission to, LIBOR and that as far as possible submissions should be based on transaction data. In December 2012, the FSA issued a consultation on the regulation and supervision of benchmarks. The proposals included: requiring those submitting data to benchmarks to have in place a clear conflicts of interest policy and appropriate systems and controls, and those individuals particularly responsible within firms to be approved by the FSA under the FSA s Approved Persons Regime. The Wheatley Review also concluded that markets benefit from the participation of major firms in the LIBOR panels and that market integrity could be undermined if submitting firms were to leave them. The FSA is considering the use of powers to require firms to contribute to the rate on a permanent basis which the government is proposing to grant. Reforms to the setting of other benchmarks, including some in which Barclays participates, are also being contemplated in the EU and in other jurisdictions.

United States

The DFA became law in July 2010. The full scale of the DFA s impact on the Group remains unclear because the rules required to implement many of the provisions of DFA continue to be subject to rulemaking and will take effect over several years. In addition, market practices and structures may change in response to the requirements of the DFA in ways that are difficult to predict but that could impact Barclays business. Nonetheless, certain provisions of the DFA are particularly likely to have an effect on the Group, including:

Systemic risk: The DFA created the Financial Stability Oversight Council (FSOC) and empowered it to make recommendations to the FRB to apply heightened supervisory requirements and prudential standards applicable to systematically important entities and activities and to work with all primary financial regulatory agencies to establish regulations, as necessary, to address financial stability concerns. In December 2012, the FRB issued proposed rules that, if adopted, would implement the enhanced prudential standards and early remediation requirements in the DFA with respect to foreign banking organisations, such as Barclays, and other foreign financial companies designated by the FSOC as systemically important. Previously, the FRB had issued proposed rules to implement such standards and requirements with respect to US bank holding companies with over $50bn in consolidated assets and other US financial companies designated by the FSOC as systemically important. The proposed rules for foreign banking organisations are broadly consistent with the approach taken in the FRB s proposed rules applicable to such US companies.

The specific requirements applicable to foreign banking organisations under the proposed rules depend on the level of assets of the foreign banking organisation both inside and outside the United States and could significantly increase the regulatory costs to such organisations of operating in the United States, particularly in relation to non-bank operations. Based on its total US and non-US assets, Barclays would be subject to the most stringent requirements of the proposed rules: Barclays would be required to create a US intermediate holding company (IHC) structure to hold its US banking and non-banking subsidiaries, and the IHC would be subject to supervision and regulation by the FRB. While the operations and assets of Barclays Bank PLC s US branches would not be required to be held in the IHC, the branches would be subject to separate requirements.

The IHC would be subject to a number of separate supervisory, prudential and early-remediation requirements, including (i) capital requirements and leverage limits; (ii) mandatory stress testing of capital levels by the FRB and submission of a capital plan to the FRB; (iii) limitations on capital distributions by the IHC to its parent company, unless such distributions are part of such a capital plan that has been submitted to and approved by the FRB; (iv) substantive liquidity requirements, including requirements to conduct monthly internal liquidity stress tests for the IHC and for Barclays Bank PLC s US branch network, separately, and to maintain a 30-day buffer of highly liquid assets; (v) liquidity risk management requirements, including compliance with liquidity risk management standards established by the FRB and an independent review function to review and evaluate regularly the adequacy and effectiveness of the liquidity risk management practices of Barclays combined US operations; (vi) overall risk management requirements, including creation of a US risk committee (or use of Barclays enterprise-wide risk committee for this function, provided it meets certain requirements) and the hiring of a US chief risk officer, and (vii) stringent concentration and credit exposure limits.

The proposals envisage that the above requirements would take effect on 1 July 2015. If adopted in their current form, the proposed rules have the potential to increase the absolute and regulatory costs of Barclays US operations significantly. The proposals are subject to a public comment period, and the FRB has posed a number of questions regarding how to implement the proposed rules. As a result of this process, the FRB may modify its proposals, which could result in changes to the requirements and the ultimate effect of the proposed rules. It, therefore, is not possible to determine with certainty what

Risk management

Supervision and regulation continued

effect the proposed rules (or the final rules adopted by the FRB) may have on Barclays or its US operations.

Other enhanced prudential requirements: In addition to the requirements that would be implemented under the above proposals, and separate and apart from Basel 3, the DFA also imposes higher capital, liquidity and leverage requirements on US banks and bank holding companies generally.

Restrictions on proprietary trading and fund-related activities: The so-called Volcker Rule , will, once effective, significantly restrict the ability of US bank holding companies and their affiliates, and the US branches of foreign banks, to conduct proprietary trading in securities and derivatives as well as certain activities related to hedge funds and private equity funds. In October 2011, US regulators proposed rules to implement the Volcker Rule. Those rules have not yet been finalised. The proposed rules are highly complex and many aspects remain unclear, including the exemption from the proprietary trading and fund-related activity prohibitions for activities conducted by non-US organisations solely outside the United States . The agencies appeared to construe this exemption very narrowly in the proposed rules. Analysis continues of the proposals, but it is clear that compliance with them would entail significant effort by the Group. Although the Volcker Rule is likely to impose significant additional compliance and operational costs on the Group, the full impact will not be known with certainty until the rules have been finalised. Whilst the Group has identified that its private equity fund, hedge fund and trading operations may be affected by the Volcker Rule, until the final regulations are adopted, the impact on the Group s ability to engage in these activities continues to remain uncertain. As such, it cannot currently be determined whether the restrictions will have a material effect on the Group. While the statutory Volcker Rule provisions officially took effect in July 2012, Barclays has until the end of the conformance period, currently set for July 2014 (subject to possible extensions), in order to conform its activities to the requirements of the rule.

Resolution plans: The DFA requires bank holding companies with total consolidated assets of $50bn or more to submit to the FRB and the FDIC, and regularly update, a plan for rapid and orderly resolution to be used if the company experiences material financial distress or failure. Non-US banking organisations that are treated as bank holding companies under US law, such as Barclays, are required to submit such plans with respect to their US operations if they have more than $50bn in US assets. As Barclays US assets exceed $250bn, it submitted a resolution plan as required by 1 July 2012.

Regulation of derivatives markets: Among the changes mandated by the DFA are that many types of derivatives now traded in the over-the counter markets be traded on an exchange or swap execution facility and centrally cleared through a regulated clearing house. In addition, many participants in these markets will be required to register with the
CFTC as swap dealers or major swap participants and/or with the US SEC as securities swap dealers or major securities swap dealers and be subject to CFTC and SEC regulation and oversight. Barclays Bank PLC has registered as a swap dealer. Entities required to register will also be subject to business conduct, capital, margin, recordkeeping and reporting requirements. The DFA also requires most standardised derivatives to be traded on a regulated platform and cleared through a regulated clearing house. In addition, the CFTC, pursuant to the DFA, has adopted rules on position limits on derivatives on physical commodities. These rules have been overturned by a US District Court and the case is now on appeal. However, it is expected that these rules will be adopted in some form in the future. It is also possible that other additional regulations (many of which still are not final), and the related expenses and requirements, will increase the cost of and restrict participation in the derivative markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivative markets. Barclays Bank PLC and its subsidiaries and affiliates may be exposed to these effects whether or not they are required to register in the capacities described. The new regulation of the derivative markets could adversely affect the business of Barclays Bank PLC and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities. The DFA also contains a derivatives push-out requirement that, as early as July, 2013, could prevent the Group from conducting certain swaps-related activities in the US branches of Barclays Bank PLC.

Risk retention requirements for securitisations: The US federal banking agencies are required by the DFA to develop rules whereby, subject to certain exceptions, any sponsor of an asset backed security (ABS) transaction must retain, generally, not less than five percent of the credit risk of any asset that the sponsor, through the issuance of ABS, transfers, sells or conveys to a third party. This may impact the participation by the Group s US operations in such transactions.

The Bureau of Consumer Financial Protection (CFPB): The CFPB is empowered to regulate the credit card industry, including the terms of credit card agreements with consumers, disclosures, and fees. Actions by the CFPB in this area are likely to impact the Group s US credit card business. The CFPB became

operational in July 2011, and has developed a model credit card disclosure form and is accepting consumer credit card complaints. More broadly, the CFPB has the authority to examine and take enforcement action against any US bank with over $10bn in total assets, such as Barclays Bank Delaware, with respect to its compliance with Federal laws regulating the provision of consumer financial services and with respect to unfair, deceptive or abusive acts and practices . Since becoming operational, the CFPB has initiated several high-profile public actions against financial companies, including major credit card issuers. Settlements of those actions have included monetary penalties, customer remediation requirements and commitments to modify business practices.

Financial review

A review of the performance of Barclays, including the key performance indicators, and our businesses contribution to the overall performance of the Group.

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Financial review

Key performance indicators

The Key Performance Indicators presented below reflect the way in which the performance of the Group has been measured during 2012. In 2013, these will be updated with certain new measures consistent with the new strategy of the Executive Committee.

Returns KPIs

	Definition	Why is it important to the business and management
Return on average shareholders equity (RoE)	RoE is calculated as profit for the year attributable to equity holders of the parent divided by average shareholders equity for the year excluding non-controlling interests. 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 RWAs and the shareholders equity. Achieving target returns demonstrates the organisation s ability to execute its strategy and align interests of management and shareholders. Returns lie at the heart of our capital allocation and performance management process.
Return on average tangible shareholders equity (RoTE)	RoTE is calculated as profit for the year attributable to equity holders of the parent divided by average shareholders equity for the year, excluding non-controlling interests, goodwill and intangible assets.	
Return on average risk weighted assets (RoRWA)	RoRWA is calculated as profit after tax for the year divided by average risk weighted assets for the year.	
Profit before tax	Profit before tax and adjusted profit before tax are the two primary profitability measures used by management to assess performance. Profit before tax is stated in accordance with International Financial Reporting Standards and represents total income less impairment charges and operating expenses. Adjusted profit before tax represents profit before tax adjusted to exclude the impact on income and costs of own credit, gains on debt buy-backs, gain/loss on disposal of a portion of the Group s	Profit before tax is a key indicator of financial performance to many of our stakeholders. Adjusted profit before tax is presented to provide a consistent basis for company performance between periods.

Adjusted RoE		Statutory RoE	
2012	**7.8%**	**2012**	**(1.9)%**
2011	6.6%	2011	5.8%
2010	6.8%	2010	7.2%

Adjusted RoTE		Statutory RoTE	
2012	**9.1%**	**2012**	**(2.2)%**
2011	7.9%	2011	6.9%
2010	8.2%	2010	8.7%

Adjusted RoRWA		Statutory RoRWA	
2012	**1.3%**	**2012**	**(0.1)%**
2011	1.1%	2011	1.0%
2010	1.1%	2010	1.1%

Adjusted		Statutory	
2012	**£7,048m**	**2012**	**£246m**
2011	£5,590m	2011	£5,879m
2010	£5,707m	2010	£6,065m

strategic investment in BlackRock, Inc., the impairment of the investment in BlackRock, Inc., the provision of PPI and interest rate hedging products redress, goodwill impairments, and gains and losses on acquisitions and disposals of subsidiaries, associates and joint ventures.

Returns KPIs continued

Cost: income ratio

Adjusted		Statutory	
2012	**64%**	**2012**	**85%**
2011	67%	2011	64%
2010	64%	2010	64%

Definition

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

Why is it important to the business and management

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.

Loan loss rate

2012	**75bps**
2011	77bps
2010	118bps

The loan loss rate is quoted in basis points and represents total annualised loan impairment divided by gross loans and advances to customers and bank held at amortised cost at the balance sheet date.

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 2012 the loan loss rate decreased to 75bps (2011: 77bps) reflecting a 6% reduction in impairment charge on loans and advances and a 3% contraction in gross loans and advances principally due to lower balances in the Investment Bank.

Dividend per share

2012	**6.5p**
2011	6.0p
2010	5.5p

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 recognising the market s desire for us to maintain strong capital ratios, in light of recent regulatory and economic uncertainty, dividend distributions when compared to historical highs, have been prudent.

Financial review

Key performance indicators continued

Capital KPIs

Core Tier 1 ratio

2012	**10.9%**
2011	11.0%
2010	10.8%

Definition

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 as defined by the UK FSA. Core Tier 1 is broadly tangible shareholders funds less certain capital deductions (see page 128 for a reconciliation).

Why is it important to the business and management

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 FSA; 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.

During 2012, the Group s Core Tier 1 ratio remained strong, closing at 10.9%.

Adjusted gross leverage

2012	**19x**
2011	20x
2010	20x

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, and cash collateral on derivative liabilities, goodwill and intangible assets. Tier 1 capital is defined by the UK FSA. The calculation of adjusted gross leverage, as well as the ratio of total assets to total shareholders equity is shown on page 72.

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 helpful measure of stability going forward. This is consistent with the views of our regulators and investors.

In 2012, adjusted gross leverage reduced to 19x principally due to the increase in qualifying Tier 1 Capital to £51.6bn (2011: £50.5bn). The ratio of total assets to shareholders equity was 24x (2011: 24x) and moved within a month end range of 24x to 28x (2011: 24x to 28x). Excluding the liquidity pool, the ratio of total assets to shareholders equity was 21x (2011: 22x).

Income growth KPIs

Total income

Definition

Defined as total income net of insurance claims.

Why is it important to the business and management

Total income is a key indicator of financial performance to many of our stakeholders and income growth a key execution priority for Barclays management.

Adjusted RoE **Statutory RoE**

2012	**£29,043m**	**2012**	**£24,691m**
2011	£28,512m	2011	£32,292m
2010	£31,049m	2010	£31,440m

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 is provided in the glossary.

The goal of increasing the international diversification of our income helps to reduce statutory risk by providing exposure to different economic cycles and is demonstrated by our ratio of non-UK to UK business income.

UK statutory income in the below table includes the impact of an own credit charge of £4,579m in 2012, gain of £2,708m in 2011 and gain of £391m in 2010.

Geographic split of income	Adjusted			Statutory		
	2012 %	2011 %	2010 %	**2012 %**	2011 %	2010 %
UK	**41**	43	39	**31**	49	40
Europe	**13**	15	16	**15**	13	15
Americas	**26**	21	25	**32**	19	25
Africa and the Middle East	**16**	17	16	**18**	15	16
Asia	**4**	4	4	**4**	4	4

Citizenship KPIs

KPI	Definition	Why is it important to the business and management
Gross new lending to UK households and businesses **2012 £44.0bn** 2011 £45.0bn 2010 £43.5bn	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. Supporting customers in difficulty has never been more critical, but providing access to credit must be based on the ability to repay. We provided £44bn in gross new lending to UK households and businesses, including an estimated £5.7bn of net new lending under the Funding for Lending Scheme. Barclays was the leading provider of loans to UK households and businesses under the National Loan Guarantee Scheme and the FLS through the third quarter of 2012[a] with strong growth continuing particularly to individuals and households through the fourth quarter of 2012.
Global investment in our communities **2012 £64.5m** 2011 £63.5m 2010 £55.3m	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.
Colleagues involved in volunteering, giving and fundraising initiatives **2012 68,000** 2011 70,000 2010 59,000	Defined as the total number of Barclays employees taking part in volunteering, giving or fundraising activities (excluding pensioners).[b]	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.
Group Employee Opinion Survey (EOS) Proud to be Barclays **2012 78%** 2011 81% 2010 83%	This KPI reflects an aggregate of scores across Barclays for a question measuring sense of pride in being associated with or working for Barclays.	Successful employment relationships are built on mutual benefit and trust, and a more engaged workforce is usually a more productive one. We build trust through regular two-way communications, both informally, and through our Employee Opinion Surveys. These help us understand our colleagues views and concerns when shaping future organisational direction. The KPI of Proud to be Barclays is one element of employee engagement.

Percentage of senior managers who are female[c]	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.[c]	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.

2012	**22%**
2011	21%
2010	24%

Notes

a Cumulative net stock lending for the third quarter of 2012 as per Bank of England publication in December 2012: http://www.bankofengland.co.uk/markets/Pages/FLS/data.aspx.

b 2010 and 2011 employee participation figures have been restated to exclude the number of Barclays pensioners who received support as part of Barclays Community Investment programme.

c For 2012 senior has been reinterpreted as being at a Director (B7) level. Prior year comparatives have been revised to reflect this.

Financial review

Consolidated summary income statement

For the year ended 31 December	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Continuing operations					
Net interest income	**11,639**	12,201	12,523	11,918	11,469
Non-interest income net of claims and benefits on insurance contracts	**17,631**	16,253	18,526	17,776	8,043
Own credit (charge)/gain	**(4,579)**	2,708	391	(1,820)	1,663
Gains on debt buy-backs		1,130		1,249	24
Total income net of insurance claims	**24,691**	32,292	31,440	29,123	21,199
Credit impairment charges and other provisions	**(3,596)**	(3,802)	(5,672)	(8,071)	(5,419)
Impairment of investment in BlackRock, Inc.		(1,800)			
Provision for PPI redress	**(1,600)**	(1,000)			
Provision for interest rate hedging products redress	**(850)**				
Goodwill impairment		(597)	(243)	(1)	(112)
Other operating expenses	**(18,539)**	(19,180)	(19,728)	(16,714)	(13,279)
Other net income/expense	**140**	(34)	268	248	2,747
Profit before tax	**246**	5,879	6,065	4,585	5,136
Taxation	**(482)**	(1,928)	(1,516)	(1,074)	(453)
(Loss)/Profit after tax from continuing operations	**(236)**	3,951	4,549	3,511	4,683
Profit for the year from discontinued operations, including gain on disposal				6,777	604
(Loss)/Profit after tax	**(236)**	3,951	4,549	10,288	5,287
(Loss)/Profit attributable to equity holders of the Parent	**(1,041)**	3,007	3,564	9,393	4,382
Profit attributable to non-controlling interests	**805**	944	985	895	905
	(236)	3,951	4,549	10,288	5,287
Selected financial statistics					
Basic earnings per share from continuing operations	**(8.5p)**	25.1p	30.4p	24.1p	51.4p
Basic earnings per share	**(8.5p)**	25.1p	30.4p	86.2p	59.3p
Diluted earnings per share	**(8.5p)**	24.0p	28.5p	81.6p	57.5p
Dividends per ordinary share	**6.5p**	6.0p	5.5p	2.5p	11.5p
Dividend payout ratio	**(76.5)%**	23.9%	18.1%	2.9%	19.4%
Return on average shareholders equity[a]	**(1.9)%**	5.8%	7.2%	23.8%	16.5%
Average United States Dollar exchange rate[b]	**1.59**	1.61	1.55	1.57	1.86
Average Euro exchange rate[b]	**1.23**	1.15	1.17	1.12	1.26
Average Rand exchange rate[b]	**13.03**	11.60	11.31	13.14	15.17

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.

Notes

a Return on average shareholders equity represents profits attributable to the equity holders of the parent as a percentage of average shareholders equity.

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

Income statement commentary

2012

Barclays delivered profit before tax of £246m in 2012, a decrease from £5,879 in 2011. Excluding movements on own credit, gains on debt buy-backs, loss/gains on acquisitions and disposals, impairment of investment in BlackRock, Inc., provision for PPI and interest rate hedging products and goodwill impairment, adjusted profit before tax increased 26% to £7,048m.

Income decreased 24% to £24,691m driven by the increase in the own credit charge to £4,579m (2011: the gain of £2,708m). Adjusted income, that excludes own credit and debt buy backs increased 2% to £29,043m. Income increased despite challenging economic conditions, the continuing low interest rate environment and non-recurrence of £1,061m gains from the disposal of hedging instruments in 2011.

Customer net interest income for Retail and Business Banking, Corporate Banking and Wealth and Investment Management remained stable at £9,816m (2011: £9,849m) while the net interest margin for these businesses declined to 185bps (2011: 203bps), principally reflecting the non-recurrence of gains from the disposal of hedging instruments in 2011.

Total income in the Investment Bank increased 13% to £11,722m driven by increases in Fixed Income, Currency and Commodities (FICC), Equities and Prime Services, and Investment Banking, particularly in the Americas.

Impairment charges and other credit provisions decreased 5% to £3,596m, principally reflecting improvements in Barclaycard, Corporate Banking and UKRBB. This was partially offset by higher charges in the Investment Bank, Africa RBB and Europe RBB. Impairment charges as a proportion of Group loans and advances as at 31 December 2012 improved to 75bps, compared to 77bps for 2011.

As a result, net operating income for the Group after impairment charges decreased 21% to £21,095m. Net adjusted operating income that excludes movements on own credit, gains on debt buy-backs, loss/gains on acquisitions and disposals, impairment of investment in BlackRock, Inc., provision for PPI and interest rate hedging products and goodwill impairment increased 3% to £25,447m.

Operating expenses increased 1% to £20,989m in 2012. Adjusted operating expenses, that excludes £1,600m (2011: £1,000m) provision for PPI redress and £850m (2011: £nil) provision for interest rate hedging products redress, were down 3% to £18,539m, including £125m (2011: £408m) of restructuring charges.

The cost: income ratio increased to 85% (2011: 64%) driven by the impact of the own credit charge. The adjusted cost: income ratio that excludes movements on own credit, gains on debt buy-backs, loss/gains on acquisitions and disposals, impairment of investment in BlackRock, Inc., provision for PPI and interest rate hedging products and goodwill impairment improved to 64% (2011: 67%).

The tax charge for continuing operations for 2012 was £482m (2011: £1,928m) on profit before tax of £246m (2011: £5,879m), representing an effective tax rate of 195.9% (2011: 32.8%).The high effective tax rate in 2012 is a result of the combination of losses in the UK, primarily relating to the own credit charge of £4,579m (2011: gain of £2,708m) with tax relief at 24.5% (2011: 26.5%) and profits outside the UK taxed at higher rates.

2011

Barclays delivered profit before tax of £5,879m in 2011, a decrease of 3%. Excluding movements on own credit, gains on debt buy-backs, loss/gains on acquisitions and disposals, impairment of investment in BlackRock, Inc., provision for PPI and goodwill impairment, adjusted profit before tax decreased 2% to £5,590m.

Income increased 3% to £32,292m. Adjusted income that excludes own credit and debt buy backs decreased 8% to £28,512m principally reflecting a decrease in income at Investment Bank. Income increased in most other businesses despite continued low interest rates and difficult macroeconomic conditions.

The Retail and Business Banking, Corporate Banking and Wealth and Investment Management net interest margin remained stable at 203bps (2010: 203bps). Net interest income from Retail and Business Banking, Corporate Banking, Wealth and Investment Management and the Investment Bank increased 5% to £13.2bn, of which the contribution from hedging (including £463m of increased gains from the disposal of hedging instruments) increased by 3%.

Impairment charges and other credit provisions decreased 33% to £3,802m reflecting significant improvements across all businesses. Impairment charges as a proportion of Group loans and advances as at 31 December 2011 improved to 77bps, compared to 118bps for 2010. In addition, impairment of £1,800m was taken against the investment in BlackRock, Inc.

As a result, net operating income for the Group after impairment charges increased 4% to £26,690m.

Operating expenses increased 4% to £20,777m in 2011. Adjusted operating expenses, that excludes provision for PPI redress, goodwill impairment, and the UK bank levy of £325m (2010: £nil), were down 4% to £18,855m, which included £408m (2010: £330m) of restructuring charges. Despite cost savings, the cost: income ratio remained stable at 64% (2010: 64%),

The effective tax rate increased to 32.8% (2010: 25.0%), principally due to non-deductible charges arising on the impairment of BlackRock, Inc. and goodwill, and the UK bank levy.

Adjusted profit reconciliation

	2012 £m	2011 £m
Adjusted profit before tax	**7,048**	5,590
Own credit	**(4,579)**	2,708
Gains on debt buy-backs		1,130
Gain/(loss) on disposal and impairment of investment in BlackRock, Inc.	**227**	(1,858)
Provision for PPI redress	**(1,600)**	(1,000)
Provision for interest rate hedging products redress	**(850)**	
Goodwill impairment		(597)
Losses on acquisitions and disposals		(94)
Statutory profit before tax	**246**	5,879

Financial review

Consolidated summary balance sheet

As at 31 December	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Assets					
Cash, balances at central banks and items in the course of collection	**87,631**	108,706	99,014	83,076	31,714
Trading portfolio assets	**145,030**	152,183	168,867	151,344	185,637
Financial assets designated at fair value	**46,061**	36,949	41,485	42,568	121,199
Derivative financial instruments	**469,146**	538,964	420,319	416,815	984,802
Available for sale investments	**75,109**	68,491	65,110	56,483	64,976
Loans and advances to banks	**40,489**	47,446	37,799	41,135	47,707
Loans and advances to customers	**425,729**	431,934	427,942	420,224	461,815
Reverse repurchase agreements and other similar secured lending	**176,956**	153,665	205,772	143,431	130,354
Other assets	**24,170**	25,189	23,337	23,853	24,776
Total assets	**1,490,321**	1,563,527	1,489,645	1,378,929	2,052,980
Liabilities					
Deposits and items in the course of collection due to banks	**78,583**	92,085	79,296	77,912	116,545
Customer accounts	**385,707**	366,032	345,788	322,429	335,505
Repurchase agreements and other similar secured borrowings	**217,342**	207,292	225,534	198,781	182,285
Trading portfolio liabilities	**44,794**	45,887	72,693	51,252	59,474
Financial liabilities designated at fair value	**78,280**	87,997	97,729	87,881	146,075
Derivative financial instruments	**462,468**	527,910	405,516	403,416	968,072
Debt securities in issue	**119,581**	129,736	156,623	135,902	149,567
Subordinated liabilities	**24,018**	24,870	28,499	25,816	29,842
Other liabilities	**16,591**	16,522	15,705	17,062	18,204
Total liabilities	**1,427,364**	1,498,331	1,427,383	1,320,451	2,005,569
Shareholders equity					
Shareholders equity excluding non-controlling interests	**53,586**	55,589	50,858	47,277	36,618
Non-controlling interests	**9,371**	9,607	11,404	11,201	10,793
Total shareholders equity	**62,957**	65,196	62,262	58,478	47,411
Total liabilities and shareholders equity	**1,490,321**	1,563,527	1,489,645	1,378,929	2,052,980
Risk weighted assets and capital ratios					
Risk weighted assets	**386,858**	390,999	398,031	382,653	433,302
Core Tier 1 ratio	**10.9%**	11.0%	10.8%	10.0%	5.6%
Tier 1 ratio	**13.3%**	12.9%	13.5%	13.0%	8.6%
Risk asset ratio	**17.1%**	16.4%	16.9%	16.6%	13.6%
Adjusted gross leverage	**19x**	20x	20x	20x	28x
Total assets to shareholders equity	**24x**	24x	24x	24x	43x
Net asset value per ordinary share	**438p**	456p	417p	414p	437p
Number of ordinary shares of Barclays PLC (in millions)	**12,243**	12,199	12,182	11,412	8,372
Year-end United States Dollar Exchange rate	**1.62**	1.54	1.55	1.62	1.46
Year-end Euro exchange rate	**1.23**	1.19	1.16	1.12	1.04
Year-end Rand exchange rate	**13.74**	12.52	10.26	11.97	13.74

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.

Financial review

Balance sheet commentary

Total assets

Total assets decreased £73.2bn to £1,490.3bn principally reflecting lower derivative assets as spreads tightened within the credit derivative portfolio. This was partially offset by increased reverse repurchase agreements and other similar secured lending due to higher matched book trading.

Cash and balances at central banks and items in the course of collection decreased £21.1bn to £87.6bn as the cash contribution to the Group liquidity pool was reduced.

Trading portfolio assets deceased £7.2bn to £145.0bn due to a reduction in debt securities, including the disposal of European government issued bonds and the liquidation of legacy CLO and CDO positions. This was partially offset by an increase in traded loans and commodities.

Financial assets designated at fair value increased by £9.1bn to £46.1bn primarily reflecting increases in economically hedged European equity and bond positions.

Derivative financial assets decreased £69.8bn to £469.1bn reflecting the tightening of credit spreads and trades matured and terminated during the year.

Available for sale investments increased £6.6bn to £75.1bn primarily driven by the acquisition of UK, US and higher grade European government bonds as part of the Group s Liquidity Risk Appetite portfolio. This was partially offset by a reduction in equity securities due to the disposal of the Group s investment in BlackRock, Inc.

Loans and advances to banks net of impairment decreased by £7.0bn to £40.5bn due to repayment and maturation of facilities across a range of counterparties.

Loans and advances to customers net of impairment decreased by £6.2bn to £425.7bn primarily as a result of lower corporate lending in the Investment Bank due to significant paydown of loans and the sale of ABS CDO Super Senior positions, offset by higher settlement balances and cash collateral. Corporate Banking lending reduced reflecting the ongoing challenging economic environment in Europe and Group strategy to reduce redenomination risk. Lending in UKRBB increased reflecting growth in home loans and in Barclaycard reflecting business growth in the UK and US and acquisitions in the US and South Africa.

Reverse repurchase agreements have increased by £23.3bn to £177.0bn, driven by increased matched book trading opportunities and trading desks funding requirements.

Total liabilities

Total liabilities decreased £71.0bn to £1,427.4bn.

Deposits from banks and items in the course of collection decreased by £13.5bn to £78.6bn primarily driven by the reduced level of deposits that the Group has sought to attract to contribute towards the cash component of the Group liquidity pool.

Customer accounts increased £19.7bn to £385.7bn, primarily as a result of an increase in cash collateral and settlement balances and increases in underlying deposit taking in Corporate Banking and Wealth, offset by a reduction in corporate deposits in the Investment Bank as the cash component of the Group liquidity pool is reduced.

Repurchase agreements and other similar secured borrowing increased £10.1bn to £217.3bn driven by increased matched book trading and trading desks funding requirements.

Trading portfolio liabilities remained broadly flat at £44.8bn, with the opposing movements in equities and debt securities reflecting trading strategies across desks.

Financial liabilities designated at fair value decreased £9.7bn to £78.2bn primarily reflecting buybacks and net maturation of notes issued by the Group, offset by an increase in the own credit adjustment due to a tightening of credit spreads.

Derivative financial liabilities decreased £65.4bn to £462.5bn broadly in line with the decrease in derivative assets.

Debt securities in issue decreased £10.2bn to £119.6bn due to managed changes in the funding composition.

Subordinated liabilities decreased by £0.9bn to £24.0bn due to redemptions in the year of £2.7bn largely offset by the issuance of $3bn of Contingent Capital Notes (CCNs) and £0.4bn of other subordinated callable notes.

Shareholders equity

Total shareholders equity decreased £2.2bn to £63.0bn.

Share capital and share premium remained broadly stable at £12.5bn. Retained earnings decreased £1.9bn to £37.5bn with losses attributable to the equity holders of the Parent of £1.0bn.

The available for sale reserve increased £0.5bn driven largely by net gains on the fair value of debt securities held as part of the Group liquidity pool, offset partially by the disposal of the investment in BlackRock, Inc.

Currency translation reserve movements of £1.3bn were largely due to the depreciation of the US Dollar and South African Rand against Sterling.

Non-controlling interests decreased £0.2bn to £9.4bn, primarily reflecting currency translation movements of £0.3bn due to the depreciation of the South African Rand against Sterling.

Net asset value per share decreased 3.9% to 438p and net tangible asset value per share decreased 4.6% to 373p.

Financial review

Balance sheet commentary continued

Balance sheet leverage

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

The adjusted gross leverage was 19x (2011: 20x) principally reflecting a £1.2bn increase in Tier 1 Capital offset by a £25.7bn decrease in adjusted total tangible assets. At month ends during 2012 the ratio moved in a range from 19x to 23x, (2011: 20x to 23x) with fluctuations arising primarily within collateralised reverse repurchase lending and high quality trading portfolio assets.

The ratio of total assets to total shareholders equity was 24x as at 31 December 2012 (2011: 24x). The ratio moved within a month end range of 24x to 28x, (2011: 24x to 28x) driven by trading activity fluctuations including changes in derivatives and settlement balances.

Capital management

The Core Tier 1 ratio remains robust at 10.9% (2011: 11.0%) and the Tier 1 ratio is 13.3% (2011: 12.9%).

Risk weighted assets decreased 1% to £387bn in 2012. This was largely driven by a reduction in credit, counterparty credit and market risk in Corporate and Investment banking, primarily as a result of business risk reductions including sell down of legacy assets and the strategic exit from non-core portfolios. In addition, the depreciation of the US Dollar and Euro against Sterling contributed to a further risk weighted assets reduction. These were broadly offset by an increase in operational risk reflecting recent events in the banking industry, as well as externally driven methodology rule changes in market risk and credit risk.

Core Tier 1 capital decreased by £0.9bn to £42.1bn. Capital generated from retained profits of £1.8bn was offset by contributions made to the UK Retirement fund and foreign currency movements. Total capital resources increased by £2.1bn to £66.1bn mainly due to lower deductions for material holdings as a result of the sale of our holding in BlackRock, Inc.

Liquidity and funding

The Group s overall funding strategy is to develop a diversified funding base and maintain access to a variety of funding sources, minimising the cost of funding and providing protection against unexpected fluctuations. The Group aims to align the sources and uses of funding.

Customer loans and advances are largely funded by deposits, with any excess funded by long term secured debt and equity. The total loan to deposit ratio was 110% (2011: 118%).

Wholesale funding is well managed with trading portfolio assets being largely funded by repurchase agreements and the majority of reverse repurchase agreements being matched by repurchase financing. Derivative assets and liabilities are also largely matched.

As at 31 December 2012, the Group had £240bn of wholesale debt diversified across currencies, of which £39bn was secured. Term funding raised in 2012 was £28bn (2011: £30bn) compared to maturities of £27bn.

Approximately 17% of customer loans and advances were secured against external funding, leaving significant headroom for further secured issuance.

At 31 December 2012 the liquidity pool was £150bn (2011: £152bn) and moved within a month-end range of £150bn to £173bn. The liquidity pool comprises high quality, liquid unencumbered assets, diversified across currencies broadly in line with wholesale debt requirements, with 87% (2011: 93%) comprising cash and deposits with central banks and government bonds.

Financial review

Analysis of results by business

All disclosures in this section are unaudited unless otherwise stated

Segmental analysis (audited)

Analysis of results by business (audited)

	UKRBB	Europe RBB	Africa[f] RBB	Barclaycard	Investment Bank	Corporate Banking[f]	Wealth and Investment Management	Head Office and Other Operations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2012									
Total income net of insurance claims[a]	**4,421**	**915**	**3,157**	**4,170**	**11,722**	**2,918**	**1,815**	**(4,427)**	**24,691**
Credit impairment charges and other provisions	**(269)**	**(328)**	**(646)**	**(979)**	**(460)**	**(872)**	**(38)**	**(4)**	**(3,596)**
Operating expenses[b, c, d]	**(3,864)**	**(839)**	**(2,053)**	**(2,135)**	**(7,249)**	**(2,355)**	**(1,463)**	**(1,031)**	**(20,989)**
Other income/(losses)[e]	**4**	**13**	**10**	**30**	**50**	**10**	**1**	**22**	**140**
Profit/(loss) before tax from continuing operations	**292**	**(239)**	**468**	**1,086**	**4,063**	**(299)**	**315**	**(5,440)**	**246**
Total assets	**136,665**	**47,128**	**44,798**	**37,511**	**1,074,805**	**86,255**	**23,716**	**39,443**	**1,490,321**
As at 31 December 2011									
Total income net of insurance claims[a]	4,656	1,226	3,571	4,095	10,335	3,108	1,744	3,557	32,292
Credit impairment charges and other provisions	(536)	(261)	(466)	(1,259)	(93)	(1,147)	(41)	(1,799)	(5,602)
Operating expenses[b, c, d]	(3,102)	(1,638)	(2,279)	(2,306)	(7,289)	(1,882)	(1,493)	(788)	(20,777)
Other income/(losses)[e]	2	12	6	31	12	(71)	(3)	(23)	(34)
Profit/(loss) before tax from continuing operations	1,020	(661)	832	561	2,965	8	207	947	5,879
Total assets	127,845	51,310	48,243	33,838	1,158,350	91,190	20,866	31,885	1,563,527
As at 31 December 2010									
Total income net of insurance claims[a]	4,518	1,164	3,512	4,024	13,209	3,162	1,560	291	31,440
Credit impairment charges and other provisions	(819)	(314)	(559)	(1,688)	(543)	(1,699)	(48)	(2)	(5,672)
Operating expenses[b, c, d]	(2,809)	(1,033)	(2,307)	(1,570)	(8,295)	(2,018)	(1,349)	(590)	(19,971)
Other income/(losses)[e]	99	44	84	25	18	(2)			268
Profit/(loss) before tax from continuing operations	989	(139)	730	791	4,389	(557)	163	(301)	6,065
Total assets	121,590	53,609	57,760	30,324	1,094,799	88,239	17,849	25,475	1,489,645

Notes

- a The impact of own credit movements in the fair value of structured note issuance is charge of £4,579m (2011: gain of £2,708m; 2010: gain of £391m) is included within the results of Head Office and Other Operations. This reflects the fact that these fair value movements relate to the credit worthiness of the issuer as a whole. Furthermore, delays to planned changes in accounting standards will mean own credit movements are likely to continue to be reflected in the income statement for the foreseeable future.
- b The UK bank levy of £345m (2011: £325m; 2010: £nil) is reported under Head Office and Other Operations.
- c The provision for PPI redress of £1,600m is reported under UKRBB £1,180m (2011: £400m; 2010: £nil) and Barclaycard £420m (2011: £600m; 2010: £nil).
- d The impairment of goodwill is £nil (2011: £597m; 2010: £243m) relates to Europe RBB £nil (2011: £427m; 2010: £nil), Corporate Banking £nil (2011: £123m; 2010: £243m) and Barclaycard £nil (2011: £47m; 2010: £nil).
- e Other income/(losses) represents: share of post-tax results of associates and joint ventures; profit or (loss) on disposal of subsidiaries, associates and joint ventures; and gains on acquisitions.
- f Certain corporate banking activities in Africa, previously reported under Africa RBB, are now included within Corporate Banking. The 2010 and 2011 comparatives have been restated. This restatement has no impact on the Group s overall result.

Financial review

Analysis of results by business continued

The Group s activities have been organised under the following business groupings:

- UKRBB is a leading UK high street bank providing current account and savings products and Woolwich branded mortgages. UKRBB also provides unsecured loans and general insurance as well as banking and money transmission services to small and medium sized businesses. UKRBB was previously named UK Retail Banking;
- Europe RBB provides retail services, including credit cards in Spain, Italy, Portugal and France, as well as business lending to small and medium sized enterprises, through a variety of distribution channels. Europe RBB was previously named Western Europe Retail Banking;
- Africa RBB provides retail, corporate and credit card services across Africa and the Indian Ocean. Africa RBB combines the operations previously reported as Barclays Africa and Absa;
- Barclaycard is an international payments services provider for consumer and business customers including credit cards and consumer lending;
- The Investment Bank division of Barclays provides large corporate, government and institutional clients with a full spectrum of solutions to meet their strategic advisory, financing and risk management needs;
- Corporate Banking provides integrated banking solutions to large corporates, financial institutions and multinationals in the UK and internationally;
- Wealth and Investment Management focuses on private and intermediary clients worldwide, providing international and private banking, investment management, fiduciary services and brokerage; and
- Head Office and Other Operations comprise head office and central support functions, businesses in transition and consolidation adjustments.

Income by Geographic Region[c] (audited)

		Adjusted[a,b]			Statutory	
	2012	2011	2010	**2012**	2011	2010
	£m	£m	£m	**£m**	£m	£m
Continuing operations						
UK[a]	**12,012**	11,981	12,323	**7,433**	15,819	12,714
Europe	**3,816**	4,207	4,828	**3,816**	4,207	4,828
Americas[b]	**7,599**	6,083	7,742	**7,826**	6,025	7,742
Africa and Middle East	**4,510**	4,967	4,997	**4,510**	4,967	4,997
Asia	**1,106**	1,274	1,159	**1,106**	1,274	1,159
Total	**29,043**	28,512	31,049	**24,691**	32,292	31,440

Statutory income from individual countries which represent more than 5% of total income[c] (audited)

2012	2011	2010

	£m	£m	£m
Continuing operations			
UK	**7,433**	15,819	12,714
US	**7,604**	5,802	7,172
South Africa	**4,211**	3,942	3,684

Notes

a UK adjusted income excludes the impact of an own credit charge of £4,579m (2011: gains of £2,708m; 2010: gains of £391m), gains on debt buy £nil (2011: gains of £1,130m, 2010: £nil).

b Americas adjusted income also excludes gain on disposal of strategic investment in BlackRock, Inc. of £227m (2011: loss of £58m, 2010: £nil).

c Total income net of insurance claims based on counterparty location.

Returns and equity by business

Returns on average equity and average tangible equity are calculated using profit after tax and non-controlling interests for the period, divided by average allocated equity or tangible equity as appropriate.

Average allocated equity has been calculated as 10% of average risk weighted assets for each business, adjusted for capital deductions, including goodwill and intangible assets, reflecting the assumptions the

Group uses for capital planning purposes. The higher capital level currently held, reflecting the Core Tier 1 capital ratio of 10.9% as at 31 December 2012, is allocated to Head Office and Other Operations. Average allocated tangible equity is calculated using the same method but excludes goodwill and intangible assets.

Comparatives throughout this document have been calculated based on 10% of risk weighted assets.

Return on average equity

	Adjusted			Statutory		
	2012	2011	2010	**2012**	2011	2010
	%	%	%	**%**	%	%
UKRBB	**16.0**	14.9	9.9	**3.1**	10.6	11.4
Europe RBB	**(8.0)**	(6.0)	(1.0)	**(8.0)**	(21.8)	(0.2)
Africa RBB	**3.8**	9.7	8.8	**3.8**	9.8	11.6
Barclaycard	**22.1**	17.4	12.5	**15.2**	6.8	12.5
Investment Bank	**13.7**	10.4	13.5	**13.7**	10.4	13.5
Corporate Banking	**5.5**	1.7	(3.7)	**(3.7)**	(1.0)	(6.6)
Wealth and Investment Management	**13.9**	10.9	8.8	**13.9**	10.9	8.8
Group excluding Head Office and Other Operations	**12.1**	9.4	8.8	**8.0**	6.4	8.7
Head Office and Other Operations Impact	**(4.3)**	(2.8)	(2.0)	**(9.9)**	(0.6)	(1.5)
Group	**7.8**	6.6	6.8	**(1.9)**	5.8	7.2

Return on average tangible equity

	Adjusted			Statutory		
	2012	2011	2010	**2012**	2011	2010
	%	%	%	**%**	%	%
UKRBB	**30.5**	28.6	18.7	**5.9**	20.3	21.4
Europe RBB	**(9.2)**	(7.9)	(1.3)	**(9.2)**	(29.0)	(0.2)
Africa RBB[a]	**7.6**	16.2	15.9	**7.6**	16.3	18.4
Barclaycard	**29.7**	23.0	16.9	**20.5**	9.0	16.9
Investment Bank	**14.2**	10.8	14.1	**14.2**	10.8	14.1
Corporate Banking	**5.8**	1.8	(4.0)	**(3.9)**	(1.0)	(7.2)
Wealth and Investment Management	**19.2**	15.0	12.3	**19.2**	15.0	12.3
Group excluding Head Office and Other Operations	**14.2**	11.5	10.8	**9.5**	8.0	10.7
Head Office and Other Operations Impact	**(5.1)**	(3.6)	(2.6)	**(11.7)**	(1.1)	(2.0)
Group	**9.1**	7.9	8.2	**(2.2)**	6.9	8.7

	Average equity			Average tangible equity		
	2012	2011	2010	**2012**	2011	2010
	£m	£m	£m	**£m**	£m	£m
UKRBB	**6,940**	6,821	6,954	**3,634**	3,562	3,694
Europe RBB	**2,278**	2,703	2,506	**1,984**	2,032	1,844
Africa RBB	**2,511**	2,625	2,499	**1,067**	1,034	807
Barclaycard	**4,666**	4,634	4,263	**3,472**	3,503	3,149
Investment Bank	**20,437**	20,501	22,122	**19,732**	19,750	21,176

Corporate Banking	**7,026**	7,450	8,285	**6,676**	6,959	7,575
Wealth and Investment Management	**1,961**	1,723	1,647	**1,415**	1,259	1,179
Head Office and Other Operations[b]	**8,939**	5,356	1,561	**8,939**	5,352	1,559
Group[c]	**54,758**	51,813	49,837	**46,919**	43,451	40,983

Notes

a The return on average tangible equity for Africa RBB has been calculated based on average tangible equity including amounts relating to Absa Group s non-controlling interests.

b Includes risk weighted assets and capital deductions in Head Office and Other Operations, plus the residual balance of average shareholders equity and tangible equity.

c Group average shareholders equity and average shareholders tangible equity excludes the cumulative impact of own credit on retained earnings for the calculation of adjusted performance measures.

d Certain corporate banking activities in Africa, previously reported under Africa RBB, are now included within Corporate Banking. The 2010 and 2011 comparatives have been restated. The restatement has no impact on the Group s overall results.

Financial review

Analysis of results by business continued

UK Retail and Business Banking

2012

Income declined 5% to £4,421m reflecting higher funding costs and reduced contribution from structural hedges, including non recurrence of gains from the disposal of hedging instruments in 2011.

Net interest income declined 5% to £3,227m with net interest margin down 14bps to 137bps principally due to reduced contributions from structural hedges. Customer asset margin decreased 15bps to 107bps reflecting higher funding costs. Average customer assets increased 5% to £124.3bn driven by mortgage growth. Customer liability margin increased 10bps to 97bps reflecting an increase in funding rates and therefore the value generated from customer liabilities. Average customer liabilities increased 4% to £111.8bn due to personal savings deposit growth. Non-interest income declined 4% to £1,194m reflecting lower net insurance income.

Credit impairment charges decreased 50% to £269m reflecting improvements across all portfolios, principally in personal unsecured lending. Loan loss rate reduced to 21bps (2011: 44bps). 90 day arrear rates improved 33bps on UK personal loans to 1.3% and deteriorated 4bps on UK mortgages to 0.3%. Adjusted operating expenses remained broadly flat at £2,684m (2011: £2,702m). Statutory operating expenses increased to £3,864m (2011: £3,102m), primarily due to the PPI redress costs of £1,180m (2011: £400m).

Adjusted profit before tax improved 4% to £1,472m. Statutory profit before tax declined 71% to £292m after £1,180m (2011: £400m) provision for PPI redress.

Adjusted return on average equity improved to 16.0% (2011: 14.9%). Statutory return on average equity declined to 3.1% (2011: 10.6%).

Total loans and advances to customers increased 6% to £128.2bn driven by growth in mortgage balances. Mortgage balances of £114.7bn at 31 December 2012 (2011: £107.8bn). Gross new mortgage lending of £18.2bn (2011: £17.2bn) and mortgage redemptions of £11.3bn (2011: £10.7bn), resulted in net new mortgage lending of £6.9bn (2011: £6.5bn). Average LTV ratio for the mortgage portfolio (including buy-to-let) on a current valuation basis was 46% (31 December 2011: 44%). Average LTV of new mortgage lending was 56% (31 December 2011: 54%). Total customer deposits increased 4% to £116.0bn primarily driven by growth in savings from ISAs and retail bonds.

Risk weighted assets increased 14% to £38.8bn principally due to mortgage balance growth, an increased operational risk charge and adoption of a more comprehensive approach to loans subject to forbearance.

	2012	2011	2010
	£m	£m	£m
Income Statement Information			
Net interest income	**3,227**	3,413	3,165
Net fee and commission income	**1,154**	1,157	1,255
Net trading loss			(2)
Net investment income		17	

Net premiums from insurance contracts	**74**	92	130
Other (expense)/income	**(1)**	(1)	1
Total income	**4,454**	4,678	4,549
Net claims and benefits incurred under insurance contracts	**(33)**	(22)	(31)
Total income net of insurance claims	**4,421**	4,656	4,518
Credit impairment charges and other provisions	**(269)**	(536)	(819)
Net operating income	**4,152**	4,120	3,699
Operating expenses (excluding provision for PPI redress)	**(2,684)**	(2,702)	(2,809)
Provision for PPI redress	**(1,180)**	(400)	
Operating expenses	**(3,864)**	(3,102)	(2,809)
Share of post-tax results of associates and joint ventures	**4**	2	(1)
Gains on acquisition			100
Profit before tax	**292**	1,020	989
Adjusted profit before tax[a]	**1,472**	1,420	889
Balance Sheet Information			
Loans and advances to customers at amortised cost	**£128.2bn**	£121.2bn	£115.6bn
Customer accounts	**£116.0bn**	£111.8bn	£108.4bn
Total assets	**£136.7bn**	£127.8bn	£121.6bn
Risk weighted assets	**£38.8bn**	£34.0bn	£35.3bn

Note

a Adjusted profit before tax excludes the impact of the provision for PPI redress of £1,180m (2011: £400m; 2010: £nil) and gains on acquisitions of £nil (2011: £nil; 2010: £100m).

2011

Income increased 3% to £4,656m driven by mortgages and personal savings.

Net interest income increased 8% to £3,413m with the net interest margin rising to 151bps (2010: 145bps) and risk adjusted net interest margin up to 127bps (2010: 108bps). Customer asset margin declined to 122bps (2010: 126bps) with average customer assets increasing 4% to £118.5bn. Customer liability margin improved to 87bps (2010: 68bps) reflecting the increase in the cost of funds and therefore the value generated from customer liabilities with average customer liabilities increasing 3% to £107.8bn.

Net fee and commission income decreased 8% to £1,157m following closure of the branch-based element of the financial planning business.

Credit impairment charges decreased 35% to £536m with annualised loan loss rate of 44bps (2010: 70bps). Personal unsecured lending impairment improved 44% to £311m with 90 day arrears rates on UK personal loans improving to 1.7% (2010: 2.6%).

Adjusted operating expenses decreased 8% to £2,702m, which excludes the £400m provision for PPI redress in 2011 and £123m one-off pension credit in 2010. Including these items, statutory operating expenses increased 10% to £3,102m.

Adjusted profit before tax improved 60% to £1,420m. Including £400m provision for PPI redress and £100m gain on acquisition of Standard Life Bank in 2010, statutory profit before tax improved 3% to £1,020m.

Adjusted return on average equity improved to 14.9% (2010: 9.9%) and adjusted return on average tangible equity improved to 28.6% (2010: 18.7%). Statutory return on average equity decreased to 10.6% (2010: 11.4%) and statutory return on average tangible equity decreased to 20.3% (2010: 21.4%).

Total loans and advances to customers increased 5% to £121.2bn driven by growth in mortgage balances. Average mortgage balances increased 6% reflecting strong positive net lending. Mortgage balances at 31 December 2011 were £107.8bn, a share by value of 9% (2010: 8%). Gross new mortgage lending increased to £17.2bn (2010: £16.9bn), with a share by value of 12% (2010: 13%). Mortgage redemptions decreased to £10.7bn (2010: £11.0bn), resulting in net new mortgage lending of £6.5bn (2010: £5.9bn). Average Loan to Value (LTV) ratio on the mortgage portfolio (including buy-to-let) on a current valuation basis was 44% (2010: 43%). Average LTV of new mortgage lending was 54% (2010: 52%). Total customer deposits increased 3% to £111.8bn.

Risk weighted assets decreased 4% to £34.0bn reflecting a decrease in unsecured lending balances partially offset by the growth in mortgage balances.

	Adjusted[a]			Statutory		
	2012	2011	2010	**2012**	2011	2010
Performance Measures						
Return on average equity	**16.0%**	14.9%	9.9%	**3.1%**	10.6%	11.4%
Return on average tangible equity	**30.5%**	28.6%	18.7%	**5.9%**	20.3%	21.4%
Return on average risk weighted assets	**3.1%**	3.0%	1.9%	**0.6%**	2.1%	2.2%
Loan loss rate (bps)	**21**	44	70	**21**	44	70
Cost: income ratio	**61%**	58%	62%	**87%**	67%	62%
Key Facts						
90 day arrears rates UK loans				**1.3%**	1.7%	2.6%
90 day arrears rates home loans				**0.3%**	0.3%	0.3%
Number of UK current accounts				**11.7m**	11.9m	11.6m
Number of UK savings accounts				**15.4m**	15.1m	14.4m
Number of UK mortgage accounts				**945,000**	930,000	916,000
Number of Barclays Business customers				**765,000**	785,000	760,000
LTV of mortgage portfolio				**46%**	44%	43%
LTV of new mortgage lending				**56%**	54%	52%
Number of branches				**1,593**	1,625	1,658
Number of ATMs				**4,166**	3,629	3,345
Number of employees (full time equivalent)				**34,800**	34,100	34,700

Note

a Adjusted performance measures excludes the impact of the provision for PPI redress of £1,180m (2011: £400m; 2010: £nil) and gains on acquisitions of £nil (2011: £nil; 2010: £100m).

Financial review

Analysis of results by business continued

Europe Retail and Business Banking

2012

Income declined 25% to £915m reflecting the challenging economic environment across Europe and non-recurrence of gains from disposal of hedging instruments in 2011.

Net interest income declined 24% to £599m. Customer asset margin decreased 4bps to 83bps with net interest margin down 20bps to 108bps, driven by higher funding costs partially offset by product re-pricing. Average customer assets decreased 7% to £40.8bn driven by active management to reduce funding mismatch. Customer liability margin decreased 27bps to 38bps and average customer liabilities decreased 16% to £14.8bn, reflecting competitive pressures.

Non-interest income declined 28% to £316m, reflecting lower commissions mainly from Italy mortgage sales and lower sales of investment products.

Credit impairment charges increased 26% to £328m due to deterioration in credit performance across Europe reflecting current economic conditions. Loan loss rate increased to 80bps (2011: 54bps). 90 day arrears rate for home loans increased 19bps to 0.7% in Spain, increased 5bps to 0.7% in Portugal and increased 6bps to 1.0% in Italy.

Adjusted operating expenses decreased 31% to £839m, reflecting non recurrence of 2011 restructuring charges of £189m and related ongoing cost savings. Statutory operating expenses, which includes goodwill impairment of £nil (2011: £427m) decreased 49% to £839m (2011: £1,638m).

Adjusted loss before tax increased 2% to £239m while adjusted return on average equity declined to negative 8.0% (2011: negative 6.0%) primarily due to lower average capital resulting from the 2011 goodwill impairment write-off. Statutory loss before tax decreased 64% to £239m (2011: £661m) and statutory return on average equity increased to negative 8.0% (2011: negative 21.8%) driven by the non-recurrence of 2011 goodwill impairment charges of £427m.

Loans and advances to customers decreased 8% to £40.0bn reflecting currency movements and active management to reduce funding mismatch. This change has driven an 8% reduction in total assets to £47.1bn.

Customer deposits increased 7% to £17.6bn, reflecting active management to reduce funding mismatch.

Risk weighted assets decreased 2% to £17.1bn principally due to reductions in loans and advances and currency movements, partially offset by an increased operational risk charge and portfolio deterioration in Spain.

	2012 £m	2011 £m	2010 £m
Income Statement Information			
Net interest income	**599**	786	679
Net fee and commission income	**284**	429	421
Net trading income	**7**	9	20
Net investment income	**52**	91	67
Net premiums from insurance contracts	**331**	463	479
Other income/(expense)	**1**	(49)	9

Total income	**1,274**	1,729	1,675
Net claims and benefits incurred under insurance contracts	**(359)**	(503)	(511)
Total income net of insurance claims	**915**	1,226	1,164
Credit impairment charges and other provisions	**(328)**	(261)	(314)
Net operating income	**587**	965	850
Operating expenses (excluding goodwill impairment)	**(839)**	(1,211)	(1,033)
Goodwill impairment		(427)	
Operating expenses	**(839)**	(1,638)	(1,033)
Share of post-tax results of associates and joint ventures	**13**	12	15
Gains on acquisition			29
(Loss)/profit before tax	**(239)**	(661)	(139)
Adjusted (loss)/profit before tax[a]	**(239)**	(234)	(168)
Balance Sheet Information			
Loans and advances to customers at amortised cost	**£ 40.0bn**	£ 43.6bn	£ 43.4bn
Customer accounts	**£ 17.6bn**	£ 16.4bn	£ 18.9bn
Total assets	**£ 47.1bn**	£ 51.3bn	£ 53.6bn
Risk weighted assets	**£ 17.1bn**	£ 17.4bn	£ 17.3bn

Note

a Adjusted profit before tax and adjusted performance measures excludes goodwill impairment of £nil (2011: £427m; 2010: £nil) and gains on acquisition of £nil (2011: £nil; 2010: £29m).

2011

Income improved 5% to £1,226m reflecting higher average asset and liability volumes, improved margins and the appreciation of the average value of the Euro against Sterling.

Net interest income improved 16% to £786m with the net interest margin up to 128bps (2010: 116bps). Average customer assets increased 5% to £43.7bn despite customer asset margin reduction to 87bps (2010: 102bps) due to increased funding costs. Average customer liabilities increased 3% to £17.7bn with customer liability margin up to 65bps (2010: 11bps) mainly due to re-pricing.

Net premiums from insurance contracts declined 3% to £463m, with a corresponding decline in net claims and benefits of £503m (2010: £511m).

Credit impairment charges and other provisions decreased 17% to £261m principally due to lower charges in the cards portfolios reflecting lower 30 and 90 day arrears rates and lower recovery balances. The lower impairment was the main driver for the loan loss rate decreasing to 54bps (2010: 71bps).

Adjusted operating expenses, which excludes the £427m Spanish goodwill impairment, increased 17% to £1,211m, primarily due to restructuring charges of £189m. 142 branches, largely in Spain, have been closed and the number of employees reduced by 900 during 2011. Including Spanish goodwill impairment, operating expenses increased 59% to £1,638m (2010: £1,033m).

Europe Retail and Business Banking adjusted loss before tax increased to £234m (2010: £168m) reflecting repositioning of the business due to the deteriorating economic environment and restructuring charges of £189m (2010: £22m). Loss before tax of £661m (2010: £139m) reflecting £427m of Spanish goodwill impairment and restructuring charges of £189m. Spanish goodwill was fully impaired due to the deteriorating economic environment in Spain in the fourth quarter of 2011 and ongoing economic uncertainty.

Loans and advances to customers remained stable. Customer deposits decreased 13% to £16.4bn, reflecting the competitive environment.

Adjusted return on average equity of negative 6.0% (2010: negative 1.0%) and return on average equity of negative 21.8% (2010: negative 0.2%) reflecting the repositioning of the business during 2011.

	Adjusted[a]			Statutory		
	2012	2011	2010	**2012**	2011	2010
Performance Measures						
Return on average equity[b]	**(8.0%)**	(6.0%)	(1.0%)	**(8.0%)**	(21.8%)	(0.2%)
Return on average tangible equity[b]	**(9.2%)**	(7.9%)	(1.3%)	**(9.2%)**	(29.0%)	(0.2%)
Return on average risk weighted assets[b]	**(1.1%)**	(0.9%)	(0.1%)	**(1.1%)**	(3.3%)	(0.0%)
Loan loss rate (bps)	**80**	54	71	**80**	54	71
Cost: income ratio	**92%**	99%	89%	**92%**	134%	89%

		2012	2011	2010
Key Facts				
90 day arrears rates	Spain home loans	**0.7%**	0.5%	0.4%
90 day arrears rates	Portugal home loans	**0.7%**	0.6%	0.4%
90 day arrears rates	Italy home loans	**1.0%**	1.0%	0.8%
90 day arrears rates	Total Europe RBB home loans	**0.8%**	0.7%	0.5%
30 day arrears rates	cards	**6.2%**	5.9%	6.8%
Number of customers		**2.7m**	2.7m	2.7m
Number of branches		**923**	978	1,120
Number of sales centres		**219**	250	243
Number of distribution points		**1,142**	1,228	1,363
Number of employees (full time equivalent)		**7,900**	8,500	9,400

Notes

a Adjusted profit before tax and adjusted performance measures excludes goodwill impairment of £nil (2011: £427m; 2010: £nil) and gains on acquisition of £nil (2011: £nil; 2010: £29m).

b 2010 return on average equity, return on average tangible equity and return on average risk weighted assets reflect a deferred tax benefit of £205m.

Financial review

Analysis of results by business continued

Africa Retail and Business Banking

2012

Income declined 12% to £3,157m. Excluding currency movements, income declined 2% reflecting non-recurrence of gains from the disposal of Group hedging instruments in 2011 and downward commercial property valuations with underlying businesses across Africa remaining flat.

Net interest income declined 11% to £1,751m with the net interest margin down 10bps to 312bps primarily due to lower income generated through non customer related items partially offset by increased higher margin business. Customer asset margin increased 34bps to 326bps reflecting a change in composition towards higher margin business. Average customer assets decreased 10% to £34.1bn driven by currency movements and a modest decline in the South African mortgage book. Customer liability margin decreased 42bps to 234bps driven by a decline in South Africa partially offset by improving margins across a number of other African countries. Average customer liabilities decreased 6% to £22.1bn driven by currency movements as deposits continued to grow in South Africa where Absa remains a leader in retail deposits.

Non-interest income declined 12% to £1,406m driven largely by adverse currency movements.

Credit impairment charges increased 39% to £646m. Excluding currency movements impairment charges increased 57% principally reflecting higher loss given default rates and higher levels of write-offs in the South African home loans recovery book and the impact of one large name in the commercial property portfolio in South Africa. Loan loss rate increased to 194bps (2011: 129bps). However 90 day arrears rate for home loans decreased by 168bps to 1.6% reflecting improved new business and continuing low interest rate environment.

Operating expenses decreased 10% to £2,053m mainly due to currency movements with underlying business growth broadly in line.

Profit before tax declined 44% to £468m and adjusted return on average equity decreased to 3.8% (2011: 9.7%). Statutory return on average equity decreased to 3.8% (2011: 9.8%).

Loans and advances to customers decreased 8% to £31.7bn mainly due to currency movements and a modest decline in the South African mortgage book.

Customer deposits decreased 3% to £22.0bn. Excluding currency movements customer deposits increased 7% mainly due to growth in South African deposits.

Risk weighted assets decreased 11% to £27.0bn, principally due to foreign exchange movements and a change in approach for sovereign risk weightings, offset by an increased operational risk charge.

	2012	2011[b]	2010[b]
	£m	£m	£m
Income Statement Information			

Net interest income	**1,751**	1,978	1,914
Net fee and commission income	**1,101**	1,196	1,245
Net trading income	**69**	70	52
Net investment income	**5**	56	58
Net premiums from insurance contracts	**417**	432	400
Other income	**21**	54	57
Total income	**3,364**	3,786	3,726
Net claims and benefits incurred under insurance contracts	**(207)**	(215)	(215)
Total income net of insurance claims	**3,157**	3,571	3,512
Credit impairment charges and other provisions	**(646)**	(466)	(559)
Net operating income	**2,511**	3,105	2,953
Operating expenses	**(2,053)**	(2,279)	(2,307)
Share of post-tax results of associates and joint ventures	**10**	6	3
Profit on disposal of subsidiaries, associates and joint ventures			81
Profit before tax	**468**	832	730
Adjusted profit before tax[a]	**468**	830	649
Balance Sheet Information			
Loans and advances to customers at amortised cost	**£ 31.7bn**	£ 34.4bn	£ 43.0bn
Customer accounts	**£ 22.0bn**	£ 22.6bn	£ 23.3bn
Total assets	**£ 44.8bn**	£ 48.2bn	£ 57.8bn
Risk weighted assets	**£ 27.0bn**	£ 30.3bn	£ 35.0bn

Notes

a Adjusted profit before tax and adjusted performance measures excludes the impact of profit on disposals of subsidiaries, associates and joint ventures of £nil (2011: £2m; 2010: £81m).

b Certain corporate banking activities in Africa, previously reported under Africa RBB, are now included within Corporate Banking. The 2010 and 2011 comparatives have been restated. This restatement has no impact on the Group s overall results.

2011

Income improved 2% to £3,786m with good underlying growth offset by currency movements.

Net interest income improved 3% to £1,978m with the net interest margin remaining stable at 322bps. South Africa improved to £1,510m due to strong liability growth and margin improvements, partially offset by the depreciation in the average value of the Rand against Sterling and a reduction in total advances to customers. The rest of the African businesses declined to £468m due to Sterling appreciation and the impact of margin compression in both retail and corporate portfolios.

Net fee and commission income declined 4% to £1,196m reflecting the impact of currency movements partially offset by the impact of volume growth and selected pricing increases.

Credit impairment charges decreased 17% to £466m reflecting improved economic conditions in South Africa and better recoveries across the continent, together with currency movements.

Operating expenses decreased 1% to £2,279m, primarily driven by strong cost management, currency movements and restructuring benefits partially offset by a one-off pension credit in 2010 and inflationary pressures.

Adjusted profit before tax improved 28% to £830m reflecting business growth in South Africa and a significant improvement in credit impairments across the African continent offset by non-recurrence of a pension credit of £54m in 2010. Profit before tax improved 14% to £832m, with 2010 including a gain of £77m from the sale of the custody business.

Customer assets decreased 20% to £34.4bn, driven by depreciation of major African currencies against Sterling and lower volumes. Customer asset margin was 292bps. Improvement in South Africa driven by strong liability growth and margin improvements, partially offset by the depreciation in the average value of the Rand against Sterling and a reduction in total advances to customers.

Customer liabilities decreased 3% to £22.6bn driven by depreciation of the Rand against Sterling partially offset by underlying growth in retail and commercial deposits of 13% in South Africa. Customer liability margin was 304bps as growth in high margin products within retail was offset by pressures on commercial margins.

	Adjusted[a]			Statutory		
	2012	2011	2010	**2012**	2011	2010
Performance Measures						
Return on average equity[b, c]	**3.8%**	9.7%	8.8%	**3.8%**	9.8%	11.6%
Return on average tangible equity[c]	**7.6%**	16.2%	15.9%	**7.6%**	16.3%	18.4%
Return on average risk weighted assets	**0.9%**	1.7%	1.6%	**0.9%**	1.7%	1.9%
Loan loss rate (bps)	**194**	129	125	**194**	129	125
Cost: income ratio	**65%**	64%	66%	**65%**	64%	66%

	2012	2011	2010
Key Facts			
90 days arrears rate South African home loans	**1.6%**	3.2%	3.9%
Number of customers	**13.5m**	14.5m	14.4m
Number of ATMs	**10,468**	10,068	9,530
Number of branches	**1,339**	1,354	1,321
Number of sales centres	**112**	139	222
Number of distribution points	**1,451**	1,493	1,543
Number of employees (full time equivalent)	**41,700**	43,800	47,700

Notes

a

Adjusted profit before tax and adjusted performance measures excludes the impact of profit on disposals of subsidiaries, associates and joint ventures of £nil (2011: £2m; 2010: £81m).

b The return on average equity differs from the return on the equity reported by Absa Group Ltd as the latter does not include goodwill arising from Barclays acquisition of the Absa Group and does include other Absa Group businesses that Barclays Group reports within Barclaycard, Investment Bank and Wealth and Investment Management.

c Including non-controlling interests.

Financial review

Analysis of results by business continued

Barclaycard

2012

Income increased 2% to £4,170m reflecting continued growth across the business and contributions from portfolio acquisitions. This was partially offset by higher funding costs, non-recurrence of gains from the disposal of hedging instruments in 2011 and depreciation of Rand against Sterling. UK income increased 1% to £2,616m including contribution from 2011 portfolio acquisitions and business growth offset by increased funding costs. International income improved 7% to £1,554m driven by higher US outstanding balances and contribution from portfolio acquisitions.

Net interest income remained flat at £2,854m. Contributions from business growth and acquisitions were offset by lower net interest margin of 846bps (2011: 944bps) which stabilised in the second half of the year. Average customer assets increased 7% to £32.5bn due to portfolio acquisitions and business growth. Customer asset margin was down 13bps to 939bps due to higher funding costs.

Non-interest income improved 7% to £1,316m driven by increased volumes in the Business Payment and US portfolios.

Credit impairment charges decreased 22% to £979m resulting from improved delinquency, lower charge-offs and better recovery rates, primarily in the first half of 2012. Loan loss rate improved by 109bps to 282bps (2011: 391bps). 30 day arrears rates for consumer cards in UK down to 2.5% (2011: 2.7%), in the US down to 2.4% (2011: 3.1%) and in South Africa up to 5.2% (2011: 4.9%).

Adjusted operating expenses increased 3% to £1,715m reflecting portfolio acquisitions, provision for certain other insurance products and investment spend. Statutory operating expenses, including the provision for PPI redress of £420m (2011: £600m) and goodwill impairment of £nil (2011: £47m), decreased 7% to £2,135m (2011: £2,306m).

Adjusted profit before tax improved 25% to £1,506m. Statutory profit before tax increased by £525m to £1,086m after £420m (2011: £600m) provision for PPI redress.

Adjusted return on average equity improved to 22.1% (2011: 17.4%). Statutory return on average equity improved to 15.2% (2011: 6.8%).

Total assets increased 11% to £37.5bn primarily driven by business growth and acquisitions.

Customer deposits increased by £2.2bn to £2.8bn due to business funding initiatives in the US and Germany.

Risk weighted assets increased 7% to £36.5bn, principally due to growth in assets and an increased operational risk charge.

	2012	2011	2010
	£m	£m	£m

Income Statement Information			
Net interest income	**2,854**	2,860	2,814
Net fee and commission income	**1,271**	1,171	1,136
Net trading loss	**(9)**	(7)	(8)
Net investment income		10	39
Net premiums from insurance contracts	**36**	42	50
Other income	**19**	20	1
Total income	**4,171**	4,096	4,032
Net claims and benefits incurred under insurance contracts	**(1)**	(1)	(8)
Total income net of insurance claims	**4,170**	4,095	4,024
Credit impairment charges and other provisions	**(979)**	(1,259)	(1,688)
Net operating income	**3,191**	2,836	2,336
Operating expenses (excluding provision for PPI redress and goodwill impairment)	**(1,715)**	(1,659)	(1,570)
Provision for PPI redress	**(420)**	(600)	
Goodwill impairment		(47)	
Operating expenses	**(2,135)**	(2,306)	(1,570)
Share of post-tax results of associates and joint ventures	**30**	31	25
Profit on disposal of subsidiaries, associates and joint ventures			
Profit before tax	**1,086**	561	791
Adjusted profit before tax[a]	**1,506**	1,208	791
Balance Sheet Information			
Loans and advances to customers at amortised cost	**£32.9bn**	£30.1bn	£26.6bn
Customer deposits	**£2.8bn**	£0.6bn	£0.6bn
Total assets	**£37.5bn**	£33.8bn	£30.3bn
Risk weighted assets	**£36.5bn**	£34.2bn	£31.9bn

Note

a Adjusted profit before tax and adjusted performance measures excludes the impact of the provision for PPI redress of £420m (2011: £600m; 2010: £nil), and goodwill impairment in FirstPlus secured lending portfolio of £nil (2011: £47m; 2010: £nil).

2011

Income improved 2% to £4,095m, with growth in balances driven by UK Cards partially offset by higher customer balance repayments in the US and depreciation of US Dollar against Sterling. Barclaycard s UK businesses income improved 8% to £2,639m including contribution from Egg and MBNA portfolios, partially offset by continued run-off of the FirstPlus portfolio. Barclaycard s International businesses income declined 7% to £1,456m due to customer balance repayments in the US and depreciation of the US Dollar against Sterling.

Net interest income improved 2% to £2,860m. Average customer assets increased 5% to £30.3bn. UK Cards average extended card balances increased 27% to £11.2bn due to acquisitions and balance transfers, partially offset by higher customer balance repayments in the US and continued run-off of the FirstPlus portfolio. Customer asset margin was up 17bps to 952bps, with net interest margin down 33bps to 944bps due to hedge impact.

Credit impairment charges decreased 25% to £1,259m principally driven by lower charges in the cards portfolios, reflecting improved underlying delinquency performance, lower bankruptcies and charge-offs.

Operating expenses increased 47% to £2,306m, reflecting the provision for PPI redress, FirstPlus goodwill impairment and the impact of the Egg and MBNA acquisitions. Excluding these items, operating expenses were flat on prior year.

Adjusted profit before tax improved 53% to £1,208m. Profit before tax declined 29% to £561m after £600m provision for PPI redress and £47m goodwill impairment in the FirstPlus secured lending portfolio. Barclaycard s international businesses profit increased driven by significant improvements in the US and South Africa. Both the Egg consumer card assets and the MBNA corporate card portfolio acquired during the first half of 2011 delivered profits.

Adjusted return on average equity increased to 17.4% (2010: 12.5%) and adjusted return on average tangible equity increased to 23.0% (2010: 16.9%), reflecting increased adjusted profit after tax. Statutory return on average equity decreased to 6.8% (2010: 12.5%) and statutory return on average tangible equity decreased to 9.0% (2010: 16.9%), reflecting decreased profit after tax.

Total assets increased 12% to £33.8bn and risk weighted assets increased 7% to £34.2bn reflecting acquired portfolios and organic growth in the UK. These were partially offset by continued run-off of the FirstPlus portfolio.

Adjusted[a]		Statutory
2012	2011	