UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re BARCLAYS BANK PLC SECURITIES LITIGATION	Master File No. 1:09-cv-01989-PAC
	CLASS ACTION
This Document Relates To:	
ALL ACTIONS.	

DECLARATION OF SHARAN NIRMUL IN SUPPORT OF PLAINTIFF'S MEMORANDUM OF LAW IN OPPOSITION TO THE BARCLAYS DEFENDANTS' MOTION FOR SUMMARY JUDGMENT

I, Sharan Nirmul, hereby declare as follows:

1. I am a partner of the law firm Kessler Topaz Meltzer & Check, LLP, court-appointed Co-Lead Counsel for Lead Plaintiff and the putative class in the above-referenced action, along with Robbins Geller Rudman & Dowd LLP. I am admitted to practice before this Court for purposes of this action.

2. I submit this declaration in support of Lead Plaintiff's Memorandum of Law in Opposition to Barclays Defendants' Motion for Summary Judgment and have personal knowledge of or information bearing on the facts set forth herein.

3. Attached hereto are true and correct copies of the following:

Exhibit	Description
1	Excerpts from Deposition Transcript of Dennis Askelson, dated September 16, 2015
2	Excerpts from Deposition Transcript of Douglas Summa, dated December 16, 2015 (Filed Under Seal)
3	Excerpts from Deposition Transcript of Allan Kleidon, dated March 30, 2016
4	Expert Rebuttal Report of Chad Coffman, dated February 2, 2016 (Filed Under Seal)

Exhibit	**Description**
5	Barclays Bank PLC 2007 Form 20-F, dated March 26, 2008
6	Excerpts from Deposition Transcript of Paul Menefee, dated July 11, 2015 (Filed Under Seal)
7	Carrick Mollenkamp, "Barclays Agrees to Acquire Mortgage Firm EquiFirst," *The Wall Street Journal*, January 19, 2007
8	Steve Goldstein, "Barclays Closes EquiFirst Deal," *The Wall Street Journal*, April 3, 2007
9	Plaintiff's Deposition Exhibit 334 (Filed Under Seal)
10	Plaintiff's Deposition Exhibit 284 (Filed Under Seal)
11	Plaintiff's Deposition Exhibit 138 (Filed Under Seal)
12	Plaintiff's Deposition Exhibit 137 (Filed Under Seal)
13	Plaintiff's Deposition Exhibit 145 (Filed Under Seal)
14	Plaintiff's Deposition Exhibit 143 (Filed Under Seal)
15	Plaintiff's Deposition Exhibit 147 (Filed Under Seal)
16	Excerpts from Deposition Transcript of Michael J. Keegan, dated October 23, 2015 (Filed Under Seal)
17	Excerpts from Deposition Transcript of Adam Godden, dated September 17, 2015 (Filed Under Seal)
18	Excerpts from Deposition Transcript of Joseph C. Kaczka, dated September 22, 2015 (Filed Under Seal)
19	Plaintiff's Deposition Exhibit 449 (Filed Under Seal)
20	Plaintiff's Deposition Exhibit 73 (Filed Under Seal)
21	Plaintiff's Deposition Exhibit 151 (Filed Under Seal)
22	Plaintiff's Deposition Exhibit 182 (Filed Under Seal)
23	Plaintiff's Deposition Exhibit 153 (Filed Under Seal)
24	Plaintiff's Deposition Exhibit 75 (Filed Under Seal)

Exhibit	Description
25	Plaintiff's Deposition Exhibit 452 (Filed Under Seal)
26	Plaintiff's Deposition Exhibit 102 (Filed Under Seal)
27	Plaintiff's Deposition Exhibit 207 (Filed Under Seal)
28	Plaintiff's Deposition Exhibit 209 (Filed Under Seal)
29	Plaintiff's Deposition Exhibit 82 (Filed Under Seal)
30	Plaintiff's Deposition Exhibit 510 (Filed Under Seal)
31	Plaintiff's Deposition Exhibit 161 (Filed Under Seal)
32	Plaintiff's Deposition Exhibit 162 (Filed Under Seal)
33	BARC-ADS-01022272 (Filed Under Seal)
34	Plaintiff's Deposition Exhibit 167 (Filed Under Seal)
35	Excerpts from Deposition Transcript of Thomas Hamilton, dated October 6, 2015 (Filed Under Seal)
36	BARC-ADS-01385151-67 (Filed Under Seal)
37	Excerpts from Barclays Bank PLC 2008 Form 20-F, dated March 24, 2009
38	Plaintiff's Deposition Exhibit 179 (Filed Under Seal)
39	Barclays Bank PLC Form 6-K, dated May 15, 2008
40	Barclays Bank PLC Interim Management Statement, dated October 31, 2008
41	Excerpts from Deposition Transcript of John Kreitler, dated August 19, 2015 (Filed Under Seal)
42	BARC-ADS-01655107-96 (Filed Under Seal)
43	Plaintiff's Deposition Exhibit 278 (Filed Under Seal)
44	Plaintiff's Deposition Exhibit 279 (Filed Under Seal)
45	Plaintiff's Deposition Exhibit 277 (Filed Under Seal)

Exhibit	Description
46	Excerpts from Deposition Transcript of Stephen J. King, dated October 1, 2015 (Filed Under Seal)
47	Plaintiff's Deposition Exhibit 476 (Filed Under Seal)
48	BARC-ADS-00072417-19 (Filed Under Seal)
49	Plaintiff's Deposition Exhibit 286 (Filed Under Seal)
50	Jenny Anderson and Landon Thomas Jr., "Merrill Lynch reports $7.9 billion writedown," *The New York Times*, October 24, 2007
51	Tim McLaughlin, "Merrill Lynch reels from write-down," *Reuters*, October 24, 2007
52	BARC-ADS-00927815-52 (Filed Under Seal)
53	"UBS Reports a Quarterly Loss," *The New York Times*, October 30, 2007
54	Ernst E. Abegg, "Subprimes Force UBS to Write Down $10B," *The Associated Press*, December 10, 2007
55	Dan Wilchins, "UPDATE 4-Citi to sell $7.5 bln stake to Abu Dhabi group," *Reuters*, November 27, 2007
56	Robin Sidel, "Abu Dhabi to Bolster Citigroup With $7.5 Billion Capital Infusion," *The Wall Street Journal*, November 27, 2007
57	Landon Thomas Jr., "$9.4 Billion Write-Down at Morgan Stanley," *The New York Times*, December 20, 2007
58	Michael Lukac, "Bank of America sees $3 billion debt write-down," *International Business Times*, November 13, 2007
59	Excerpts from Deposition Transcript of John Varley, dated October 29, 2015 (Filed Under Seal)
60	Plaintiff's Deposition Exhibit 400 (Filed Under Seal)
61	Excerpts from Deposition Transcript of Richard Broadbent, dated October 30, 2015 (Filed Under Seal)
62	Plaintiff's Deposition Exhibit 269 (Filed Under Seal)
63	Plaintiff's Deposition Exhibit 402 (Filed Under Seal)
64	Julia Finch, "Barclays calculates £1.3bn sub-prime loss," *The Guardian*, November 21, 2007

Exhibit	Description
65	Barclays Bank PLC Form 6-K, dated November 27, 2007
66	Expert Report of Fiachra T. O'Driscoll, dated December 15, 2015 (Filed Under Seal)
67	Joe Nocera, "Short Sellers Sinks Teeth Into Insurer," *The New York Times*, December 1, 2007
68	BARC-ADS-01604440-41 (Filed Under Seal)
69	Plaintiff's Deposition Exhibit 356 (Filed Under Seal)
70	BARC-ADS-01544425-37 (Filed Under Seal)
71	Barclays Bank PLC Form 6-K, dated August 7, 2008
72	BARC-ADS-01498794-98 (Filed Under Seal)
73	BARC-ADS-00833226-40 (Filed Under Seal)
74	Plaintiff's Deposition Exhibit 357 (Filed Under Seal)
75	Plaintiff's Deposition Exhibit 410 (Filed Under Seal)
76	BARC-ADS-01553448-53 (Filed Under Seal)
77	BARC-ADS-01593264-65 (Filed Under Seal)
78	Plaintiff's Deposition Exhibit 473 (Filed Under Seal)
79	BARC-ADS-01573580-84 (Filed Under Seal)
80	BARC-ADS-01305133-40 (Filed Under Seal)
81	Plaintiff's Deposition Exhibit 358 (Filed Under Seal)
82	Plaintiff's Deposition Exhibit 18 (Filed Under Seal)
83	Barclays Capital Research Report, dated January 25, 2008
84	Alistair Barr, "Banks may need $143 billion in fresh capital," *MarketWatch*, January 25, 2008
85	David Jolly, "UBS Takes a $14 Billion Write-Off," *The New York Times*, January 30, 2008

Exhibit	Description
86	The State of the Bond Insurance Industry, Hearing Before the Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises of the House Committee on Financial Services, U.S. House of Representatives, February 14, 2008
87	Paul J. Davis, Cynthia O'Murchu, Steve Bernard and Ingram Pin, "Monolines explained," *The Financial Times*, February 15, 2008
88	Helen Thomas, "All that's missing at BarCap is a little clarity," *The Financial Times*, February 19, 2008
89	Notice of Public Hearing – The State of the Bond Insurance Industry, dated March 14, 2008
90	Janet Morrissey, "Credit Default Swaps: The Next Crisis?," *TIME*, March 17, 2008
91	Plaintiff's Deposition Exhibit 354 (Filed Under Seal)
92	Plaintiff's Deposition Exhibit 385 (Filed Under Seal)
93	Plaintiff's Deposition Exhibit 403 (Filed Under Seal)
94	Plaintiff's Deposition Exhibit 474 (Filed Under Seal)
95	Excerpts from Deposition Transcript of Robert Diamond, dated November 13, 2015 (Filed Under Seal)
96	BARC-ADS-01601834-43 (Filed Under Seal)
97	Excerpts from Deposition Transcript of Marcus Agius, dated November 5, 2015 (Filed Under Seal)
98	Plaintiff's Deposition Exhibit 414 (Filed Under Seal)
99	Plaintiff's Deposition Exhibit 413 (Filed Under Seal)
100	Excerpts from Citigroup Form 10-K, dated February 22, 2008
101	Excerpts from Merrill Lynch Form 10-K, dated February 25, 2008
102	Excerpts from UBS Form 20-F, dated March 18, 2008
103	BARC-ADS-01173828 (Filed Under Seal)
104	BARC-ADS-01025765 (Filed Under Seal)

Exhibit	Description
105	Excerpts from Deposition Transcript of Thomas McCosker, dated October 14, 2015 (Filed Under Seal)
106	Excerpts from Deposition Transcript of Patrick Clackson, dated December 10, 2015 (Filed Under Seal)
107	Excerpts from Deposition Transcript of Eric Yoss, dated August 28, 2015 (Filed Under Seal)
108	PwC017443-50 (Filed Under Seal)
109	BARC-ADS-00889215-17 (Filed Under Seal)
110	BARC-ADS-00072431-33 (Filed Under Seal)
111	BARC-ADS-00064253-55 (Filed Under Seal)
112	BARC-ADS-00072414-16 (Filed Under Seal)
113	BARC-ADS-00081409-11 (Filed Under Seal)
114	BARC-ADS-00089154-56 (Filed Under Seal)
115	BARC-ADS-00890268-69 (Filed Under Seal)
116	BARC-ADS-00091019-21 (Filed Under Seal)
117	BARC-ADS-00089504-06 (Filed Under Seal)
118	BARC-ADS-00089513-15 (Filed Under Seal)
119	Plaintiff's Deposition Exhibit 111 (Filed Under Seal)
120	BARC-ADS-01347138-62 (Filed Under Seal)
121	Plaintiff's Deposition Exhibit 389 (Filed Under Seal)
122	BARC-ADS-01022256 (Filed Under Seal)
123	Plaintiff's Deposition Exhibit 295 (Filed Under Seal)
124	Plaintiff's Deposition Exhibit 481 (Filed Under Seal)
125	Plaintiff's Deposition Exhibit 23 (Filed Under Seal)

Exhibit	Description
126	Plaintiff's Deposition Exhibit 491 (Filed Under Seal)
127	Plaintiff's Deposition Exhibit 482 (Filed Under Seal)
128	BARC-ADS-00793037-39 (Filed Under Seal)
129	BARC-ADS-01537901-43 (Filed Under Seal)
130	BARC-ADS-01551744-45 (Filed Under Seal)
131	BARC-ADS-00792790-804 (Filed Under Seal)
132	BARC-ADS-00819675-77 (Filed Under Seal)
133	BARC-ADS-01556886-906 (Filed Under Seal)
134	Plaintiff's Deposition Exhibit 483 (Filed Under Seal)
135	Plaintiff's Deposition Exhibit 484 (Filed Under Seal)
136	BARC-ADS-00933840-44 (Filed Under Seal)
137	BARC-ADS-00933946-47 (Filed Under Seal)
138	Plaintiff's Deposition Exhibit 406 (Filed Under Seal)
139	Plaintiff's Deposition Exhibit 409 (Filed Under Seal)
140	Plaintiff's Deposition Exhibit 408 (Filed Under Seal)
141	BARC-ADS-00936905-06 (Filed Under Seal)
142	Plaintiff's Deposition Exhibit 475 (Filed Under Seal)
143	Plaintiff's Deposition Exhibit 434 (Filed Under Seal)
144	Plaintiff's Deposition Exhibit 411 (Filed Under Seal)
145	BARC-ADS-00819841-42 (Filed Under Seal)
146	Plaintiff's Deposition Exhibit 435 (Filed Under Seal)
147	Plaintiff's Deposition Exhibit 485 (Filed Under Seal)

Exhibit	Description
148	Plaintiff's Deposition Exhibit 391 (Filed Under Seal)
149	Plaintiff's Deposition Exhibit 390 (Filed Under Seal)
150	BARC-ADS-01304486-88 (Filed Under Seal)
151	BARC-ADS-01544648-69 (Filed Under Seal)
152	Plaintiff's Deposition Exhibit 486 (Filed Under Seal)
153	Plaintiff's Deposition Exhibit 438 (Filed Under Seal)
154	BARC-ADS-00928336-37 (Filed Under Seal)
155	BARC-ADS-01535031-66 (Filed Under Seal)
156	Plaintiff's Deposition Exhibit 396 (Filed Under Seal)
157	Plaintiff's Deposition Exhibit 466 (Filed Under Seal)
158	Plaintiff's Deposition Exhibit 460 (Filed Under Seal)
159	Plaintiff's Deposition Exhibit 448 (Filed Under Seal)
160	Plaintiff's Deposition Exhibit 447 (Filed Under Seal)
161	Plaintiff's Deposition Exhibit 397 (Filed Under Seal)
162	Plaintiff's Deposition Exhibit 407 (Filed Under Seal)
163	Plaintiff's Deposition Exhibit 631 (Filed Under Seal)
164	BARC-ADS-00781565-94 (Filed Under Seal)
165	BARC-FOD-0000080-89 (Filed Under Seal)
166	Plaintiff's Deposition Exhibit 496 (Filed Under Seal)
167	BARC-ADS-01551355-58 (Filed Under Seal)
168	Andrew Ross Sorkin, "JP Morgan Pays $2 a Share for Bear Stearns," *The New York Times*, March 17, 2008

Exhibit	Description
169	Nelson D. Schwartz and Julie Creswell, "What Created This Monster?," *The New York Times*, March 23, 2008
170	Plaintiff's Deposition Exhibit 392 (Filed Under Seal)
171	Dan Lalor and Steve Slater, "Barclays gets $9 billion to boost capital, Qatar invests," *Reuters*, June 25, 2008
172	"Reader Survey: Banks could be set for second round of rights issues," *Citywire*, July 11, 2008
173	"Under the hammer; Bank consolidation," *The Economist*, July 12, 2008
174	Heather Connon, "Don't bank on a B&B buyer," *The Observer*, July 12, 2008
175	Expert Report of Allan W. Kleidon, Ph.D., dated December 15, 2015 (Filed Under Seal)
176	Barclays Bank PLC Form 6-K, dated July 18, 2008
177	"FTSE slips back, oil declines," *Investors Chronicle*, July 18, 2008
178	Simon English, "Bank pair raise £8bn - but may need more," *The Evening Standard*, July 18, 2008
179	"UPDATE 1-Barclays may write down 1.5 bln stg more, says Goldman," *Reuters*, August 14, 2008
180	"Oil and copper burnish FTSE," *The Guardian*, August 14, 2008
181	Matt Dickinson and Graeme Evans, "Market Report," *Press Association*, August 14, 2008
182	"UK Summary: FTSE To Shed 75 Points On Econ Slowdown Fears," Dow Jones, September 3, 2008
183	Ian Smillie, Cormac Leech, and Caroline Clarke, "Barclays-Some of the Parts," *The Royal Bank of Scotland*, September 3, 2008
184	"STOCKS NEWS EUROPE-ROK higher as Landsbanki initiates as buy," *Reuters*, September 3, 2008
185	Sarah Turner, "London shares fall as miners, banks weigh; Punch Taverns drops after scrapping dividend payout," *MarketWatch*, September 3, 2008
186	Ben Livesey and Jon Menon, "U.K. to Inject About $87 Billion in Country's Banks (Update3)," *Bloomberg*, October 8, 2008
187	"Rescue plan for UK banks unveiled," *BBC News*, October 3, 2008

Exhibit	Description
188	Helen Roxburgh, "Government bailout provides little relief for stock market," *Estates Gazette Interactive*, October 8, 2008
189	Christine Seib, "Bank shares rocked as nationalisation rumours rampage through markets," *The Times*, October 8, 2008
190	Sara Schaefer Munoz, Dana Cimilluca and Carrick Mollenkamp, "The Financial Crisis: U.K. Stocks Fall Despite New Bank-Rescue Effort --- Government Says It Will Buy Stakes in Banks and Guarantee Debts; Other Countries May Look to British Model," *The Wall Street Journal*, October 9, 2008
191	"U.S. stocks linger in red --- Alcoa profit report weighs on its shares; oil price falls again," *The Wall Street Journal*, October 9, 2008
192	"Barclays PLC Further Comment on UK Government Announcement," *Regulatory News Service*, October 10, 2008.
193	Holly Williams, "Barclays Looking at Options to Boost Finances," *Press Association*, October 10, 2008
194	Ian King, "Market report," *The Sun*, October 10, 2008
195	"S&P: Barclays Bank PLC L-T Rating Lowered To 'AA-'; 'A-1+' S-T Rating Affirmed; Outlook Negative," *Market News Publishing*, December 19, 2008
196	Simon Watkins, "Barclays looks to sell private equity empire; Billions of vital capital could be raised in buyout," *The Mail on Sunday*, December 21, 2008
197	Russell Lynch, "Barclays May Sell Private Equity Arm," *Press Association*, December 21, 2008
198	Helia Ebrahimi, "Barclays to review future of private equity arm," *The Sunday Telegraph*, December 21, 2008
199	Robert Lea, "Barclays fightback fails to ease fears of taxpayer rescue," *The Evening Standard*, January 19, 2009
200	Simon Maughan and Mamoun Tazi, "BARCLAYS PLC-A stay of execution," *MF Global*, January 20, 2009
201	"Banking shares suffer in London," *Irish Examiner*, January 21, 2009
202	Victoria Howley, "Barclays, Lloyds Shares Tumble Again On Results Fears," *Dow Jones*, January 21, 2009
203	Fiona Walsh, "Successful or not, the price of bailout could be too high," *Irish Times*, January 21, 2009
204	Steve Slater, "Barclays CEO seeks to calm fears as shares slump," *Reuters*, January 23, 2009

Exhibit	**Description**
205	Bill Condie, "Barclays plunges amid new worries over bailouts bill," *The Evening Standard*, January 23, 2009
206	Richard Wray, "Barclays shares plunge 15%," *The Guardian*, January 23, 2009
207	"Barclays CEO: Will Make 08 Profit After Write-Downs – Report," *Dow Jones*, January 23, 2009
208	"Moody's Downgrades Barclays Bank (Senior to Aa3/Stable, BFSR to C/Negative)," *Moody's Investor Service Press Release,* February 1, 2009.
209	"UPDATE 1-Moody's cuts Barclays' ratings on loss expectations," *Reuters*, February 1, 2009
210	"Barclays slips back on downgrade," *The Guardian*, February 2, 2009
211	Simon Kennedy, "UPDATE: Lloyds Shares Drop As Government Stake Increases," *Dow Jones*, March 9, 2009
212	Julia Werdigier, "Pressure rises on banks to participate in U.K. bailout," *International Herald Tribune*, March 7, 2009
213	"Morning Market: Malaise in banking sector casts early shadow," *Citywire*, March 9, 2009
214	Nick Goodway, "Banks Dive After Lloyds Nationalised," *The Evening Standard*, March 9, 2009
215	"Barclays Loses 25% Value On Toxic-Debt Prediction," *Derivatives Week*, March 9, 2009
216	Plaintiff's Deposition Exhibit 442 (Filed Under Seal)
217	Saskia Scholtes and Peter Thal Larsen, "Barclays shuts Equifirst US mortgage lender," *Financial Times*, February 17, 2009
218	"Barclays faces SFO investigation," *BBC News*, August 29, 2012
219	Suzi Ring, "Ex-Barclays Executives Said to Face Round Two With SFO on Qatar," *Bloomberg*, July 28, 2016
220	Caroline Binham, "Barclays criminal probe to last until at least early 2017," *Financial Times*, May 19, 2016
221	Simon Bowers, "Ex-Barclays banker alleges unfair dismissal after interview with SFO," *The Guardian*, November 23, 2016
222	Jeremy Hodges, "Barclays Loaned Qatar $3 Billion to Fund 2008 Deal, Lawsuit Says," *Bloomberg*, September 1, 2016

Exhibit	Description
223	BARC-ADS-01015064-76 (Filed Under Seal)
224	Excerpts from Deposition Transcript of Sean Teague, dated September 29, 2015 (Filed Under Seal)
225	"Bank bosses face grilling by MPs," *The Guardian*, February 2, 2009
226	Lead Plaintiffs' Objections and Responses to The Barclays Defendants' First Set of Interrogatories, dated November 16, 2015 (Filed Under Seal)
227	Letter from S. Nirmul to M. Tomaino and S. Musoff, dated July 22, 2016
228	Expert Report of D. Paul Regan CPA/CFF, CFE, dated December 15, 2015 (Filed Under Seal)
229	Expert Report of Dr. Joseph R. Mason, dated December 15, 2015 (Filed Under Seal)
230	Surrebuttal Expert Report of Allan W. Kleidon, Ph.D., dated March 18, 2016 (Filed Under Seal)
231	Expert Reply Report of Chad Coffman, CFA (Filed Under Seal)
232	Interpretation: Commission Guidance Regarding Management's Discussion and Analysis of Financial Condition and Results of Operations, United States Securities and Exchange Commission, Release Nos. 33-8350; 34-48960; FR-72.
233	Reply Expert Report of Dr. Joseph R. Mason, dated March 17, 2016 (Filed Under Seal)
234	Reply Expert Report of Fiachra T. O'Driscoll, dated March 18, 2016 (Filed Under Seal)

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 14th day of December, 2016 in Radnor, Pennsylvania.

Sharan Nirmul

EXHIBIT 1

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE BARCLAYS BANK PLC:	) Master File No.:
	) 1:09-cv-01989-PAC
SECURITIES LITIGATION	)
	)
	)
This Document Relates to:	)
	)
ALL ACTIONS.	)
	)

VIDEOTAPED DEPOSITION OF DENNIS ASKELSON
Palo Alto, California
Wednesday, September 15, 2015
Volume I

VERITEXT LEGAL SOLUTIONS
MID-ATLANTIC REGION
1801 Market Street - Suite 1800
Philadelphia, PA 19103

A Yes.

(Exhibit 9 was marked for identification and is attached hereto.)

BY MR. WHITE:

Q The court reporter has handed you a document marked Defense Exhibit 9, a document bearing Bates numbers BARC-DA-0000376 through 78.

Mr. Askelson, have you lost any money as a result of your investment in Barclays?

MR. D'ANCONA: Objection to form.

THE WITNESS: Yes.

BY MR. WHITE:

Q How so?

A Very simply, I bought it at 25 and a year later it was at $4.96.

Q What is it now?

MR. D'ANCONA: Objection to form.

THE WITNESS: Today? $26.

BY MR. WHITE:

Q Did you sell any when it was below $5?

MR. D'ANCONA: Objection to form.

THE WITNESS: No.

BY MR. WHITE:

Q So I turn your attention to this document. The -- do you recognize this document?

MR. D'ANCONA: Did you say this was 9, Tom?

MR. WHITE: Yes.

THE WITNESS: I don't see the address heading.

BY MR. WHITE:

Q Would you agree that it appears to be an email?

A I don't know. It says this is confidential.

Q This is a document that was produced by you to us.

Why don't you take a look at the top of the first page, and it says, "This is what we've been waiting for. There's a chance we could get into this offering, but we would need to set up an account immediately."

Do you see that?

A Yes.

Q And based on the signature, does this appear to be an email from Mr. Proctor?

A Yes.

Q Why was this what you were waiting for?

MR. D'ANCONA: Objection to form. Assumes facts, mischaracterizes the document.

THE WITNESS: I don't know. This is Proctor's to me. He's making an assumption that this is what I've been waiting for. This is not my statement.

BY MR. WHITE:

Q What did you understand it to mean?

A He's saying that maybe you're interested in this.

Q And why was it something, quote, we've been waiting for?

MR. D'ANCONA: Objection to form. Calls for speculation as to what Mr. Proctor meant.

THE WITNESS: I can't remember.

BY MR. WHITE:

Q Do you remember believing this was an attractive investment opportunity?

MR. D'ANCONA: Objection to form. Assumes facts.

THE WITNESS: Yes.

BY MR. WHITE:

Q What made it attractive to you?

A The double A rating and the interest rate.

Q By "the interest rate," do you mean the estimated coupon here?

A Yes. Um-hum.

MR. D'ANCONA: Objection to form.
BY MR. WHITE:
Q Then again, how have you been injured by your investment decision?
MR. D'ANCONA: Asked and answered.
THE WITNESS: Because I lost 80 percent of my value in a year. I could have used that opportune revenue to do other things with if I wanted to, but I couldn't because the stock dumped.
BY MR. WHITE:
Q Let me try to understand that a little bit.
You lost the open or tune --
A Opportune revenue.
Q The opportune revenue. What do you mean by that?
A I could have used the money to do something else with, to make money. But instead I got a loss.
Q But you didn't get a loss because the price went back up, right?
MR. D'ANCONA: Objection to form.
THE WITNESS: That's a different time period, Tom.
///

assets?

A No.

Q You weren't concerned about that?

A No.

Q Why not?

A I just don't follow it that close. It's not -- it's not -- that's of no interest to me.

Q Do you agree that a declining market could cause any company to take write-downs?

MR. D'ANCONA: Objection to form.

THE WITNESS: Yes.

BY MR. WHITE:

Q So despite the fact that it wasn't -- the possibility of write-downs wasn't important to you as an investor --

A Right.

Q -- you bought the Barclays ADS in April 2008 anyway, right?

A Yes.

MR. D'ANCONA: Objection to form. Mischaracterizes prior testimony, assumes facts.

BY MR. WHITE:

Q And is it because you perceived it as a safe investment?

MR. D'ANCONA: Objection to form.

THE WITNESS: Yes.

BY MR. WHITE:

Q Notwithstanding the possibility of additional billions in write-downs?

MR. D'ANCONA: Objection to form. Mischaracterizes his prior testimony.

THE WITNESS: Repeat the question.

BY MR. WHITE:

Q Sure. Let me ask a different question.

After your investment decision, May 2008, specifically May 15th, 2008, do you recall that Barclays announced additional write-downs?

MR. D'ANCONA: Objection to form.

THE WITNESS: I'm not aware.

BY MR. WHITE:

Q You're not aware as we sit here today of those write-downs?

A Right.

Q Specifically 1.7 billion pounds of additional write-downs in May 2008 --

MR. D'ANCONA: Objection.

BY MR. WHITE:

Q -- you're not aware of those, correct?

A No, I'm not aware.

Q And in August 2008, are you aware that

EXHIBIT 2

FILED UNDER SEAL

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
3 ----------X
IN RE:)
4) Master File No:
BARCLAYS BANK PLC) 1:09-cv-01989-PAC
5 SECURITIES LITIGATION)
)
6 ----------X
)
7 THIS DOCUMENT RELATES TO:)
ALL ACTIONS)
8 ----------X
9 December 16, 2015
10 9:39 a.m.
11
12 ** C O N F I D E N T I A L **
13
14
15 VIDEOTAPED DEPOSITION OF
16 DOUGLAS SUMMA, taken by Plaintiffs, held at
17 the offices of Sullivan & Cromwell LLP,
18 125 Broad Street, New York, New York,
19 pursuant to Notice, before Mayleen Cintrón
20 Ahmed, a Registered Merit Reporter, Certified
21 Realtime Reporter, and Notary Public of the
22 State of New York.
23 VERITEXT LEGAL SOLUTIONS
MID-ATLANTIC REGION
24 1801 Market Street - Suite 1800
Philadelphia, PA 19103
25

1 - D. SUMMA - CONFIDENTIAL -
2 speak audibly -- or answer the questions
3 audibly, no nods or -- or shakes of the head
4 just so our court reporter can take
5 everything down.
6 Okay?
7 A. Yes.
8 Q. Okay. And there's no reason why
9 you can't give truthful testimony here today,
10 medical or otherwise; is that correct?
11 A. There's no reason I cannot.
12 Q. Okay. Wonderful.
13 And are you paying for your legal
14 representation here today?
15 A. My firm is.
16 Q. Pricewaterhouse --
17 A. Pricewaterhouse --
18 Q. -- Coopers?
19 A. -- Coopers, yes.
20 Q. Okay.
21 And you're currently employed by
22 PricewaterhouseCoopers; is that correct?
23 A. Yes, I am.
24 Q. And what's your current title?
25 A. I'm a partner.

1 - D. SUMMA - CONFIDENTIAL -
2 Q. And are you a partner in a certain
3 group within PwC?
4 A. I'm a partner in our advisory
5 practice.
6 Q. Okay.
7 And within the advisory practice,
8 do you have a certain area of specialization?
9 A. Yes, I do. I run a team of
10 quantitative resources within the firm who do
11 valuation, risk analytics, and model
12 development and governance.
13 Q. Okay.
14 And does that team that you run
15 have a name by which it's commonly referred
16 to?
17 A. FS Risk Analytics is the team.
18 Q. Okay. I'd like to ask you briefly
19 what you did to prepare for your deposition
20 here today.
21 In preparation for your
22 deposition, did you meet with your attorney?
23 A. Yes.
24 Q. Okay.
25 When was that meeting?

1 - D. SUMMA - CONFIDENTIAL -
2 A. Yesterday.
3 Q. Okay.
4 And approximately how long did it
5 last?
6 A. Two or three hours.
7 Q. Okay.
8 And obviously, not -- in this
9 question or any other question I'm going to
10 ask you today, I don't want you to disclose
11 anything that you discussed with your
12 attorney.
13 But other -- other -- so other
14 than that meeting, did you do anything else
15 to prepare for your deposition?
16 A. We met with Sullivan & Cromwell.
17 Q. Okay.
18 And when was the meeting with
19 Sullivan & Cromwell?
20 A. Yesterday.
21 Q. Okay. And what did you discuss in
22 that meeting?
23 A. We discussed -- we looked at some
24 documents and we discussed the content of
25 those documents.

1 - D. SUMMA - CONFIDENTIAL -
2 Q. Okay. So so the meetings you had
3 with Mr. -- with your attorney, that was just
4 you and --
5 A. We had --
6 Q. -- and him; is that correct?
7 A. -- had a brief meeting, or I had a
8 meeting with my attorney before that, after
9 that, and then Sullivan & Cromwell in the
10 middle.
11 Q. Okay.
12 And in the middle meeting that you
13 had with just your attorney, was it -- was it
14 just the two --
15 A. Yes.
16 Q. -- of you?
17 A. Yes.
18 Q. Okay. And during that meeting,
19 did you look at any documents?
20 A. No. I think we just looked at
21 binders. No. We looked at the binders, but
22 we didn't use them. So, so no, we just
23 discussed those.
24 Q. Okay. Then you had a meeting with
25 Sullivan & Cromwell. Who -- who was in that

1 - D. SUMMA - CONFIDENTIAL -
2 meeting?
3 A. The three gentlemen there.
4 Q. Okay.
5 And was that meeting at their
6 request?
7 A. I believe so, yes.
8 Q. Okay.
9 And did you look at documents
10 during that meeting?
11 A. Yes.
12 Q. Okay.
13 And what documents did you look
14 at?
15 A. Some filings, some memos, some --
16 basically it was some filings, memos, emails.
17 Those were the documents we looked at.
18 Q. Okay.
19 What -- when you say "filings,"
20 what filings are you referring to?
21 A. The -- the annual report and -- or
22 the -- or whatever. The S -- the annual
23 report of -- of Barclays --
24 Q. Okay. The --
25 A. -- Plc.

1 - D. SUMMA - CONFIDENTIAL -
2 Q. The 20-F?
3 A. Yes, 20-F.
4 Q. Okay.
5 And that was for year end 2007?
6 A. Yes.
7 Q. Okay.
8 Was that the only 20-F that you
9 looked at?
10 A. Yes.
11 Q. Okay.
12 What did you guys discuss about
13 that?
14 A. Basically, looked at some pages
15 and asked whether I had -- you know, if I had
16 any views on -- on those pages.
17 Q. Okay.
18 And did you have any views that
19 you expressed to them?
20 A. Generally not. I mean, generally
21 no, but I'm certain I had -- I'm certain I
22 had some opinions on some of it, but nothing
23 was particularly -- much of it was related to
24 the -- to the general filings, and I did not
25 have an awful lot of involvement in those.

1 - D. SUMMA - CONFIDENTIAL -
2 Q. You didn't have an awful lot of
3 involvement in the -- in the filing of the
4 20-F?
5 A. No. In fact, I had no involvement
6 in the -- in the filing.
7 Q. Okay. So what -- you said you
8 generally didn't have any opinion about
9 those. What -- what -- what opinions did you
10 have?
11 A. We talked about the nature of
12 our -- of the PwC report; we talked about the
13 nature of a disclosure. Those are the
14 primary things we talked about.
15 Q. And you said the nature of the PwC
16 report. Which PwC report are you referring
17 to?
18 A. The two reports to -- of PwC to
19 the shareholders and the Board. So commonly
20 known as our opinion.
21 Q. Like the audit opinion?
22 A. The audit opinion, yes.
23 Q. Okay.
24 Did you have any involvement in
25 drafting the audit opinion?

1 - D. SUMMA - CONFIDENTIAL -
2 A. No.
3 Q. Okay.
4 So did you have any information to
5 share with Sullivan & Cromwell regarding the
6 audit opinion?
7 A. Not really, no. As I said, that's
8 not what I -- that's not my role --
9 Q. Okay.
10 A. -- in the firm.
11 Q. You said you also looked at --
12 MR. JORALEMON: Just let him...
13 THE WITNESS: I'm sorry.
14 MR. OLTS: Sorry.
15 A. I'm sorry.
16 Q. You said you also looked at some
17 memos. What memos did you look at with
18 Sullivan & Cromwell?
19 A. Let's see. Memos concerning
20 the -- I guess some clearance memos to --
21 to -- from PwC U.S. to PwC U.K.; a Subsequent
22 Event memo from PwC New York to PwC -- or PwC
23 U.S. to PwC U.K.; and -- and then, I guess, a
24 Critical Matter memo, which is -- was drafted
25 by PwC U.S.

1 - D. SUMMA - CONFIDENTIAL -
2 Q. Okay.
3 So the Subsequent Event memo that
4 you mentioned, did you have any involvement
5 in drafting that?
6 A. No. I -- no.
7 Q. Did you express any opinions about
8 that to Sullivan & Cromwell yesterday?
9 A. There were some discussions around
10 some of the work embedded in it, but I -- I
11 did not draft it.
12 Q. Did you do some of the work that
13 was embedded in it?
14 A. Yes.
15 Q. Okay.
16 And what did you tell Sullivan &
17 Cromwell about that work, if anything?
18 A. The -- actually, the subsequent --
19 it would be helpful just to make sure that
20 we're -- if I -- I -- to respond, there were
21 a series of memos we looked at, some of which
22 I had involvement with, some of which I
23 didn't.
24 So I may actually have the wrong
25 memo in mind. There was a couple of memos

1 - D. SUMMA - CONFIDENTIAL -
2 that -- some of which I had more involvement
3 in rather than others.
4 Q. Okay. So do you recall as you sit
5 here now whether or not you had any
6 involvement in the Subsequent Event memo?
7 A. I'm trying to remember which memo
8 it was because it was a long time ago, so...
9 I -- I could have. I know I
10 definitely had -- in some of the other memos,
11 I definitely had some involvement.
12 Q. Okay.
13 So the -- what about the Critical
14 Matter memo?
15 A. That one --
16 Q. As you sit here now --
17 A. That one I definitely contributed
18 to.
19 Q. Okay. And just try and --
20 A. Yeah. No, I --
21 Q. Just so the record is clear, just
22 try and wait until I'm done asking the
23 question so it's clear exactly. I know you
24 know what I'm going to ask, but it is
25 important that the record is clear.

1 - D. SUMMA - CONFIDENTIAL -
2 A. Okay.
3 Q. So I'll ask you again.
4 So for the Critical Matter memo
5 that you reviewed yesterday with Sullivan &
6 Cromwell, you did have some involvement in
7 drafting that document; is that correct?
8 A. Yes.
9 Q. Okay.
10 And what did you discuss with
11 Sullivan & Cromwell about the Critical Matter
12 memo?
13 A. The area in which I was involved
14 and the nature of the conclusions that I
15 reached and my team reached.
16 Q. Okay. And what were those
17 conclusions, if you remember?
18 A. The conclusions were that -- that
19 Barclays reached a -- you know, had
20 reasonably valued the financial instruments
21 that I was looking at.
22 Q. Okay.
23 You said you also looked at some
24 emails with Sullivan & Cromwell yesterday; is
25 that correct?

1 - D. SUMMA - CONFIDENTIAL -
2 Q. Do you have an understanding as to
3 what CSO refers to?
4 A. Yes.
5 Q. What is that?
6 A. I believe -- well, actually, I see
7 "SO." I'm -- it's the collateralized swaps,
8 I think. But I'm not sure.
9 Q. Okay.
10 It says here that FORCE tested all
11 positions. Do you -- do you recall testing
12 anything like that?
13 A. (Shaking head.)
14 Q. Okay.
15 A. As I said, I don't remember the
16 scope.
17 Q. All right. You can set that
18 aside.
19 (Plaintiffs' Exhibit 519, Barclays
20 Capital Credit Valuation At
21 December 31, 2007, Critical Matter,
22 2/7/2008, PwC000513-534, marked for
23 identification, as of this date.)
24 Q. The court reporter has handed you
25 what has been marked Exhibit 519. 519 is

1 - D. SUMMA - CONFIDENTIAL -
2 Bates numbered PwC000513 through 534. It is
3 entitled "Barclays Capital Credit Valuation
4 at December 31, 2007. Critical Matter,
5 2/7/2008."
6 Are you familiar with this
7 document?
8 A. I saw it yesterday.
9 Q. Okay.
10 And this is one of the documents
11 you looked at with Mr. Tomaino?
12 A. Yes.
13 Q. Okay.
14 Prior to seeing it yesterday with
15 Mr. Tomaino, you -- had you seen it before?
16 A. I don't remember.
17 Q. Okay.
18 It's entitled "Critical Matter."
19 What does that refer to generally
20 at Pricewaterhouse?
21 A. Critical matters are the items
22 that we want to make sure that we are
23 communicating, that the right amount of
24 oversight and communication within the firm
25 exists because they tend to be more

1 - D. SUMMA - CONFIDENTIAL -
2 complicated matters. They tend to be more
3 significant matters of an audit.
4 Q. Okay.
5 And typically, would the work that
6 your FORCE group do be recorded in a Critical
7 Matter memo such as this?
8 A. Frequently it would be. It is,
9 not always.
10 Q. But it wasn't -- but it was with
11 regard to the 2007 Barclays year-end audit;
12 is that right?
13 A. Yes.
14 Q. Okay. And you had a chance to go
15 through this yesterday with Mr. Tomaino?
16 A. Yes.
17 Q. Okay.
18 So you're familiar with this
19 generally now, having reviewed it yesterday?
20 A. A few things. Not all of it. But
21 yes, parts of it.
22 Q. Okay.
23 What parts of it did you discuss
24 yesterday with Mr. Tomaino?
25 A. Talked about some of the sections

1 - D. SUMMA - CONFIDENTIAL -
2 related to the financial instrument -- or
3 credit financial instruments carried at fair
4 value with sub -- with subprime exposure.
5 Q. And what page are you referring
6 to?
7 A. Page -- sorry. It's 521.
8 (Witness reviewing document.)
9 A. 523, we talked about event of
10 default triggers.
11 (Witness reviewing document.)
12 A. The 528, NAV modeling, or at least
13 the discussion about, I think, speaking of
14 Stephen King there. And 531, the conclusion.
15 I think those are the things we talked about.
16 Q. All right.
17 Did you have any role in drafting
18 this document?
19 A. This is written by the audit team.
20 Q. Okay.
21 Do you have -- did you have an
22 opportunity to edit it?
23 A. I don't remember whether I got to
24 edit it. I'm certain that we contributed to
25 it, though.

1 - D. SUMMA - CONFIDENTIAL -
2 Q. Okay.
3 Would you typically have an
4 opportunity to review Critical Matter memo
5 which contained work done by your group prior
6 to it being finalized?
7 A. No, not typically. There's a lot
8 in here which is not me.
9 Q. But -- would you have an
10 opportunity to review the sections that
11 pertain to the work that your group had done?
12 A. I -- I may have. Again, many --
13 we may have also just contributed here is
14 what we say without actually having it in
15 this form.
16 Q. Having -- having reviewed it
17 yesterday with Mr. Tomaino, was there
18 anything in here that you disagreed with?
19 A. No.
20 Q. And -- but typically before a
21 Critical Matter memo is finalized, are you
22 given any opportunity to check to make sure
23 that you agree with its conclusions?
24 A. Typically, no.
25 Q. With regards to the Barclays

EXHIBIT 3

1
2 UNITED STATES DISTRICT COURT
3 SOUTHERN DISTRICT OF NEW YORK
4
IN RE BARCLAYS BANK PLC)
5
SECURITIES LITIGATION) Master File
6
---------- No. 1:09-cv-01989-
7 PAC
8 This Document Relates to:)
9 All Actions)
10 ----------)
11
12 125 Broad Street
New York, New York
13
March 30, 2016
14 9:37 a.m.
15
16 Videotaped DEPOSITION of ALLAN W.
17 KLEIDON, held at the office of Sullivan &
18 Cromwell, LLP, before Fran Insley, a Notary
19 Public of the States of New York and New
20 Jersey.
21
22 VERITEXT LEGAL SOLUTIONS
MID-ATLANTIC REGION
23 1801 Market Street - Suite 1800
Philadelphia, PA 19103
24
25

A. Kleidon

be considered for your report?

A. Well, ultimately I did.

Q. So if documents were -- for documents that are not included in this documents considered exhibit, does that mean that you made a conscious decision to not consider those documents?

MR. TOMAINO: Objection to form.

A. That is --

Q. I don't mean to be tricky about this. Let me tell you where I'm going and maybe that will help.

A. Yes.

Q. Mr. Coffman, in his rebuttal report, points out that the documents considered, by limiting it to Factiva, major publications, his criticism is that that is unnecessarily limiting your document search. Do you recall that?

A. Yes.

Q. So you got that rebuttal report from him and then I look at your surrebuttal report and I don't see a new documents considered exhibit, which indicates to me, other than

A. Kleidon

documents in your surrebuttal report, you did not expand the scope of your document search and that my question is, was that a conscious choice by you to not expand your search?

A. Yes. Although, one thing I did, which, when I was preparing for my deposition here, which was after the most recent March 18th report, when I was going through Mr. Coffman's report again and I had been through it before obviously, but when I was going through it and just in preparation for the deposition, I asked the team to run Factiva using major publications so my search for -- I think it was February 1st, 2nd, 2009. Now, the -- amongst other things which I imagine we will get into or may get into, I did not look at news on all days throughout this period, this analysis period. I did not look at news reports for days where the residual was statistically undistinguishable from zero unless that was a day cited in the Complaint.

So, I did not go back and look at all that news because that was not necessary for the reasons I go through in my various

A. Kleidon

mentioned in the Complaint; is that right?

A. That is true, in my initial report, but as I think I said earlier, Mr. Coffman identified information for a number of days that were not statistically significant and in my surrebuttal report, I went through each of those days and there was nothing in the information on those days that caused me to change my opinion. In particular, there was nothing on those days identified by Mr. Coffman where there was information that corrected the alleged misrepresentations.

Q. For the days in which you found a residual decline that was not statistically significant, is it possible that there was a release of company specific material information that corrected a prior false statement and your test simply did not pick it up?

MR. TOMAINO: Objection. Form.

A. Quite frankly, I don't believe so. And the reason I say that is because the nature of the alleged misrepresentations or the nature is information that Barclays allegedly had

A. Kleidon

about exposure to assets affected by subprime and related securities and assets, write-downs, consequent pressures on capital, and then there are two other. There is this issue of gross versus net and losses and leveraged. I forget exactly the -- as I sit here right now, it's paragraph 210 of the Complaint, leveraged loans.

If we take the -- for each one of those, the nature of the allegations as I understand them is that there is some information that Barclays has that it has not disclosed. So the question is where will this information come from? So if we think, for example, about what happened first quarter of 2008, that information about how Barclays performed in that first quarter, which allegedly should have been included in some form in the April '08 offering documents, that information is going to be coming from Barclays and that information did come from Barclays in May 15th and the Complaint says, about a month afterwards, Barclays does give this information.

A. Kleidon

The same for what is happening with Barclays over the second quarter, a lot of which is after the offering. That information concerning Barclays' second quarter results also will have to come from Barclays and that doesn't come out until it comes out. That's August 7th. The question of whether there is pressure on Barclays in terms of its capital, well, we know that is out at the very least by May 15th because Moody's has a report out there saying that. That may well have been out at different times, but now there is a question of whether there is an omission that changed the total mix of information at all.

You know, we see on May 15th those four 1st quarter results come out and there is no significant price change. So that is, as the Complaint points out, very close in time to the April offering and the fact that when that information comes out there is no significant price change, to my mind says something about whether there would have been any significant price change or impact change in the total mix of information back in April at the time of the

A. Kleidon

offering. There certainly wasn't in May.

So, with respect to the need for capital, is it possible that the market was aware of the need for capital on some day other than those that I looked at? Yes, that is possible. Quite frankly, I think it's possible that right back in April at the time of the offering, the market knew that Barclays may need capital. If they didn't, then they certainly knew it on May 15th when Moody's said that Barclays may need capital and there was no significant change in the price. So the market knew it at least by that time. They certainly knew it by June.

So the question is, are there other days where the market knew this information, there were corrective disclosures? In terms of the specific numbers for say first quarter or second quarter, no, I don't think so because they had to come from Barclays. In terms of the -- what was happening to Barclays, its need for capital, yes, that is ostensibly something which was hidden in the April offering documents.

A. Kleidon

no information coming out over the period you're looking at here. You're pointing to about those gross versus net losses for 2007. So certainly there would be no decline caused by that -- but I think as of that time, I don't think anybody would be interested in it either.

Q. You suggested it several times, but I never asked and you never responded directly, is it your position that all of the information that plaintiffs have alleged in the Complaint was either subject of a misstatement or an omission in the offering documents, was disclosed to the market no later than August 7, 2008?

A. Well, that's what I was just talking about. I'm not going to go over all of that again. The information in my paragraph 10, which comes from paragraph 135 of the Complaint, but also information in the interrogatories which is talking about some specific information from the first three months.

In my opinion, certainly the issues concerning exposures and write-downs and

A. Kleidon

subsequent effect on Barclays capital related to what Barclays could have talked about as of April 8, 2008. Yes, my reading of it, that information was out at the latest by August 7, 2008 with the full disclosure of first the first quarter results, August, the second quarter results and then in the interim, as I mentioned a couple of times, issues concerning Barclays needing to raise capital coming from Moody's and then Barclays saying we are going to raise 4.5 billion of capital. That, as I just said, leaves these other two.

What is in my paragraph 12, which is this leveraged loans issue, the number for 2007 was out in the August 8th 6K. And then we come to the Complaint in paragraph 195 dealing with this gross versus net loans and you know --

MR. TOMAINO: Gross versus net loans you said?

A. Sorry, gross versus net losses.

Q. It's getting late.

A. It's 5:35. I'm getting a bit tired. My apologies.

That gross versus net losses issue,

A. Kleidon

that specific number did not come out until the 20-F for 2008 which, if I recall correctly, was March 24, 2009. There was no discussion -- no discussion of that number at all when that came out then. I don't find that at all surprising because given what we know about the properties of accounting earning numbers and given that by the time we get past August 7, 2008, those 2007 numbers are now stale, I'm not surprised.

Q. When you say stale, do you mean no longer material to investors?

MR. TOMAINO: Objection. Form.

A. Well, it depends what you mean by material. I mean we are back in sort of a sense of deja vu. As we discussed earlier today, you know, clearly, if those numbers were announced in August of 2008, there would be no change in the total mix of information because those numbers or many of those numbers were out there.

In terms of the -- going to that question of the gross versus net losses, yes, quite frankly, I don't think some detail about 2007 losses would change the total mix of

EXHIBIT 4

FILED UNDER SEAL

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

In re BARCLAYS BANK PLC SECURITIES LITIGATION	Master File No. 1: 09-cv-01989-PAC Honorable Paul A. Crotty

EXPERT REBUTTAL REPORT OF CHAD COFFMAN, CFA

CONFIDENTIAL

Table of Contents

I. INTRODUCTION 1

II. SUMMARY OF OPINIONS 2

III. THE STATUTE CALLS UPON DEFENDANTS TO PROVE ALTERNATIVE CAUSES FOR OBSERVED PRICE DECLINES 5

IV. DR. KLEIDON DOES NOT PROVE ALTERNATIVE CAUSES FOR OBSERVED PRICE DECLINES 6

V. DR. KLEIDON'S METHODOLOGY IGNORES MOST RESIDUAL PRICE DECLINES AND FAILS TO IDENTIFY NEWS RELATED TO PLAINTIFF'S CLAIMS 12

- A. AUGUST 14, 2008 19
- B. SEPTEMBER 3, 2008 20
- C. OCTOBER 8, 2008 22
- D. OCTOBER 10, 2008 24
- E. DECEMBER 19, 2008 25
- F. DECEMBER 22, 2008 27
- G. JANUARY 20, 2009 29
- H. FEBRUARY 2, 2009 31

VI. EVEN WHERE DR. KLEIDON FINDS STATISTICAL SIGNIFICANCE, HE ERRONEOUSLY CONCLUDES THERE IS NO NEWS RELATED TO PLAINTIFF'S CLAIMS 33

- A. JULY 14, 2008 33
- B. JULY 18, 2008 36
- C. JANUARY 21, 2009 37
- D. JANUARY 23, 2009 40
- E. MARCH 9, 2009 41

VII. DR. KLEIDON'S EVENT STUDY IS FUNDAMENTALLY FLAWED AND CANNOT BE RELIED UPON 43

- A. DR. KLEIDON MIS-SPECIFIES THE DEGREE OF RANDOMNESS IN THE SERIES 5 PRICE MOVEMENTS AND AS A RESULT SYSTEMICALLY MIS-IDENTIFIES SIGNIFICANT PRICE MOVEMENTS 44
- B. DECLINES IN DR. KLEIDON'S PREFERRED STOCK INDEX ARE NOT NECESSARILY INDEPENDENT OF PLAINTIFF'S CLAIMS 50

I. INTRODUCTION

1. On December 15, 2015, I submitted an expert report in this matter (the "Damages Report," or "Report")[1] in which I opined on the method by which statutory damages under Section 11 of the Securities Act of 1933 ("Securities Act") are to be calculated for Class Members in connection with their purchases of Barclays Non-Cumulative Callable Dollar Preference Shares, Series 5 in the form of American Depositary Shares (the "Series 5 Shares", "Series 5 ADS", or "Shares").

2. On December 15, 2015, counsel for Lead Plaintiff provided me with the Expert Report of Dr. Allan W. Kleidon (the "Kleidon Report"). In his report, Dr. Kleidon states that he was asked "to analyze whether any declines in the price of the Series 5 ADS during the period April 8, 2008 (the "Offering Date") to March 24, 2009 (the filing date of Barclays' Form 20-F for the year ended December 31, 2008 ("2008 Form 20-F")) (the "Analysis Period") were attributable, in whole or in part, to any of the alleged misrepresentations cited in the Complaint."[2] Dr. Kleidon offers the following opinions:

- There were no statistically significant price declines in the Series 5 ADS in the Analysis Period on any days when (i) any allegedly corrective information cited in the Complaint was disclosed to the market, or (ii) any allegedly undisclosed risk cited in the Complaint materialized.
- All statistically significant price declines in the Series 5 ADS in the Analysis Period occurred on days when (i) there was no allegedly corrective information cited in the Complaint disclosed to the market, and (ii) no allegedly undisclosed risk cited in the Complaint materialized.

---

[1] Unless otherwise defined here, all capitalized terms shall have the meanings given to them in the Damages Report. The "Company" is in reference to Barclays. Additionally, unless otherwise noted herein, all emphasis is added.

[2] Kleidon Report ¶3. As discussed, Dr. Kleidon offers no opinion regarding price declines from March 25, 2009 through April 8, 2009 (the "date of suit"), which period is relevant to any analysis of causation and damages in this matter.

- The price declines during the Analysis Period are not attributable in whole or in part to any of the alleged misrepresentations.[3]

3. I have been asked by Counsel for Plaintiff in this matter to review, evaluate, and respond to Dr. Kleidon's opinions and analysis. My responses to the Kleidon Report are set forth in this document (the "Rebuttal Report").

4. In formulating my opinions set forth in this Rebuttal Report, I have relied upon the analysis already described in the Damages Report as well as knowledge, experience, and formal training in economics, finance, and statistics, in addition to the allegations, evidence, and facts set forth in this lawsuit. All of the additional materials that I relied upon and considered in reaching my opinions in this Rebuttal Report, beyond those listed in the Damages Report, are identified in the attached **Appendix A**. Global Economics Group is being compensated at $575 per hour for my work on this matter, and at standard hourly rates for work performed by members of my staff acting under my supervision and direction. Neither my compensation, nor the compensation of my firm, is in any way contingent upon the outcome of this case or upon the opinions I express. My qualifications and curriculum vitae were included in the Damages Report, and my updated curriculum vitae is attached in **Appendix B**.

II. SUMMARY OF OPINIONS

5. In reviewing Dr. Kleidon's Report, I have reached the following conclusions that I expand upon below:

[3] Kleidon Report ¶5.

6. The Kleidon Report fails, as a matter of scientific and statistical principles, to affirmatively prove that events unrelated to the misstatements or omissions at issue in this litigation caused observed price declines in the Series 5 Shares during the relevant time period.

7. First, Dr. Kleidon erroneously concludes that his event study analysis provides evidence that the release of information related to Plaintiff's claims could not have caused any observed stock price decline that is not statistically significant at the 95% confidence level. By its nature, an event study that finds a statistically significant change in price is capable of providing evidence (within a certain degree of error) of an affirmative causal linkage between an event and a price movement. An event study cannot, however, based on a ***lack*** of statistical significance, establish a lack of causation for any abnormal return not explained by the control variables. As I demonstrate in this Rebuttal Report, there are numerous examples of days that Dr. Kleidon ignores where (i) news was disseminated related to the alleged misstatements and omissions; and (ii) Dr. Kleidon's event study observed abnormal price declines in the price of the Series 5 Shares. Furthermore, Dr. Kleidon's methodology for identifying news relevant to Plaintiff's claims is inadequate.

8. Second, to the extent that Dr. Kleidon has limited his analysis of causation to only those dates with statistically significant abnormal returns, his causation analysis for these dates is also flawed as he incorrectly concludes that news disseminated on those dates did not relate to Plaintiff's claims. More specifically, Dr. Kleidon identifies seven negative and statistically significant dates on which he opines there is no information related to Plaintiff's claims. For five of these seven dates, I identify news related to Plaintiff's claims that Dr. Kleidon does not properly address. As a result, Dr. Kleidon has not established that even these statistically significant abnormal price declines were unrelated to Plaintiff's claims.

9. Finally, it is my opinion that the regression analysis underlying Dr. Kleidon's event study is fundamentally flawed and does not provide a reliable basis for measuring the abnormal price declines or evaluating the statistical significance of price movements for two distinct reasons. First, Dr. Kleidon's approach mis-measures the volatility of the Series 5 Shares during his Analysis Period and therefore draws erroneous conclusions about which price declines are statistically significant. Second, downward movements in Dr. Kleidon's control index itself during the relevant period reflect, among other things, the market learning how exposure to subprime assets and monoline insurers was affecting the market value of preferred stocks. As a result, movements in Dr. Kleidon's "control" index do not represent an appropriate independent "control" for purposes of isolating price declines in the Series 5 Shares that are independent of Plaintiff's claims.

10. Given these flaws in Dr. Kleidon's approach, it is my opinion that he has not reliably established that information unrelated to Plaintiff's claims caused the price declines observed in the Series 5 Shares.

11. My report is structured as follows: In Section III, I describe how the statute calls for Defendants to prove that events unrelated to the misstatements and omissions at issue in this litigation caused the Series 5 Share price declines during the relevant time period. In Section IV, I show that Dr. Kleidon's methodology and conclusions do not offer reliable economic or statistical evidence to establish alternative causes of observed price declines. In Section V, I describe how Dr. Kleidon does not offer any evidence regarding alternative causes of observed price declines on the vast majority of dates. In Section VI, I show that even on dates where Dr. Kleidon purports to have evidence of alternative causes, he ignores information related to Plaintiff's claims. Finally, in Section VII, I demonstrate how Dr. Kleidon's event study

methodology is unreliable for evaluating which price declines are statistically significant and, at least on certain days, is inappropriate for quantifying the degree to which price declines can be explained by independent market forces.

III. THE STATUTE CALLS UPON DEFENDANTS TO PROVE ALTERNATIVE CAUSES FOR OBSERVED PRICE DECLINES

12. As I stated in the Damages Report, Section 11(e) of the Securities Act establishes the statutory formula by which damages for Section 11 claims are calculated.[4] Specifically, Section 11(e) states the following:

> The suit authorized under subsection (a) of this section may be to recover such damages as shall represent the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and (1) the value thereof as of the time such suit was brought, or (2) the price at which such security shall have been disposed of in the market before suit, or (3) the price at which such security shall have been disposed of after suit but before judgment if such damages shall be less than the damages representing the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and the value thereof as of the time such suit was brought.[5]

13. However, Section 11 allows Defendants to avoid or limit damages if they can prove that financial losses under the statutory formula did not result from the misstatements and/or omissions. Section 11 provides:

> That if the ***defendant proves*** that any portion or all of such damages represents ***other than*** the depreciation in value of such security resulting from such part of the registration statement, with respect to which his liability is asserted, not being true or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading, such portion of or all such damages shall not be recoverable.[6]

---

[4] Damages Report ¶11.

[5] 15 U.S.C. § 77k(e).

[6] 15 U.S.C. § 77k(e).

14. My understanding is that this element of the statute creates a burden for Defendants to affirmatively prove that the Series 5 ADS price declines were caused by events other than the misstatements and omissions at issue in this litigation, and that Plaintiff is entitled to statutory damages for any portion of the price decline that Defendants have not otherwise proven was the result of something unrelated to Plaintiff's claims. In other words, if Defendants can prove a causal relationship between the security price declining and some event unrelated to the misstatements or omissions at issue in this litigation, then Defendants have met their burden for proving negative causation for that particular price decline.

IV. DR. KLEIDON DOES NOT PROVE ALTERNATIVE CAUSES FOR OBSERVED PRICE DECLINES

15. Dr. Kleidon broadly opines: "The price declines during the Analysis Period are not attributable, in whole or in part, to any of the alleged misrepresentations."[7] However, Dr. Kleidon's approach is only capable of providing economic and statistical evidence for two categories of price declines in the Series 5 Shares: (1) portions of Series 5 price declines that are explained by his market model, which controls for an index of other preferred stocks, and (2) statistically significant price declines that are purportedly unrelated to Plaintiff's claims. (In a later section, I describe why Dr. Kleidon's contention that certain statistically significant price declines are unrelated to Plaintiff's claims is incorrect and unreliable.)

16. A tool that financial economists typically use to provide affirmative economic evidence of a cause and effect relationship between an event and an observed price movement is

[7] Kleidon Report ¶¶5, 107.

the "event study."[8] An event study is conducted by specifying a model of expected price movements conditioned on independent market factors and then testing whether the deviation from expected price movements is sufficiently large that simple random movement can be rejected as the cause.

17. An event study can provide economic and statistical evidence of what caused a price decline in two ways. First, based on historical correlation between one or more control variables (such as a market or industry index) and the subject security, the event study regression is able to identify "expected returns" based on contemporaneous movements in the control variables. So long as the control variables are properly selected and the regression implies a meaningful economic relationship between the control variables and the security price movements, this "expected return" provides economic and statistical evidence of what price movement is explained by the control variables.[9] The difference between the observed return and the "expected return" is known as the "residual return" or "abnormal return." By definition, there is ***no*** economic or statistical evidence that the residual return is caused by movements in the control variables.

18. Second, on days where the residual return is statistically significant ***and*** there is contemporaneous information, the event study method is capable of providing economic and statistical evidence of a causal connection between the information and the residual return. In other words, when a residual return is statistically significant, one can reliably rule out

---

[8] A. Craig MacKinlay, "Event Studies in Economics and Finance," *Journal of Economics Literature*, Vol. 35, No. 1, March 1997, pp. 13-39; and John Binder, "The Event Study Methodology Since 1969," *Review of Quantitative Finance and Accounting*, Vol. 11, 1998, pp. 111-137.

[9] This is only valid if movements in the control variables are completely independent of, and unrelated to the alleged misstatements and omissions. As discussed below, *see* Section VII(B), there are days during the relevant time period when the Preferred Stock Index is an inappropriate control because news related to Plaintiff's claims likely impacted Dr. Kleidon's control index.

randomness as the cause of the price change and infer that the information caused the price movement. This is the approach Dr. Kleidon uses in his analysis: "[f]or days with statistically significant price movements, one can analyze the company-specific information that entered the market that may explain the price movements."[10]

19. The event study approach has important limitations. A regression analysis (like the event study methodology employed by Dr. Kleidon) is ***not*** capable of proving an ***absence*** of causation with respect to non-statistically significant abnormal returns. Specifically, the event study is like any other scientific experiment where there is a null hypothesis (H_0) and an alternative hypothesis (H_1). The null hypothesis in this context is that the news on a given day will cause zero (0) price reaction. The alternative hypothesis is that the news caused a price reaction different from zero. If the observed residual price change is large enough to be statistically significant, the event study provides a reliable basis to reject the null hypothesis and attribute the price reaction to the news. However, if the observed price change is not statistically significant, the event study does not prove that the null hypothesis of zero price reaction is actually true.[11] ***Thus, an event study provides no basis to assert that the lack of a statistically***

[10] Kleidon Report ¶45.

[11] Damodar N. Gujarati, *Basic Econometrics* (3d ed. 1995), p.129. This textbook is one of the most widely used graduate level statistical textbooks used in the field of economics ("What a Million Syllabuses Can Teach Us," *The New York Times*, January 22, 2016). *See also* Sir Ronald A. Fisher, *The Design of Experiments*, (New York: Hafner Press, 1971), pp. 16, 22. Sheldon G. Levy, Inferential Statistics in the Behavioral Sciences (1968), p. 83. Helen M. Walker & Joseph Lev, *Elementary Statistical Methods* (3rd ed. 1969), p. 166 (providing a "word of caution" that "***[t]o retain a hypothesis does not prove it true but merely indicates that it is not inconsistent with the observed data of a sample.")***.

significant stock price return constitutes economic or statistical evidence that proves there was no price impact from any news.[12]

20. Dr. Kleidon has not analyzed these non-statistically significant residual price declines, nor does he discuss what caused the abnormal returns he observed on those dates. Yet, Dr. Kleidon inexplicably concludes that "[t]he price declines during the Analysis Period are not attributable in whole or in part to any of the alleged misrepresentations."[13]

21. Just as an example, on February 17, 2009, Barclays Series 5 Share price declined by 16.32% (from $11.95 per share the previous trading day to $10.00 per share). Based on his underlying regression analysis that controls for a Preferred Stock Index,[14] Dr. Kleidon finds an "expected return" of -9.77% or -$1.17 per share. Under the assumption that his regression properly identified the Preferred Stock Index as an appropriate control (which I dispute in Section VII(B)), this implies a residual return, or ***unexplained*** return, of -6.55% (the total return of -16.32% ***minus*** the expected return of -9.77%).

22. Dr. Kleidon further acknowledges that there was information allegedly related to Plaintiff's claims released to the market on February 17, 2009. At 11:28 AM EST, *Dow Jones*

---

[12] While, under these circumstances, the event study may not reliably prove with a measure of statistical certainty that the claim-related news was the cause of a decline, it likewise does not prove that the claim-related news was not the cause of the decline. Event studies do not have this type of explanatory power.

[13] Kleidon Report ¶¶5, 107.

[14] The Preferred Stock Index is a market capitalization weighted index comprised of the 54 financial securities in the S&P U.S. Fixed Rate Preferred Stock Index as of December 31, 2008, Barclays securities excluded. Dr. Kleidon performs two separate regressions for the periods before and after the Lehman bankruptcy on September 15, 2008 (Period 1: April 11, 2008 to September 14, 2008; Period 2: September 15, 2008 to March 24, 2009). Kleidon Report ¶¶46-47. Dr. Kleidon incorporates dummy variables in his regression for events that he suggests have information related to Plaintiff's claims because they were mentioned in the Complaint. A dummy variable is coded as "1" on the relevant date and "0" on all other dates. The purpose of incorporating dummy variables for these dates is to prevent the events of interest from influencing measurement of the relationship between the subject security (in this case the Series 5 Shares) and the control index. In total, Dr. Kleidon uses dummy variables for 11 dates.

reported that Barclays would be closing its U.S. residential mortgage origination business, EquiFirst, "due to market conditions."[15] This is information related to Plaintiff's claims.[16]

23. Dr. Kleidon performs a statistical test to determine if this unexplained decline of 6.55% is statistically significant, and he concludes that it is not.[17] Dr. Kleidon then uses the lack of statistical significance as a basis to improperly conclude that "the allegedly corrective information that entered the market on February 17, 2009 did not cause a decline in the price of the Series 5 ADS."[18] Dr. Kleidon's model, however, is ***incapable of explaining*** what caused the remaining -6.55% or -$0.78 per share residual price decline on February 17, 2009.

24. Indeed, contrary to Dr. Kleidon's conclusion, his statistical analysis only suggests that one cannot infer, with 95% confidence, what caused the abnormal return. It does ***not*** provide economic or statistical evidence of the ***absence*** of a causal link between the information revealed on February 17, 2009 and the abnormal return in the Series 5 ADS on the same day. The regression methodology is not capable of providing that economic or statistical evidence. In other words, Dr. Kleidon has not provided any reliable economic or statistical evidence establishing that the residual price decline of 6.55% (or -$0.78 per share) on February 17, 2009 was not caused by the information relating to Plaintiff's claims.

---

[15] "BarCap to Close US Residential Mortgage Unit EquiFirst," *Dow Jones*, February 17, 2009, 11:28 AM EST.

[16] *See e.g.,* Complaint ¶223. The Complaint refers to February 18, 2009 as the market date for this information; however, the news entered the market on February 17, 2009, which Dr. Kleidon also pointed out in his report (Kleidon Report ¶100). As I understand it, Plaintiff maintains that Defendants' omissions and disclosures concerning the high quality of Equifirst's loan portfolio in the Offering Documents were materially misleading in so far as these disclosures failed to disclose the deteriorating performance of Equifirst's loan portfolio in the first three months of 2008. *See* Lead Plaintiffs' Responses and Objections to the Barclays' Defendants First Set of Interrogatories, November 16, 2015, at 10.

[17] Kleidon Report ¶100 and Kleidon Report Exhibit 9.

[18] Kleidon Report ¶101.

25. Dr. Kleidon is making the error of interpreting the lack of statistical significance as proof of a lack of causation, which is a practice that has been widely rejected.[19] Critically therefore, when Dr. Kleidon provides his overall conclusion that "Based on my analysis, the price declines during the Analysis Period are not attributable in whole or in part to any of the alleged misrepresentations," he is overstating what his methodology is capable of proving and incorrectly claims that he has established that the negative price movement in the Series 5 Shares was not caused by news related to Plaintiff's claims. That is wrong as a matter of statistical principles.

26. In fact, Dr. Kleidon finds a lack of statistical significance on 230 out of 240 days during his Analysis Period. Thus, for ***96%*** of the days he analyzes, he has offered no statistical evidence to support what caused the unexpected portion of the movement in the Series 5 Shares, and thus concludes that these price movements were caused by news unrelated to Plaintiff's claims. As a result, on days where there are unexpected negative returns that do not rise to the level of statistical significance, there is no economic or statistical evidence in the Kleidon Report proving that those price declines were caused by events unrelated to Plaintiff's claims.

27. Moreover, the Kleidon Report addresses eight days where the Complaint alleged that information related to Plaintiff's claims was released and Dr. Kleidon determined there were no statistically significant price declines.[20] Even accepting the reliability of Dr. Kleidon's

---

[19] *See, e.g.,* Sir Ronald A. Fisher, *The Design of Experiments*, (New York: Hafner Press, 1971), p. 16 ("it should be noted that **the null hypothesis [of zero price movement] is never proved or established**, but is possibly disproved, in the course of experimentation"); Sheldon G. Levy, *Inferential Statistics in the Behavioral Sciences* (1968), p. 83. *See also* Helen M. Walker & Joseph Lev, *Elementary Statistical Methods* (3rd ed. 1969), p. 166 (providing a "word of caution" that "**[t]o retain a hypothesis does not prove it true but merely indicates that it is not inconsistent with the observed data of a sample.")**

[20] As noted below, these eight days are only a small fraction of the days where Dr. Kleidon's regression identifies abnormal returns.

regression approach (which I do not, as described in a later section), his results still show negative abnormal price movements on these eight days that are not explained by his control index and, thus, cannot be ruled out as being related to Plaintiff's claims and contributing to Plaintiff's damages under Section 11.

V. DR. KLEIDON'S METHODOLOGY IGNORES MOST RESIDUAL PRICE DECLINES AND FAILS TO IDENTIFY NEWS RELATED TO PLAINTIFF'S CLAIMS

28. Dr. Kleidon's methodology does not seek to establish the cause for the vast majority of negative abnormal returns that his event study regression identifies. Dr. Kleidon relies on the Complaint to identify days on which information related to Plaintiff's claims was released. He opines that none of these events are associated with negative statistically significant abnormal returns, and then concludes that he has proven an absence of causation on these days. As described in the prior section, this conclusion is inappropriate as a matter of statistics.

29. Contrary to Dr. Kleidon's conclusions, there are numerous examples of stock price declines associated with news related to Plaintiff's claims that Dr. Kleidon does not address because either his event study did not find the abnormal price returns to be statistically significant or such dates were not identified in the Complaint. As explained above, Dr. Kleidon's method does not support a conclusion that the negative abnormal returns on those days were not caused by news related to Plaintiff's claims.

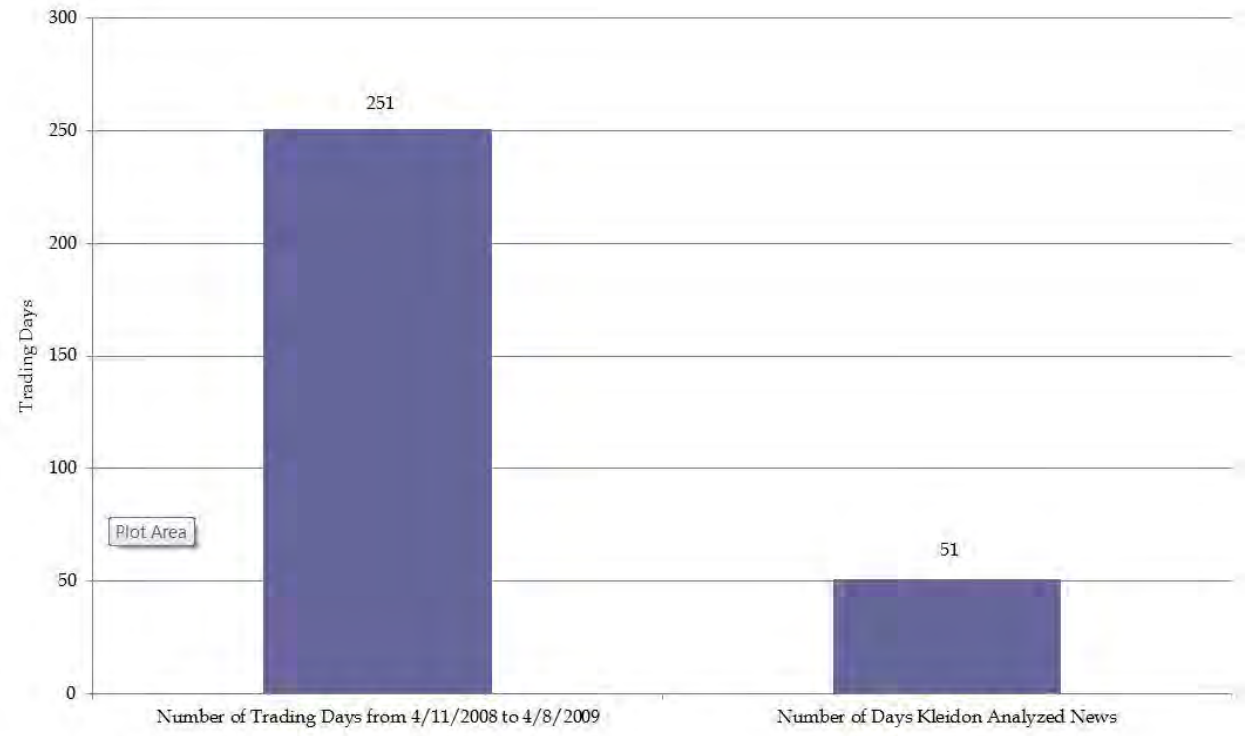
30. Dr. Kleidon specifically states that he limited his analysis of news to the day of, the day after, and the day before a statistically significant return (at the 95% confidence level based on his event study), and dates mentioned in the Complaint:

> As described in footnote 56 of the Report, in preparing the Report, searches were conducted of (A) the Factiva database for articles containing the search

> term "Barclays" in the headline or lead paragraph and (B) Barclays' press releases. These searches were conducted for the following days, as well as for one trading day immediately preceding and following each day: (i) days during the Analysis Period (as defined in the Report) on which there was a statistically significant movement in the price of the Series 5 ADS, *i.e.*, July 14, 2008, July 18, 2008, July 21, 2008, September 11, 2008, September 12, 2008, October 13, 2008, January 21, 2009, January 23, 2009, January 26, 2009 and March 9, 2009; and (ii) additional days during the Analysis Period on which there was a statistically significant movement in the price of the Series 5 ADS under the alternative regression model discussed in footnote 53 of the Report, *i.e.*, September 30, 2008, October 10, 2008, January 30, 2009, February 9, 2009 and March 10, 2009.[21]

31. As a result, Dr. Kleidon cannot have an opinion, nor does he express one, as to what moved the Series 5 Share price outside of the dates for which he actually collected news. Additionally, he cannot and has not proven that there was an alternative cause not related to Plaintiff's claims for the residual declines he observed on those dates. In fact, Dr. Kleidon failed to review news on ***80%*** of trading days from the issuance of the Series 5 Shares until the date of suit, as shown in the bar chart below:

[21] Kleidon Report Exhibit 2.



Source: Kleidon Report and Exhibit 2.

32. Even on days he did analyze, Dr. Kleidon failed to review the vast majority of news stories. According to the Kleidon Report, news was identified by a Factiva database search for the term "Barclays" in the headline or lead paragraph of "major business publications."[22] When I replicate the search on Factiva described by Dr. Kleidon, and include the additional articles he specified in his Exhibit 2, Dr. Kleidon analyzed 146 unique news articles for 51 days total.[23] However, applying Dr. Kleidon's search criteria on Factiva to all days from the date of issuance through the date of suit returns 790 unique articles.

33. Furthermore, by limiting his search criteria to "major business publications," Dr. Kleidon eliminated thousands of potentially relevant news articles because Factiva does not

[22] Kleidon Report n.56.

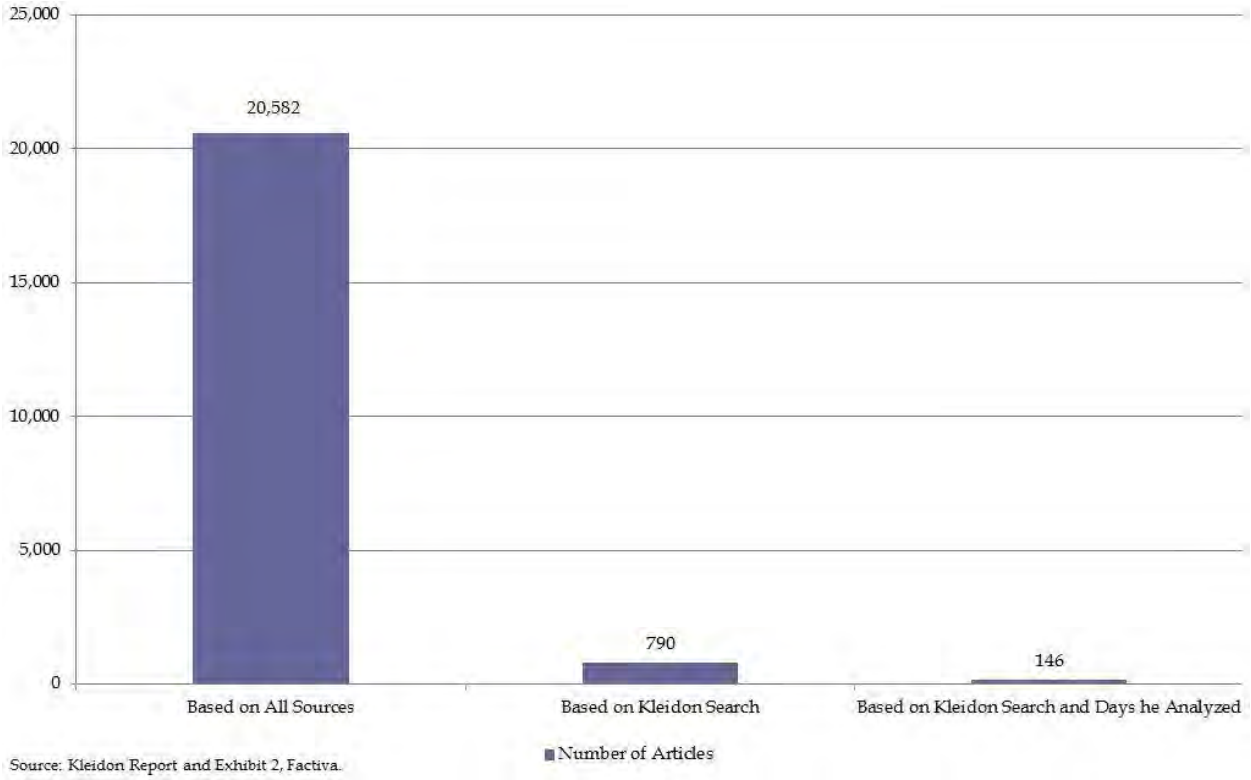
[23] There are several articles in Dr. Kleidon's Exhibit 2 that do not appear in his Factiva search. The numbers reported here include the additional articles that Dr. Kleidon provides in Exhibit 2 to the Kleidon Report.

count sources such as *Reuters* or *The Associated Press* as major business publications. The total number of sources included in the "Major Business Sources" category is 94, while the entire Factiva database draws from thousands of different sources included in the "All Sources" option. Meanwhile, a full search of ***all*** sources with a "Barclays" text search yields over 20,000 unique news articles during Dr. Kleidon's "Analysis Period" and the 11 trading days after, leading up to the date of suit on April 8, 2009. There is no indication in the Kleidon Report that he considered all of this news and, therefore, Dr. Kleidon cannot claim to have proven lack of causation for negative abnormal price declines that accompany the thousands of articles he did not even consider.

34. As an example of how Dr. Kleidon's search criteria missed important news, *Reuters* reported on Sunday, February 1, 2009 that Moody's downgraded the long-term ratings on Barclays from Aa1 to Aa3, and the Bank Financial Strength Rating from B to C with a negative outlook.[24] A Factiva search according to Dr. Kleidon's criteria returns no articles on February 1, 2009. Additionally, there was no mention of the Moody's downgrade in the three articles under major business publications for Barclays on Monday, February 2, 2009 (the trading day on which the Moody's downgrade information entered the market). Thus, Dr. Kleidon failed to consider this information as a potential cause for the abnormal stock price decline of -11.25% he observed on February 2, 2009.

[24] "TEXT-Moody's Downgrades Barclays to Aa3," *Reuters,* February 1, 2009, 7:29 PM EST.

35. As demonstrated in the bar chart below, Dr. Kleidon missed at least 80% of news stories about Barclays during the period from the issuance of the Series 5 Shares through the date of suit based on his own limited search criteria.[25]



36. Additionally, Dr. Kleidon does not offer any analysis or opinion regarding price movements that occur between March 24, 2009 (the last day of his Analysis Period) and the date of the first Section 11 lawsuit related to the offering of Series 5 Shares, April 8, 2009.[26]

[25] There are several articles in Dr. Kleidon's Exhibit 2 that do not appear in his Factiva search. The numbers shown in this chart include the additional articles that Dr. Kleidon provides in Exhibit 2 to the Kleidon Report.

[26] Dr. Kleidon does, however, refer to the increase in the price of the Series 5 Shares after the complaint is filed (Kleidon Report at ¶8). This information is entirely irrelevant to a causation analysis and Dr. Kleidon does not provide any explanation for how or why he considered such information as part of his analysis, yet he ignores price movements before the date of suit which are critical to any causation analysis.

37. Moreover, there is no discussion in the Kleidon Report as to what constitutes information "attributable" to the claims in this case other than the following passage:

> The Complaint contains a section titled "Post-Offering Events," in which it cites many specific events that occurred after the Series 5 ADS offering. For the purposes of analysis, all of the events cited in that section of the Complaint that occurred within the Analysis Period (Complaint PP211-223), along with the March 24, 2009 filing of Barclays' 2008 Form 20-F (Complaint, P195), have been considered to be allegedly corrective disclosures.[27]

38. In his summary of opinions, Dr. Kleidon also defines the relevant information to include:

> (i) any allegedly corrective information cited in the Complaint was disclosed to the market, or (ii) any allegedly undisclosed risk cited in the complaint materialized.[28]

39. Subpart (i) incorrectly assumes without economic basis that Plaintiff identified all of the potentially claim-related information in the Complaint, and subpart (ii) is not addressed or evaluated anywhere in the Kleidon Report. Limited to this definition, Dr. Kleidon's view of what is "attributable" to Plaintiff's claims is too narrow.

40. This is especially true here because, as Dr. Kleidon concedes, Plaintiff broadly alleges the following with respect to the misstatements and/or omissions in Paragraph 135 of the Complaint:

> The statements…from the April 2008 Prospectus and 2007 20-F were false and misleading for the following reasons:
>
> (a) …Barclays knowingly failed to properly write down its exposure to U.S. subprime and Alt-A mortgages, CDOs, monoline insurers and RMBS in

[27] Kleidon Report, at ¶49.

[28] Kleidon Report ¶5. This definition is also stated in Kleidon Report n.43: "In this report, the phrase 'corrective information' includes both (i) allegedly corrective information that was disclosed to the market, and (ii) the materialization of any allegedly undisclosed risk."

> accordance with applicable accounting standards, and failed to adequately disclose the risks posed by these assets;
>
> (b) …Barclays knowingly failed to adequately disclose the risk to the Company associated with its exposure to monoline insurers, including the fact that the Company had more than £21.5 billion of notional exposure to highly risky mortgage-backed assets, such as £10 billion in A/BBB and non-investment grade CLOs and MBSs, which had only been written down by less than 0.3% at the time of the Series 5 Offering;
>
> (c) Barclays failed to disclose the substantial and material risk that the Company's U.S. subprime and Alt-A exposure had on its stated capital ratio, shareholder's equity and the risk that the same posed to the Company's future capital ratio and liquidity; and
>
> (d) The Company's failure to disclose and comply with items (a)-(c) above was in contravention of Barclays' stated risk management policies and public recommendations. [29]

41. Furthermore, I understand that Plaintiff served responses to the Barclays Defendants and Underwriter Defendants Interrogatories, which support and expand upon the allegations in the Complaint.

42. Based on the allegations and discovery responses, the following types of information would, in my opinion, relate to Plaintiff's claims and represent types of information that might negatively impact the price of the Series 5 Shares:

- Additional write-downs or other events that provide investors additional information about the financial impact of and risk of exposure to credit market and subprime assets (including Alt-A, CDOs, RMBS) and to monoline insurers;
- Events that provide additional information regarding Barclays' capital adequacy.

43. Dr. Kleidon did not evaluate whether there was news of this type on each day during his Analysis Period, and in fact there are many days with such news. These dates include, but are not limited to, the following:

[29] Kleidon Report ¶10.

A. AUGUST 14, 2008

44. Before market hours on August 14, 2008, Goldman Sachs estimated that Barclays may potentially need to write down an additional £4.6 billion, including £1.5 billion over the subsequent 18 months, claiming that the Barclays would most likely have to cut dividends to absorb more losses.[30] Multiple news stories were published about Goldman Sachs' warning as Barclays common stock in London declined on the news. The *Guardian Unlimited* reported,

> …banks were weaker on continuing writedown fears, and the prospect of more fundraisings…***Barclays fell 4.5p to 347p after house broker Cazenove cut its recommendation from outperform to in-line and Goldman Sachs issued a sell note and warned of further credit crunch related hits.*** Goldman said: "On Barclays's credit market exposures we believe there is the potential for up to £4.6bn further writedowns. These are spread across the whole credit portfolio but some may take longer to crystalise as they sit within the loan book. We forecast £1.5bn further writedowns over the next 18 months as we believe exposures could move closer to other marks in the market.[31]

45. *Press Association* also noted the same when they wrote:

> Barclays was also in the red, after broker Goldman Sachs warned the bank may need to write down another £1.5 billion over the next year and a half. It has already suffered multi-billion pound hits this year, and shares were 5p lower at 346.5p.[32]

46. *AFX Asia* meanwhile said:

> Goldman Sachs also said it remained concerned about the bank's capital position. Barclays' interim results were disappointing as the weak underlying performance, excluding Barclays Capital revenue, were only saved by a strong performance on costs, Goldman Sachs said…Shares of Barclays were trading down 2 percent at 345 pence by 1033 GMT.[33]

---

[30] "UPDATE 1-Barclays May Write Down 1.5 Bln Stg More, Says Goldman," *AFX Asia,* August 14, 2008, 6:43 AM EST.

[31] "Oil and Copper Burnish FTSE," *The Guardian,* August 14, 2008, 5:55 AM EST.

[32] "Market Report," *Press Association,* August 14, 2008, 11:15 AM EST.

[33] "UPDATE 1-Barclays May Write Down 1.5 Bln Stg More, says Goldman," *AFX Asia,* August 14, 2008, 6:43 AM EST.

47. Barclays Series 5 Shares fell 1.72% on August 14, 2008. Dr. Kleidon observed an abnormal return of -1.89% with a t-statistic of -1.55. According to his event study there was not a statistically significant abnormal price decline on this day.[34] Dr. Kleidon provides no analysis to determine the cause of the abnormal price decline on this date in his report. The news of additional expected write-downs is related to Plaintiff's claims, as it reflects the market learning about the financial impact of the exposure to subprime assets (including Alt-A, CDOs, RMBS) and how Barclays' exposure to subprime assets and monoline insurers was impacting the Company's capital. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this event from having caused some or all of the price decline.

B. SEPTEMBER 3, 2008

48. Before market hours on September 3, 2008, Royal Bank of Scotland downgraded Barclays from hold to sell.[35] citing capital ratios and the need for additional write downs as the reason for the downgrade:

> Barclays offers a clear, well-executed, long-term strategy. But benchmarking capital ratios and writedowns vs peers implies a £4.9bn-7.5bn capital shortfall at a time when credit quality and coverage ratios are weakening and core deposit momentum is disappointing. Downgrade to Sell.[36]

49. Moreover, a *Reuters* article cited the RBS downgrade as the reason for the price decline in Barclays' common stock in London:

> Shares in Barclays are down 2.7 percent after RBS downgrades to 'sell' from 'hold', with a reduced target price of 300 pence, cut from 475. RBS says while Barclays offers a clear, well-executed, long-term strategy, benchmarking capital ratios and writedowns versus its peers implies a

[34] Kleidon Report Exhibit 9.

[35] "UK Summary: FTSE To Shed 75 Points On Econ Slowdown Fears," *Dow Jones,* September 3, 2008, 3:00 AM EST.

[36] "Some of the Parts," *RBS*, September 3, 2008.

> 4.9-7.5 billion pounds capital shortfall for the bank at a time when credit quality and coverage ratios are weakening and its core deposit momentum is disappointing.[37]

50. Finally, a *MarketWatch* article reported similarly: "Shares in Barclays…fell 3.7%. The lender was downgraded to sell from hold by the Royal Bank of Scotland, which said Barclays has substantial near-term balance sheet concerns to overcome. By benchmarking capital ratios and write-downs to peers, it estimates Barclays has a capital shortfall of 4.9 billion pounds to 7.5 billion pounds."[38]

51. Barclays Series 5 Shares price declined by 1.09% on September 3, 2008. According to Dr. Kleidon's event study, this price decline represented an abnormal return of -2.05% with a t-statistic of -1.69.[39] Although not statistically significant at the 95% confidence level, this price decline is significant at the 90% confidence level, which is still a widely accepted measure of statistical significance in financial and economic literature.[40]

52. RBS's downgrade of Barclays on September 3, 2008 is related to Plaintiff's claims as it reflects the market learning about the financial impact of the exposure to subprime assets (including Alt-A, CDOs, RMBS) and how Barclays' exposure to subprime assets and monoline insurers was impacting the Company's capital. Dr. Kleidon does not analyze the abnormal price decline on September 3, 2008 in his report. Accordingly, Dr. Kleidon provides no

---

[37] "STOCKS NEWS EUROPE-ROK higher as Landsbanki initiates as buy," *Reuters,* September 3, 2008, 4:14 AM EST.

[38] "London Shares Fall as Miners, Banks Weigh; Punch Taverns Drops After Scrapping Dividend Payout," *MarketWatch,* September 3, 2008, 12:12 PM EST.

[39] Kleidon Report Exhibit 9.

[40] To be considered statistically significant at the 90% confidence level, a price movement must have a t-statistic of at least 1.645. *See* David I. Tabak and Frederick C. Dunbar, "Materiality and Magnitude: Event Studies in the Courtroom," Ch. 19, *Litigation Services Handbook, The Role of the Financial Expert* (3d ed. 2001).

economic or statistical evidence that precludes this event from having caused some or all of the price decline.

C. OCTOBER 8, 2008

53. Prior to market open on October 8, 2008, the U.K. government announced that it would be injecting about £50 billion into the U.K. banking system to prevent its collapse.[41] *BBC News* outlined the basics of the government plan:

> Banks will have to increase their capital by at least £25bn and can borrow from the government to do so.
>
> An additional £25bn in extra capital will be available in exchange for preference shares.
>
> £100bn will be available in short-term loans from the Bank of England, on top of an existing loan facility worth £100bn.
>
> Up to £250bn in loan guarantees will be available at commercial rates to encourage banks to lend to each other.
>
> To participate in the scheme banks will have to sign up to an FSA agreement on executive pay and dividends.[42]

54. The London market immediately reacted negatively to this news:

> There was little immediate relief for FTSE 100 stocks this morning after the government unveiled a £50bn rescue package for the UK banking system… In response the FTSE 100 fell 7% in early trading. Of the leading banks, HBOS shares rose 15%, but Barclays fell 16% and RBS dropped 11%.[43]

---

[41] "U.K. to Inject about $87 Billion in Country's Banks (Update1)," *Bloomberg*, October 8, 2008, 2:48 AM EST.

[42] "Rescue Plan for UK Banks Unveiled," *BBC News,* October 8, 2008, 11:58 AM EST.

[43] "Government Bailout Provides Little Relief for Stock Market," *Estates Gazette Interactive,* October 8, 2008.

55. In response to the government announcement, Barclays' CEO, Defendant Varley, said: "Barclays has not requested capital from the Government and has no reason to do so."[44] However, this did not calm investors' fears. The *Wall Street Journal,* for instance, cited the U.K. government's plan as the reason for the stock decline:

> U.K. stocks fell amid concerns that the government's ambitious £400 billion ($699 billion) bank rescue effort wouldn't solve the country's problems, but the plan was nonetheless gaining support as a model for other countries…Bank shares gyrated wildly on Wednesday, as investors guessed which institutions would be most likely to sell stakes to the government. Such moves would dilute the stakes of existing shareholders. Royal Bank of Scotland Group PLC and Barclays PLC said they would participate in at least some of the measures, but declined to provide details….While the shares of some banks shot up on news of the plan Wednesday, RBS shares rose and then fell back, to close up 1% at 90.70 pence, and Barclays shares closed down 2% at 278.25 pence, signaling that investors see both as likely to require a capital injection. HBOS jumped 24% to 117 pence. The broad FTSE 100 index slid 5.2%.[45]
>
> Traders said investors were grappling with the implications of the U.K. government's plan to prop up the country's banks and inject further liquidity into money markets. "Banking shares were mixed in London. HBOS climbed 24% and Royal Bank of Scotland Group rose .8%. Barclays fell 2.4%...[46]

56. The price of the Series 5 Shares fell by 6.74% on October 8, 2008. The abnormal return was -6.21% with a t-statistic of -0.80, according to Dr. Kleidon's event study.[47] Dr. Kleidon mentions the relevant news of the government bailout on October 8, but he does not

---

[44] "Bank Shares Rocked as Nationalisation Rumours Rampage Through Markets," *The Times,* October 8, 2008.

[45] "U.K. Stocks Fall Despite New Bank-Rescue Effort; Government Says It Will Buy Stakes in Banks and Guarantee Debts; Other Countries May Look to British Model," *The Wall Street Journal,* October 9, 2008.

[46] "U.S. Stocks Linger in the Red," *The Wall Street Journal,* October 9, 2008, 12:01 AM EST.

[47] Kleidon Report Exhibit 9.

attribute the price decline to this or any other news.[48] The news that Barclays may need government assistance is related to Plaintiff's claims, as it revealed information concerning the severity of losses stemming from Barclays' subprime losses and stressed capital position. Therefore, the news on October 8 reflects the market learning about the financial impact of Barclays' exposure to subprime assets (including Alt-A, CDOs, RMBS) and how Barclays' exposure to subprime assets and monoline insurers was impacting the Company's capital. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this event from having caused some or all of the price decline.

D. OCTOBER 10, 2008

57. As noted above, on October 8, 2008, the U.K. government announced that it would be injecting approximately £50 billion into the U.K. banking system to prevent its collapse.[49] At 5:07 AM EST on the morning of October 10, 2008, Barclays officially commented on the U.K.'s announcement in a press release stating that the bank was considering a variety of options to increase its Tier 1 Capital before resorting to the use of government rescue funds.[50] Barclays confirmed it was considering looking to investors for more capital to improve its finances.[51] Analysts at Credit Suisse commented that "Barclays may need to raise £5 billion to sufficiently bolster its balance sheet."[52] The *Sun* claimed that on this news, Barclays' common

---

[48] *See* Kleidon Report ¶36 ("In the U.K., on October 8, 2008, Prime Minister Gordon Brown announced a bailout for the financial industry, and on the same day, the U.K. government introduced higher capital requirements as part of the government's attempt to stabilize the financial system.")

[49] "U.K. to Inject About $87 Billion in Country's Banks (Update1)," *Bloomberg*, October 8, 2008, 2:48 AM EST.

[50] "Barclays PLC Further Comment on UK Government Announcement," *Regulatory News Service,* October 10, 2008, 5:07 AM EST.

[51] "Barclays Looking at Options to Boost Finances," *Press Association*, October 10, 2008, 5:29 AM EST.

[52] "Barclays Looking at Options to Boost Finances," *Press Association*, October 10, 2008, 5:29 AM EST.

stock in London "led blue-chip fallers amid speculation of possible capital-raising and further write-downs."[53]

58. The price of the Series 5 Shares declined by 21.21% on October 10, 2008. According to Dr. Kleidon's event study, there was an abnormal return of -14.80% (a -$1.71 abnormal dollar decline).[54] While Dr. Kleidon did not find this decline to be statistically significant, this news is related to Plaintiff's claims that Barclays did not adequately disclose, among other things, the potential impact of its subprime exposure on its capital position. Dr. Kleidon offers no analysis for the price decline on this day, and therefore he has not proven that it was caused by factors unrelated to Plaintiff's claims. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this event from having caused some or all of the price decline.

E. DECEMBER 19, 2008

59. On the morning of December 19, 2008, the credit rating agency Standard & Poor's ("S&P") issued a credit downgrade across all entities of Barclays. Specifically, S&P lowered Barclays' long-term credit ratings from 'AA' to 'AA-' for all entities. The agency stated, "The downgrades and revised outlooks reflect our view of the significant pressure on large complex financial institutions' future performance due to increasing bank industry risk and the deepening global economic slowdown."[55] As stated in the S&P announcement, the reasoning for the ratings downgrade stemmed from an expectation that asset quality (including subprime assets) would continue to weaken more than previously expected:

---

[53] "Market Report," *The Sun*, October 10, 2008.

[54] Kleidon Report Exhibit 9. As will be described in a later section, this -14.8% abnormal return is actually statistically significant once an error in Dr. Kleidon's approach is addressed (*see* Section VII).

[55] "Sector Surrenders Early Gains, S&P Cuts Hit," *MarketWatch*, December 19, 2008, 10:36 AM EST.

> …the ratings actions on Barclays reflect changes in our view of the level of risk associated with the range of activities pursued by major financial institutions. Moreover, we view the current downturn as being potentially longer and deeper than we had previously considered. **Therefore, for Barclays and most of its peers, we view asset quality as likely to weaken materially more than we had previously believed**.[56]

60. The announcement articulates several reasons why Barclays was specifically chosen among the major banks for the ratings downgrade:

> …we believe Barclays is eligible for capital support from the U.K. government if it were required. **About £4 billion of Barclays' new capital has been absorbed by cumulative credit market losses**, while the recent sharp declines in equity markets may, in our view, affect our opinion of capital due to the weighing of equity in the substantial post-retirement benefit schemes.
>
> …
>
> "The current ratings factor in a significant reduction in profits in 2009, excluding write-downs, fair-value gains on own debt, and other exceptionals. **This is driven by** a significant slowdown in capital markets, and **sharply rising impairment charges across the board**," added Mr. Hill…A negative rating action would be triggered by the prospect of profitability falling below that expected, either due to more markdowns on credit market assets, higher impairment charges, or a greater income slowdown. **The outlook could be revised to stable if credit losses fell by less than expected, and capital and liquidity remained stable.**[57]

61. In other words, in addition to the ratings downgrade, Barclays was kept on S&P's "negative outlook" for future downgrades because of capital and liquidity concerns stemming from the exposure to low quality assets.

62. S&P's downgrade of Barclays is related to Plaintiff's claims because it reflects the market learning of the increased risk associated with Barclays' assets. Because of the information

---

[56] "S&P: Barclays Bank PLC L-T Rating Lowered To 'AA-'; 'A-1+' S-T Rating Affirmed; Outlook Negative," *Market News Publishing*, December 19, 2008.

[57] "S&P: Barclays Bank PLC L-T Rating Lowered To 'AA-'; 'A-1+' S-T Rating Affirmed; Outlook Negative," *Market News Publishing*, December 19, 2008.

discussed in the market on this day, Dr. Kleidon's event study cannot exclude the possibility that some, or all, of the -5.09% abnormal decline he observed on this date was caused by the revelation of impacts on Barclays resulting from its subprime exposure and capital position that was misstated in and/or omitted from the 2007 20-F and Prospectus. Dr. Kleidon ignores the news on this day as related to Plaintiff's claims, and therefore, his analysis is incomplete. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this event from having caused some or all of the price decline.

F. DECEMBER 22, 2008

63. Over the weekend, on December 21, 2008, news broke that Barclays was planning to sell part of its investment banking division, Barclays Capital, to create 40 percent ownership by Barclays and 60 percent ownership by management.[58] In the same announcement, Barclays proposed to "shrink its private equity holdings dramatically…possibly by divesting whole companies controlled by the various divisions of the Barclays private equity empire."[59] Each of these actions by Barclays' management were attempts at raising cash for the parent firm:

> Banking giant Barclays is planning to sell off its private equity arm to management in a bid to strengthen its finances, it was reported today. The bank could also sell off around half of its private equity investments to raise funds, the Mail on Sunday reports. The potential move comes amid concerns that UK banks may have to bolster their balance sheets with more cash next year as the recession deepens. Barclays shunned a taxpayer bail-out, but has raised more than £7 billion through a fund-raising which leaves almost a third of the bank in the hands of Middle East investors. According to the newspaper, Barclays could spin off its various private equity businesses into a new company 40% owned by the bank and 60% owned by its management. The bank's private equity operations sit within the Barclays Capital investment banking business, which has been a key driver of profits

[58] "Barclays Looks to Sell Private Equity Empire; Billions of Vital Capital Could be Raised in Buyout," *The Mail on Sunday*, December 21, 2008.

[59] "Barclays Looks to Sell Private Equity Empire; Billions of Vital Capital Could be Raised in Buyout," *The Mail on Sunday*, December 21, 2008.

> in recent years. But the capital-intensive nature of the division comes at a time when bad debts are set to rise as the economy turns sour. The Financial Services Authority watchdog is also keeping up the pressure on banks to maintain their balance sheet strength.[60]
>
> The plan is at an early stage and has yet to be approved by Barclays' board, but its aim is to release capital tied up in the division, whose investments include stakes in car parking services group Parkeon, Swarfega maker Deb and mortgage company Jerrold Holdings.[61]

64. Sources also cited industry-wide concerns about cash-raising:

> The potential move comes amid concerns that UK banks may have to bolster their balance sheets with more cash next year as the recession deepens. Barclays shunned a taxpayer bail-out, but has raised more than £7 billion through a fund-raising which leaves almost a third of the bank in the hands of Middle East investors.[62]

65. The *Sunday Telegraph* reported that the bank was concerned with meeting the capital requirements for the Financial Services Authority.

> Barclays provides about 40pc of the capital for its private equity unit, and among the options likely to be on the agenda will be a reduction in that commitment to below 20pc, above which the bank has to set aside a larger capital buffer. Last week's briefing to investors outlined a number of options for BPE's future. A management buyout is unlikely to be on the agenda for at least a year. Barclays would be likely to retain a substantial stake in the division even if it did eventually decide to relinquish control. Capital requirements mean banks need to have reserves set against the amount of risk they face from their debt and equity exposure. Barclays is keen to conserve capital in order to keep within Financial Services Authority requirements…[63]

66. This news about the potential sale of a large portion of Barclays' investment business, one of the most profitable parts of the parent company, is related to Plaintiff's claims

---

[60] "Barclays May Sell Private Equity Arm," *Press Association,* December 21, 2008, 7:45 AM EST.

[61] "Barclays Looks to Sell Private Equity Empire; Billions of Vital Capital Could be Raised in Buyout," *The Mail on Sunday*, December 21, 2008.

[62] "Barclays May Sell Private Equity Arm," *Press Association*, December 21, 2008, 7:45 AM EST.

[63] "Barclays to Review Future of Private Equity Arm," *The Sunday Telegraph*, December 21, 2008.

because it reflects the Company acknowledging the need to sell assets as a result of their capital position and the riskiness of its portfolio. Because of the information discussed in the market on this day and the weekend before, Dr. Kleidon's event study cannot exclude the possibility that some, or all, of the -1.73% abnormal decline he observed on this date was caused by this news related to Barclays subprime exposure misrepresented in and omitted from the 2007 20-F and Prospectus, or its capital adequacy. Dr. Kleidon does not analyze the abnormal price decline on December 22, 2008 in his report. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this event from having caused some or all of the price decline.

G. JANUARY 20, 2009

67. On the evening of January 19, 2009, discussions resurfaced about the possibility of Barclays being forced to ask for taxpayer money to address its subprime exposure and capital position:

> Initial euphoria that Barclays had escaped the worst of the banking crisis evaporated today as City analysts queued up to predict the High Street bank will be forced to call for a handout from the British taxpayer. After a share-price collapse on Friday, Barclays today came back fighting, saying profits for 2008 will be higher than most City expectations. But investor fright at the extent of the Government's second banking bailout and fears Barclays does not have enough funding capital on its balance sheet saw initial gains in Barclays shares wiped out, in line with steep falls among rivals Royal Bank of Scotland, Lloyds Banking Group and HSBC.[64]

68. One analyst, Dresdner Kleinwort, stated:

> We are concerned the profit update is insufficient to bring investor concerns down. A possible future shortage of capital following further asset deterioration could eventually push the bank into the arms of the

[64] "Barclays Fightback Fails to Ease Fears of Taxpayer Rescue," *The Evening Standard*, January 19, 2009.

> Government if existing shareholders are unwilling or unable to provide yet further support and share price weakness persists.[65]

69. Meanwhile, an analyst report from MF Global stated:

> The absence of large losses in H2 2008 suggests that Barclays has not written down assets sufficiently far to be able to have attracted a buyer for any substantial part of the portfolio of trouble assets.[66]

70. The news revealed on January 20, 2009 was related to Plaintiff's claims. The fear of a government bailout due to exposure to toxic assets and Barclays' likely need to take additional write downs reflect the market learning more about the financial impact of exposure to and risks of the assets that, according to Plaintiff, were misrepresented in and omitted from the 2007 20-F and Prospectus, and its capital adequacy. The Series 5 Shares declined by 17.4% on January 20, 2009 and, according to Dr. Kleidon's event study the abnormal return was -2.2%. Dr. Kleidon offers no analysis for the price decline on this day, and therefore he has not proven that it was caused by factors unrelated to Plaintiff's claims. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this event from having caused some or all of the price decline.

71. The descriptions of the news on the days above are just examples and by no means an exhaustive list. The point is that Dr. Kleidon did not and cannot claim to have taken into account all of the news related to Plaintiff's claims that accompanied the Series 5 Share declines in rendering his opinions.

---

[65] "Barclays Fightback Fails to Ease Fears of Taxpayer Rescue," *The Evening Standard*, January 19, 2009.

[66] "Barclays PLC-A Stay of Execution," *MF Global,* January 20, 2009.

H. FEBRUARY 2, 2009

72. On Sunday evening, February 1, 2009, Moody's cut Barclays' credit rating due to speculation that the bank would need government support in order to stay afloat, in part due to its exposure to subprime assets.

73. The rating agency's press release stated, in part:

> The downgrades reflect Moody's expectation of potentially significant further losses at Barclays as a result of writedowns on credit market exposures as well as an increase in impairments in the UK, which could weaken profitability and capital ratios.
>
> …
>
> Moody's downgrade of the bank's long-term rating to Aa3 reflects the weaker BFSR, but also incorporates the rating agency's view on the long-term credit profile of Barclays - beyond the current government support phase - as one of the leading UK banks with a solid retail, commercial and capital market franchise. Moreover, the current rating also takes account of the very high probability of ongoing support from the Aaa-rated UK government.
>
> …
>
> The downgrade to C with a negative outlook reflects Moody's expectation that Barclays' profitability and capitalisation will continue to be pressured by the ongoing need to implement further writedowns and build larger loan loss reserves. Based on Moody's own stress tests, in a base stress scenario deteriorating values will lead to significant further writedowns on the bank's credit market exposures, particularly for the GBP10.3 billion (as of Q308) commercial mortgages and non-US residential mortgage securitisation exposures and on the GBP23.0 billion notional of monoline-wrapped structured exposures - an area in which the rating agency considers the bank to be exposed to a potentially sharp increase in provisioning requirements.[67]

74. Discussion from reporters and analysts throughout the day reflected the focus on write-downs and capital concerns as the reason for the downgrade:

---

[67] "Moody's Downgrades Barclays Bank (Senior to Aa3/Stable, BFSR to C/Negative)," *Moody's Investor Service Press Release,* February 1, 2009.

> Although Barclays has not taken any government capital to date, Moody's considers the systemic importance of the bank and the likelihood of receiving government support in case of need to be high.[68]
>
> The downgrades come after the lender last week said it could absorb a 2008 writedown of 8 billion pounds ($11.58 billion) without seeking capital from private investors or the state. Barclays also stuck to its forecast that its 2008 pretax profit would be "well ahead" of 5.3 billion pounds, even after the expected writedowns.[69]

75. Finally, The *Guardian* attributed price declines in Barclays common stock to the Moody's downgrade:

> The recent recovery in Barclays' share price was snuffed out today after the bank was downgraded by the Moody's ratings agency. Barclays shares fell more than 10% as Moody's warned of "significant further losses" at the bank because of writedowns in the credit market and impairments in the UK.[70]

76. The long-term credit rating downgrade of Barclays by Moody's is specifically related to Plaintiff's claims because it reflects the market learning more about the financial impact and risk of its exposure to subprime assets, which are the assets that Defendants allegedly misrepresented in and omitted from the 2007 20-F and Prospectus, or its capital adequacy. Because Dr. Kleidon does not establish that the -11.25% abnormal return he observed on this date was not caused by this news, he has not established that the decline on this day was due to factors unrelated to Plaintiff's claims. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this news from having caused some or all of the price decline.

---

[68] "Bank Bosses Face Grilling by MPs," *The Guardian*, February 2, 2009.

[69] "UPDATE 1-Moody's Cuts Barclays' Ratings on Loss Expectations," *Reuters*, February 1, 2009, 9:15 PM EST.

[70] "Barclays Slips Back on Downgrade," *The Guardian*, February 2, 2009.

VI. EVEN WHERE DR. KLEIDON FINDS STATISTICAL SIGNIFICANCE, HE ERRONEOUSLY CONCLUDES THERE IS NO NEWS RELATED TO PLAINTIFF'S CLAIMS

77. Dr. Kleidon identifies 10 statistically significant abnormal return days, 7 of which are negative. He opines that no information related to Plaintiff's claims was released on these dates and thus concludes the statistically significant declines were caused by events unrelated to Plaintiff's claims.[71] For 5 of these 7 negative days, I identify information related to Plaintiff's claims that is not properly addressed by Dr. Kleidon. As a result, Dr. Kleidon has not established that the statistically significant declines on these dates were caused by news unrelated to Plaintiff's claims, even assuming the reliability of his event study (which I dispute).

A. JULY 14, 2008

78. On Friday, July 11, 2008 after the close of the market and through the weekend leading up to Monday, July 14, 2008, several news articles were published discussing concerns with Barclays' capital position and its need to obtain more capital. For instance, *Citywire* asserted that:

> A number of banks have experienced similar funding issues [to HBOS] Royal Bank of Scotland Group (RBS) completed a mammoth £12 billion rights issue earlier in the month and Barclays PLC (BARC) raised £4 billion from sovereign wealth funds and other overseas investors to shore up its capital ratios. A third of advisers expected Alliance & Leicester PLC (AL.) which has yet to place a rights issue to go to the market for cash. Of the rest, ***20.8% expect Barclays to hold a further rights issue***…[72]

79. The *Economist* reported:

---

[71] Kleidon Report ¶¶49-106.

[72] "Reader Survey: Banks Could Be Set for Second Round of Rights Issues," *Citywire,* July 11, 2008, 8:00 PM EST.

> Barclays raised £4.5 billion ($9 billion) in June, but is still more thinly capitalized than many of its peers.[73]

80. The *Observer* commented on the issue as well, stating:

> Barclays is seen as having rather too little capital, despite raising £ 4bn in a placing.[74]

81. The market impact of these news stories would first be reflected in the price of the Series 5 Shares on Monday July 14, 2008, which is when Dr. Kleidon finds a statistically significant stock price decline.

82. The news that certain analysts believed Barclays was undercapitalized is related to Plaintiff's claims because, among other things, it reflects the market learning about how exposure to subprime assets that, according to Plaintiff, was not properly disclosed to investors were causing the market to reassess whether Barclays had adequate capital. Dr. Kleidon fails to address this claim-related news, and therefore, his analysis is incomplete. Accordingly, Dr. Kleidon provides no economic or statistical evidence that precludes this event from having caused some or all of the price decline.

83. Dr. Kleidon also identifies other events that would have impacted the market price on July 14, 2008 that he characterizes as "macroeconomic." In particular, he notes that the FDIC announced that IndyMac Bank had been closed by the Office of Thrift Supervision and placed into conservatorship by the FDIC.[75] Dr. Kleidon's dismissal of this news as "macroeconomic" and therefore completely unrelated to Plaintiff's claims is not correct. As stated by Dr. Kleidon himself, this move by the FDIC was "widely interpreted as a sign of more

---

[73] "Bank Consolidation; Under the Hammer," *The Economist*, July 12, 2008.

[74] "Don't Bank on a B&B buyer," *The Observer*, July 12, 2008, 7:01 PM EST.

[75] Kleidon Report ¶25 and n.58.

failures to come."[76] So even though this news is not specific to Barclays by name, it does not preclude it from conveying relevant information to Barclays' investors about the risks associated with the Company's exposure to subprime assets, which Plaintiff alleges had been misrepresented in and omitted from the 2007 20-F and Prospectus. In fact, IndyMac's failures have been widely linked to its exposure to high-risk mortgage assets, and its seizure reflected the severity of the impact that exposure to such assets was having on banks generally.[77] Therefore, it is incorrect to dismiss this news as unrelated to Plaintiff's claims.[78]

84. Dr. Kleidon mentions that the market was also responding to a proposal by the U.S. Secretary of the Treasury, Henry Paulson, to provide Fannie Mae and Freddie Mac with unlimited funds to rescue these deteriorating mortgage lenders.[79] As with the IndyMac news, Dr. Kleidon dismisses this news as unrelated to Plaintiff's claims when in fact exposure to subprime mortgages was also causing Fannie and Freddie to experience capital shortages.[80] For the same

---

[76] Kleidon Report ¶25.

[77] *See* "IndyMac ReOpens, Halts Foreclosures on Its Loans," *The Wall Street Journal,* July 15, 2008, ("IndyMac was the 10th-largest mortgage lender by loan volume in the country, according to industry newsletter Inside Mortgage Finance. It specialized in so-called Alt-A loans, a category between prime and subprime that frequently included loans in which borrowers didn't fully document their incomes or assets. Such loans, which have become known as "liars' loans" because of the frequency in which borrowers' incomes were overstated, contributed to IndyMac's financial troubles.")

[78] Notably, Dr. Kleidon highlighted the following quote from a Wall Street Journal article stating, "IndyMac is the biggest mortgage lender to go under since a fall in housing prices and surge in defaults began rippling through the economy last year – and it likely won't be the last. Banking regulators are bracing for a slew of failures over the next year as analysts say housing prices have yet to bottom out."

[79] "Rescue Plan for US Mortgage Giants," *Financial Times,* July 14, 2008, 12:34 AM EST. *See also* Kleidon Report ¶26 where Dr. Kleidon also acknowledges the news that the U.S. "stepped in to assist Fannie Mae and Freddie Mac directly" on July 14, 2008.

[80] *See* "The State of the GSEs: Not Great, Not Terrible; Answers to some of the questions facing Fannie and Freddie," *American Banker,* July 14, 2008, ("...honestly no one knows how much capital Fannie and Freddie will ultimately need to get to the other side of the mortgage crisis, because no one knows how far home values have yet to fall, how many borrowers will default, and how big the losses will be.")

reasons described above, Dr. Kleidon's conclusion that the decline in the price of the Series 5 Shares was not caused by news related to Plaintiff's claims is incorrect.[81]

85. In sum, because claim-related information was revealed on July 14, 2008, Dr. Kleidon has not proven that the statistically significant 3.33% decline in the Series 5 Shares was caused by factors unrelated to Plaintiff's claims.

B. JULY 18, 2008

86. Before the market opened on Friday, July 18, 2008, Barclays issued a press release announcing a low acceptance rate of only 19% by existing shareholders of new shares from the share offering that closed the prior day.[82] The fact that the vast majority of existing Barclays shareholders did not want to purchase additional shares at the offering price reflected the difficulty that Barclays would have in raising new capital. The market for Barclays' common stock in London reacted negatively to this news, according to numerous sources.[83] An *Investor's Circle* article also acknowledged that "…Barclays fell 2.8 per cent to 282.6p after it said less than a fifth of its existing shareholders participated in its GBP4.5bn capital-raising issue."[84] The *Evening Standard* expressed concern with the news as well, reporting that "T[wo] of Britain's

---

[81] On July 14, 2008, the Series 5 Shares fell by 10.71%. After controlling for the industry index, Dr. Kleidon found a statistically significant abnormal return of -3.33%. As I have described above, there was a mix of Barclays-specific news and other events that would have impacted the price of many companies, but especially those with subprime exposure (like Barclays and other companies in the industry index). If some or all of the decline in Dr. Kleidon's control index reflects information that is related to Plaintiff's claims, then the index itself is not a proper independent "control." As I describe below, there are a number of events, including those on July 14, 2008, where use of the control index overstates the amount of price declines tied to non-claim related news.

[82] "Barclays PLC BARC Result of Placing and Open Offer," *Barclays Press Release,* July 18, 2008, 2:00 AM EST.

[83] For example, *see* "Market Comment: London Stocks Stay Down; Miners Weigh," *Dow Jones,* July 18, 2008, 8:27 AM EST and "Barclays says shareholders take up 19 percent of open offer shares UPDATE," *AFX Asia,* July 18, 2008, 3:18 AM EST.

[84] "FTSE Slips Back, Oil Declines," *Investors Chronicle,* July 18, 2008.

leading banks, HBOS and Barclays, secured a combined £8.5 billion in fresh capital today, ***but there was immediate concern that they may need to seek yet more money if the credit crunch worsens***. Barclays today said investors took up just 19% of new shares in its recent fundraising, meaning the bulk of the money will be provided by overseas funds."[85]

87. Dr. Kleidon concedes that news of the low acceptance rate entered the market on July 18, 2008, but claims that because the offering "had been publicly known no later than June 25," it could not have been related to any misrepresentations alleged by Plaintiff.[86] However, while the offering itself was not new information, Barclays' inability to raise capital from a large fraction of existing shareholders was new and, in any event, related to Plaintiff's claims. The need to resort to more expensive capital sources such as overseas funds reflects the market learning about the financial impact of and the risks associated with, Barclays' exposure to subprime assets (including Alt-A, CDOs, RMBS), and how Barclays' exposure to subprime assets and monoline insurers was impacting the Company's capital position and its ability to raise new capital. Dr. Kleidon cannot and does not prove that these events did not cause, at least in part, the statistically significant 5.14% price decline in the Series 5 Shares on July 18, 2008.

C. JANUARY 21, 2009

88. On January 21, 2009, there was substantial coverage of the potential that Barclays would take further write-downs and might face nationalization by the U.K. government as a result of its exposure to the subprime assets and deteriorating capital positions, which conditions

---

[85] "Bank Pair Raise £8bn – But May Need More; BANKING," *The Evening Standard,* July 18, 2008.
[86] Kleidon Report ¶63.

the Complaint allege were misrepresented in and omitted from the 2007 20-F and Prospectus.[87]

For example, *The Irish Examiner* reported:

> Barclays and Lloyds Banking Group suffered more heavy losses today as the bloodbath in the banking sector showed no signs of easing. The pair fell 20% and 11% respectively as fears of nationalisation and further credit write-downs continued to cloud sentiment towards the industry.[88]

89. *Dow Jones* reported:

> Shares of Barclays PLC (BCS) fell heavily in early trade Wednesday, after a newspaper report said that the U.K. bank was under intense pressure to bring forward its full-year results. At 0855 GMT, the stock had fallen 27% to 54 pence, its lowest level for over 20 years. . . .The Independent newspaper said Barclays was under pressure to bring forward its full-year results after a profit forecast last week failed to prevent further big falls in the bank's share price. The report said investors are understood to have contacted the bank and urged it to announce audited results, due Feb. 17, as soon as possible to ease fears about credit market write-downs at the Barclays Capital investment bank.[89]

90. The *Irish Times* stated:

> Doubts over the latest bailout package saw banking shares hammered once again yesterday as fears grew over a wholesale nationalisation of the industry.
>
> …
>
> **Amid the deepening crisis in the sector, the insistence by Barclays that it has no need of government help is becoming increasingly perplexing**. The bank has repeatedly said in recent days that it is on course to exceed consensus forecasts of £5.3 billion for 2008, down from just over £7 billion the previous year, indicating that there are no more toxic shocks to come. It seems extraordinary that Barclays alone should be in much better shape than the rest of the industry, although it had a narrow escape when RBS outbid it in the disastrous auction for ABN

---

[87] Dr. Kleidon acknowledges news regarding fear of nationalization entered the market this day, *see* Kleidon Report ¶91.

[88] "Banking Shares Suffer in London," *The Irish Examiner*, January 21, 2009, 6:57 AM EST.

[89] "Barclays, Lloyds Shares Tumble Again on Results Fears," *Dow Jones,* January 21, 2009, 4:01 AM EST.

> Amro. The loans it has on its books must surely be as toxic as those of its peers. Its shares crashed by 25 per cent on Friday, lost another 10 per cent on Monday and ended last night a further 17 per cent down at just 69p – their lowest level in more than 17 years. At this level, the bank is valued at a mere £6 billion. **Some analysts fear that the Barclays board may be in denial after the traumatic events of recent weeks and the bombed-out share price is certainly saying that more writedowns must be on the way.**[90]

91. The release of news stories related to the fear of nationalization and potential additional write-downs reflects the market learning about the financial impact of Barclays' exposure to subprime assets (including Alt-A, CDOs, RMBS) and how Barclays' exposure to subprime assets and monoline insurers was negatively impacting its capital position.

92. Dr. Kleidon opines that this news is unrelated to Plaintiff's claims because Barclays was never actually nationalized.[91] This is a ***post hoc*** explanation that fails. First, Dr. Kleidon does not dispute that the fears of nationalization were at least partially responsible for the price decline. Such fears were driven by Barclays' depleted capital position and exposure to subprime assets, which the Complaint alleges were misrepresented in and omitted from the 2007 20-F and the Prospectus. Put differently, the threat of nationalization was driven by fears that Barclays' ***capital position*** was not sufficient to withstand further losses ***on its subprime positions.*** Investors suffered ***actual losses*** on this day, and Dr. Kleidon has not proved that these losses were not caused by expectations of nationalization on this day, which are related to Plaintiff's claims. The fact that Barclays was ultimately not nationalized is irrelevant to attributing the cause of the price decline on this day.

93. Beyond that, however, Dr. Kleidon ignores the news regarding heightened expectations that Barclays would have to take additional write-downs as a result of its subprime

---

[90] "Successful or Not, the Price of Bailout Could Be Too High," *The Irish Times,* January 21, 2009.

[91] Kleidon Report, ¶91.

portfolio ***which did transpire***. Since Dr. Kleidon provides no proof that this event did not cause some or all of the price decline in the Series 5 Shares, he has not established that this price decline was caused by factors unrelated to Plaintiff's claims.

D. JANUARY 23, 2009

94. On January 23, 2009, Barclays fell on widespread reporting of mounting fears that the company would require additional capital or would be forced to nationalize. For example, *Reuters* reported:

> …Barclays remained the focal point of investor unease. Its shares fell 14 percent to 50.6 pence, tumbling for a ninth straight day as concern mounted the bank may require further capital or be nationalized.[92]

95. The *Evening Standard* reported:

> The bank's stock fell for the ninth day running, losing nearly 18%, or 10.4p, at 48.8p. The fall came despite an interview last night with Varley in which he declared his confidence that Monday's government bailout plan would work. However, he said there was nothing he could do to stop the rot in Barclays' shares, which have lost more than two thirds since 12 January amid fears that it would need to tap the government for more cash or possibly even be nationalised.[93]

96. And the *Guardian* wrote:

> Barclays is set for its ninth consecutive day of falls with City traders refusing to believe management's protestations that the bank, which has seen its shares plunge more than 70% since last week, does not need a cash injection or full-scale nationalisation.[94]

97. These declines took place despite Barclays' then CEO, Defendant Varley, attempting to calm investors' fears of additional write-downs and nationalization by announcing

---

[92] "WRAPUP 1-Banks on back foot; state help fails to lift gloom," *Reuters*, January 23, 2009.

[93] "Barclays Plunges Amid New Worries Over Bailouts Bill; Economy by Bill Condie," *The Evening Standard*, January 23, 2009.

[94] "Barclays Shares Plunge 15%," *The Guardian,* January 23, 2009.

that the company would report a 2008 profit even after reporting additional write-downs on its toxic credit assets.[95]

98. The news published on this day is related to Plaintiffs' claims because it reflects the financial impact of the exposure to subprime assets (including Alt-A, CDOs, RMBS) and how Barclays' exposure to sub-prime assets and monoline insurers was impacting the company's capital. Dr. Kleidon cannot exclude this information as causing the statistically significant abnormal return in the Series 5 shares on January 23, 2009.

99. As with January 21, 2009, Dr. Kleidon relies upon the fact that nationalization did not occur (which is irrelevant) and ignores the general discussion about inadequate capital which was required. Therefore, for the same reasons discussed above, Dr. Kleidon has not proven that this statistically significant price decline was caused by factors unrelated to Plaintiff's claims.

E. MARCH 9, 2009

100. On March 9, 2009, there was reporting that Barclays might enter into a deal with the U.K. for insurance on its toxic assets. Early in the morning, news broke that Lloyds Banking Group reached a deal with the U.K. that "could lift the government's stake in the bank to 77%."[96] Lloyd's stock decreased with this news, as did stocks of several other U.K. banks. *Dow Jones* reported:

> The announcement also weighted heavily on Barclays, which has reportedly considered seeking government insurance on some assets. Shares in Barclays dropped around 12%.[97]

---

[95] "Barclays CEO: Will Make 08 Profit After Write-Downs – Report," *Dow Jones,* January 23, 2009, 2:07 AM EST. *See also* Kleidon Report ¶92.

[96] "Lloyds Banking Shares Drop After Scheme Lifts Govt Stake," *Dow Jones*, March 9, 2009, 4:42 AM EST.

[97] "UPDATE: Lloyds Shares Drop As Government Stake Increases," *Dow Jones*, March 9, 2009, 11:05 AM EST.

101. In addition, a fund manager at Baring Asset Management stated, "there is still concern out there about the valuation of some of Barclays' assets. Barclays indicated it may participate, but negotiating the terms is very difficult."[98] Some analysts valued the toxic assets to be insured at £60 billion.[99]

102. There was also other news on this day that predicted increased write-downs of Barclays' assets:

> Sandy Chen, an analyst at Panmure Gordon, had estimated a write-down of £5.8 billion (USD8.174 billion) as a result of Barclays' growing exposure to derivatives due to the fact that the fair value of some collateralized debt obligations plunged after rating agencies downgraded them.[100]

103. Dr. Kleidon states that news on this day is not related to Plaintiff's claims because "this speculation proved to be wrong, as Barclays did not accept any UK government insurance for any of its assets."[101] In other words, Dr. Kleidon does not argue in principle that this news is unrelated to the Plaintiff's claims, just that the expectation did not occur in the future.

104. Dr. Kleidon does not dispute that the fears of government intervention were at least partially responsible for the price decline in the Series 5 Shares. Such fears were driven by Barclays' depleted capital position and its exposure to subprime assets, which Plaintiff alleges were misrepresented in and omitted from the 2007 20-F and the Prospectus. Investors suffered ***actual losses*** on this day, and Dr. Kleidon has not proved that these losses were not caused by

---

[98] "Pressure Rises on Banks to Participate in U.K. Bailout," *The International Herald Tribune*, March 7, 2009.

[99] "Morning Market: Malaise in Banking Sector Casts Early Shadow," *Citywire*, March 9, 2009 ("Barclays decline 6p to 59p following weekend reports that it is looking to place toxic assets worth up to £60 billion into a government insurance scheme…"). *See also* "Banks Dive after Lloyds Nationalised," *The Evening Standard*, March 9, 2009 ("Speculation over how much of its toxic assets Barclays could try to have guaranteed range from £50 billion to £80 billion, but some analysts say this would be far too little.")

[100] "Barclays Loses 25% Value on Toxic-Debt Prediction," *Derivatives Week*, March 9, 2009.

[101] Kleidon Report ¶102.

expectations of nationalization on this day, which are related to Plaintiff's claims. The fact that Barclays was ultimately not nationalized is irrelevant to attributing the cause of the price decline on this day. Beyond that, however, Dr. Kleidon completely ignores the news regarding heightened expectations that Barclays would have to take additional write-downs as a result of its subprime portfolio ***which did transpire***. Since Dr. Kleidon provides no proof that this event did not cause some or all of the price decline in the Series 5 Shares, he has not established that this statistically significant price decline on March 9, 2009 was caused by factors unrelated to Plaintiff's claims.

VII. DR. KLEIDON'S EVENT STUDY IS FUNDAMENTALLY FLAWED AND CANNOT BE RELIED UPON

105. All of the analysis above has assumed that Dr. Kleidon's event study is reliable. However, his event study analysis suffers from methodological flaws rendering it unreliable. In particular:

a. Dr. Kleidon's approach mis-measures the volatility of the Series 5 Shares during his Analysis Period and systematically mis-identifies which days have statistically significant returns; and

b. At least on certain days, downward movements in Dr. Kleidon's Preferred Stock Index during the relevant period reflect, among other things, the market learning how exposure to subprime assets was affecting the market value of preferred stocks. As a result, movements in the "control" index on those days cannot be considered a proper "control" to isolate declines in the Series 5 Shares that are independent of Plaintiff's claims.

A. DR. KLEIDON MIS-SPECIFIES THE DEGREE OF RANDOMNESS IN THE SERIES 5 PRICE MOVEMENTS AND AS A RESULT SYSTEMICALLY MIS-IDENTIFIES SIGNIFICANT PRICE MOVEMENTS

106. Even if I were to accept the use of Dr. Kleidon's Preferred Stock Index as an appropriate control factor, Dr. Kleidon's event study systematically mis-measures the volatility, or degree of randomness in the price movements of the Series 5 Shares during the Analysis Period. This problem is observable in both his underlying assumptions and the ultimate results.

107. Exhibit 8 of Dr. Kleidon's report shows his regression results and makes explicit how he models the random component in the Series 5 Shares. In that exhibit, Dr. Kleidon has a row titled the Root Mean Squared Error ("RMSE"). This figure is critically important because it is used as the denominator to calculate the "t-statistic" in his tests for statistical significance (the threshold for statistical significance under Dr. Kleidon's approach is a t-statistic larger than 1.96).[102]

108. The formula for calculating a t-statistic on a given trading day is:

$$\boldsymbol{t-statistic}\frac{\text{change in price after controlling for market effects } (i.e., \boldsymbol{abnormal\ return})}{\text{standard deviation of errors from regression } (i.e., \boldsymbol{root\ mean\ squared\ error})}$$

109. If the RMSE is too high, Dr. Kleidon is underestimating his t-statistic, and if the RMSE is too low, Dr. Kleidon is overestimating his t-statistic.

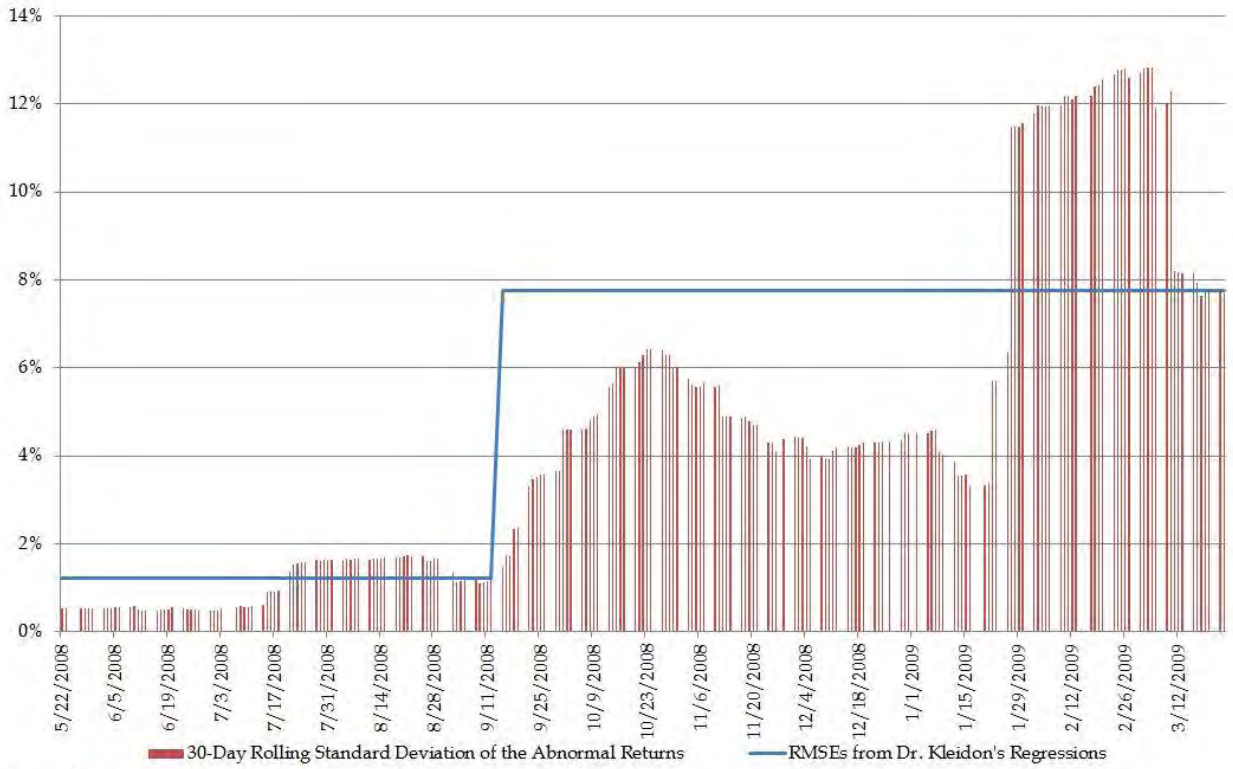
110. Returning to Exhibit 8 of Dr. Kleidon's Report, his methodology implies that the proper RMSE to use on every single day prior to September 15, 2008 is 1.21% of the Series 5

[102] Kleidon Report ¶44 citing *Reference Manual on Scientific Evidence* (David H. Kaye and David A. Freedman, "Reference Guide on Statistics," *Reference Manual on Scientific Evidence*, 3rd ed., Federal Judicial Center (Washington, DC: The National Academies Press, 2011)).

Share price and the proper RMSE to use on September 15, 2008 and after is 7.77% of the Series 5 Share price.

111. To be considered statistically significant at the 95% confidence level, an abnormal return must be 1.96 times as large as the RMSE (because to calculate the t-statistic one divides the abnormal return by the RMSE). Thus, Dr. Kleidon's methodology assumes that the abnormal return required for statistical significance increases substantially from a constant **2.37%** (1.96 times Kleidon's RMSE of 1.21%) in the first period to a constant **15.23%** (1.96 times Kleidon's RMSE of 7.77%) in the second period beginning on September 15, 2008.

112. Such an assumption is inconsistent with how volatility actually evolved over time, and this leads to systematic errors in Dr. Kleidon's assessment of statistical significance. One way to appreciate this is to deconstruct how Dr. Kleidon's own abnormal returns show a pattern over time that he does not capture in his analysis. To see if Dr. Kleidon's assumption of constant RMSE within each of these periods is appropriate, I calculate a moving average of the standard deviation of abnormal returns over the most recent 30 day trading window as shown in the chart below:



Source: Kleidon Backup Materials.

113. The pattern here is telling – there is not one discrete jump in volatility over Dr. Kleidon's analysis period as he suggests. There are increases and decreases in volatility around a generally increasing trend. This critical fact is completely ignored by Dr. Kleidon and not reflected in Dr. Kleidon's calculations. As a result, his RMSE is systematically too high very early in the Analysis Period (the blue horizontal line is consistently and substantially above the red bars). Likewise, in the second half of the first period, there is a sustained period where he understates the volatility (the red bars are consistently above the blue line).

114. This pattern is repeated in the post September 15, 2008 period. For the majority of the second period, Dr. Kleidon overstates the actual volatility (the blue line is substantially and consistently above the red bars). And for the very end of the Analysis Period he understates the volatility (the red bars are higher than the blue line).

115. The charts above rely solely on ***Dr. Kleidon's own abnormal returns that constitute his RMSE***. In other words, I have not altered his model at all; I am just showing that Dr. Kleidon's own abnormal returns belie his assumption of constant volatility within each period.[103]

116. The obviousness and importance of this error are apparent when one observes the proportion of days that he finds statistically significant over these different periods of time. In a properly specified event study, one would expect to observe statistically significant price movements 5% of the time due to randomness alone (this is because by choosing a 95% confidence interval one would expect to make a Type I error 5% of the time).[104] If there are also events that cause the price to move (such as company-related news), one would expect to see even more than 5% of the days statistically significant.

117. The table below shows that in the first portion of Dr. Kleidon's estimation windows (where he systematically overstates volatility) there are far less than the expected number of statistically significant days than would occur by chance (Periods 1a and 2a in the table below). Conversely, when he is understating volatility (in Periods 1b and 2b) the rate at which he observes statistically significant results is over 6 times as high:

---

[103] This problem is more technically referred to as having heteroscedastic errors. *See* Damodar N. Gujarati, *Basic Econometrics* (3d ed. 1995), pp. 436-438.

[104] S*ee* Robert D. Mason, Douglas A. Lind and William G. Marchal, "The Normal Probability Distribution," Ch. 7 in *Statistical Techniques in Business and Economics*, Irwin/McGraw-Hill, Tenth Edition, 1999. Also, from David I. Tabak and Frederick C. Dunbar, "Materiality and Magnitude: Event Studies in the Courtroom," Ch. 19, *Litigation Services Handbook, The Role of the Financial Expert*, Third Edition, 2001, p. 9: "…if an event is material at the 5 percent level, this means that there is only a 5 percent likelihood that the abnormal return (or the stock price movement once one controls for market, industry, and other effects) could have been caused by the stock's normal random price fluctuations. Alternatively, we can say that we are 95 percent confident that the abnormal return is greater than what would be expected based on the stock's normal random price fluctuations."

Significant Days throughout the Analysis Period According to Dr. Kleidon's Event Study

	Analysis Period 1		Analysis Period 2	
	Period 1a	Period 1b	Period 2a	Period 2b
	4/11/2008 - 7/17/2008	7/18/2008 - 9/14/2008	9/15/2008 - 1/20/2009	1/21/2009 - 3/24/2009
Number of Statistically Significant Price Movements	1	4	1	4
Total Trading Days in this Period	68	40	88	44
Percentage of Days Significant	1.47%	10.00%	1.14%	9.09%

118. As a result, Dr. Kleidon's identification of which events are statistically significant is unreliable.

119. Dr. Kleidon erroneously assumes that within each of his periods the variance of the abnormal returns is constant and equal to the mean variance. Where, as here, the time series data suggest that the mean of a relevant metric is not constant, one well-accepted technique to address this volatility is to calculate a moving average.[105] Accordingly, a reasonable and simple approach to improving the accuracy of Dr. Kleidon's t-statistics is to calculate the RMSE over 30 day trailing windows rather than relying on an average value over a much longer window that necessarily incorporates the impact of ***future*** events. This allows for the assumed volatility to update ***over time*** according to the data observed over the most recent 30 trading day period, which is more consistent with the volatility that would be expected by the market at any given time. If I replace Dr. Kleidon's volatility with a 30-day moving average estimate of volatility, it results in a more consistent and plausible distribution of significant events:

[105] See Philippe Jorion, Value at Risk, *The New Benchmark for Controlling Derivatives Risk*, McGraw Hill, 1997, p.168 ("A very crude method, but employed widely, is to use a *moving window*, of fixed length, to estimate volatility. For instance, a typical length is 20 trading days (about a calendar month) or 60 trading days (about a calendar quarter. …Each day, the forecast is updated by adding information from the preceding day and dropping information from (M+1) days ago)." (emphasis in the original).

Significant Days throughout the Analysis Period According to Dr. Kleidon's Event Study

	Analysis Period 1		Analysis Period 2	
	Period 1a	Period 1b	Period 2a	Period 2b
	4/11/2008 - 7/17/2008	7/18/2008 - 9/14/2008	9/15/2008 - 1/20/2009	1/21/2009 - 3/24/2009
Number of Statistically Significant Price Movements	7	4	9	3
Total Trading Days in this Period	68	40	88	44
Percent of Days Significant	10.29%	10.00%	10.23%	6.82%

120. The abnormal price movement on October 10, 2008 provides an example of how this is an important improvement and why Dr. Kleidon's event study cannot be relied upon to test for statistical significance.

121. On this day, the Series 5 Shares price dropped by 21.21% with an abnormal return of -14.80% (an abnormal dollar decline of $1.71) according to Dr. Kleidon's model.[106] Nevertheless, Dr. Kleidon did not find this event to be statistically significant because his RMSE was too large (i.e. it overstated the volatility on that day). If the statistical test is performed with the more reasonable estimate of volatility observed over a narrower 30 day window prior to the event as, it is significant with a t-statistic of -3.00 (well above the threshold of 1.96).

122. This difference in finding statistical significance is important because there is news related to Plaintiff's claims on this day. At 5:07 AM EST on the morning of October 10, 2008, Barclays issued a press release stating that the bank was considering a variety of options to increase its Tier 1 Capital before resorting to the use of Government rescue funds recently made available to it.[107] Moreover, Barclays stated it was considering looking to investors for more

[106] Kleidon Report Exhibit 9.

[107] "Barclays PLC Further Comment on UK Government Announcement," *Regulatory News Service,* October 10, 2008.

capital raising to improve its finances.[108] Analysts at Credit Suisse commented that "Barclays may need to raise £5 billion to sufficiently bolster its balance sheet."[109] The *Sun* claimed that on this news, Barclays' common stock in London "led blue-chip fallers amid speculation of possible capital-raising and further write-downs."[110]

123. Dr. Kleidon only chose to analyze news on days with statistically significant returns unless they were mentioned in the Complaint. Therefore, this day provides a perfect example of how Dr. Kleidon's flawed event study methodology: (1) led him to the wrong conclusion about statistical significance, which (2) led him to not look at the news (because he relied on the Complaint), and (3) led him to ignore a day on which there were observed abnormal price declines associated with news related to Plaintiff's allegations. Such a pattern is emblematic of how Dr. Kleidon's blanket opinion that "The price declines during the Analysis Period are not attributable in whole or in part to any of the alleged misrepresentations" is unreliable.[111]

B. DECLINES IN DR. KLEIDON'S PREFERRED STOCK INDEX ARE NOT NECESSARILY INDEPENDENT OF PLAINTIFF'S CLAIMS

124. Information that reveals the impact of Barclays' subprime and monoline exposure, and is therefore related to Plaintiff's claims, could also affect other preferred stocks, including those in Dr. Kleidon's Preferred Stock Index. Recall, the types of events that were related to Plaintiff's claims include:

---

[108] "Barclays Looking at Options to Boost Finances," *Press Association*, October 10, 2008.

[109] "Barclays Looking at Options to Boost Finances," *Press Association*, October 10, 2008.

[110] "Market Report," *The Sun*, October 10, 2008.

[111] Kleidon Report, ¶5.

- Additional write-downs or other events that provide investors additional information about the financial impact of and risk of exposure to credit market and subprime assets (including Alt-A, CDOs, RMBS) and to monoline insurers;
- Events that provide additional information regarding Barclays' capital adequacy.

125. For example, the failure of IndyMac Bank as a result of its exposure to toxic subprime assets provided relevant information to Series 5 Shareholders regarding the severity of losses being experienced by institutions with exposure to subprime assets. Therefore, this event can be viewed as revealing the financial impact of Barclays' exposure to subprime assets that was allegedly misrepresented in and omitted from the Prospectus and 2007 20-F. While this information was important to Barclays investors (the Series 5 Shares declined by 10.7% on July 14, 2008 when the event occurred) , it was also important information for investors throughout the banking industry where many other firms also had exposure to subprime assets.

126. Closer inspection of Dr. Kleidon's Preferred Stock Index reveals that Wells Fargo, Citigroup, JP Morgan Chase, Bank of America, Wachovia, Morgan Stanley, HSBC, Deutsche Bank and Royal Bank of Scotland make up 22 of the 54 securities in the Index, including eight out of the top 10 most highly weighted securities.[112] All of these banks, like Barclays, had substantial write downs as a result of exposure to subprime assets during the relevant period.[113] Therefore, securities of these institutions would also negatively react to information (like the failure of IndyMac) that informed Series 5 Shareholders of the severity of losses being suffered by firms with exposure to subprime assets.

127. The problem this creates for Dr. Kleidon's methodology is that when a "control" variable is not independent of the effect to be measured, it is no longer a proper control. The

---

[112] Kleidon Report Exhibit 6.

[113] Bloomberg Summary of Writedown Function ("WDCI").

whole purpose of including any explanatory variable (*e.g*. the Preferred Stock Index) in the calculation of the expected return on any given day is to explain the part of the variation in the dependent variable (the return of Barclays Series 5 Shares) ***unrelated*** to the misstatements. In this particular circumstance, where there is information relevant to Plaintiff's claims that is impacting both Barclays and the Preferred Stock Index, Dr. Kleidon's methodology treats the decline in the Preferred Stock Index as an "independent" factor that is considered part of the "expected return" and ***excluded*** from the residual return. As a result, he is biasing his measurement of the effect of the relevant information on the Series 5 Shares.

128. Returning to the IndyMac example, on July 14, 2008, when Barclays fell 10.7%, Dr. Kleidon calculates an "expected" return of -7.4% based on the decline in the Preferred Stock Index and only treats the -3.3% abnormal return as reflecting the impact of the news on the Series 5 Shares. In this particular case, since the information impacting the Preferred Stock Index is not independent of Plaintiff's claims, Dr. Kleidon cannot treat the expected return as economic or statistical proof of an alternative cause for the 7.4% portion of the 10.7% decline in the Series 5 Shares.

129. One additional example of when Dr. Kleidon's use of the Preferred Stock Index as a "control" is inappropriate is on January 20, 2009. I previously addressed this particular day in a prior section because Dr. Kleidon ignored the 2.24% abnormal price decline despite the release of news related to Plaintiff's claims (i.e., commentary suggesting that Barclays may face nationalization by the U.K. government). By controlling for an index of preferred stocks, however, Dr. Kleidon masks a severe 17.36% price decline suffered by investors in Barclays that accompanied news related to Plaintiff's claims. Dr. Kleidon assumes that, because over 15% of

the Series 5 Price decline can be "explained" by the movement in his Preferred Stock Index, this 15% is due to alternative causes unrelated to Plaintiff's claims. Such is not the case.

130. Expectations regarding nationalization that are related to Plaintiff's claims would also impact the preferred stocks of other banks in the index. In particular, there were news stories on this day tying the drop in many bank stocks to the same news related to the decline in the Series 5 Shares. For instance, *MarketWatch* reported that the U.S. financial stocks matched their largest one day drop ever "as investors panicked at the likelihood that there is no end in sight for the sector's need for capital, and no easy way to raise it."[114]

131. *Reuters*, meanwhile, published an article that day that also indicated that the security price declines banks in the U.S. and U.K. were due to capital concerns and a lack of trust regarding whether banks had properly taken marks against their balance sheets. In particular the article stated:

> U.S. bank shares sank Tuesday, with Citigroup Inc and Bank of America Corp hitting their lowest levels since the early 1990s as investors, seeing no quick end to losses from toxic assets, worried that many banks are running short of capital. The KBW Bank Index of leading commercial banks dropped nearly 20 percent to a 14-year low, tumbling almost 43 percent this month alone. Confidence in the banking sector was further rattled after State Street Corp said it could need to raise capital and reported a 71 percent drop in fourth-quarter profit on Tuesday, a day after Royal Bank of Scotland Group Plc posted the biggest loss in U.K. corporate history. The rout was widespread, with shares of regional bank PNC Financial Services Group declining 41 percent and even relative islands of safety like JPMorgan Chase & Co dropping 21 percent. Investors were worried that the U.S. economy was worsening and that banks may not be able to withstand more credit losses without government help, further diluting shareholder interests. 'The market doesn't trust that banks have properly marked their balance sheets and their loan portfolios. The sense is there are further marks to come, that

[114] "Banks Battered as Sector Matches Worst Day Ever," *MarketWatch,* January 20, 2009, 4:21 PM EST.

> tangible book is not as it is stated today,' said Robert Patten, a bank analyst for Morgan Keegan.[115]

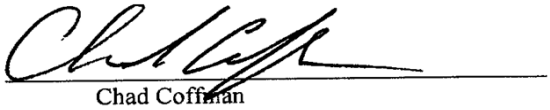
132. These are just a few examples of the substantial amount of news reported on this day regarding bank declines which affected members of Dr. Kleidon's Preferred Stock Index. Indeed, several of the firms singled out above were members of his index (*e.g.* Citigroup, Wells Fargo, JP Morgan Chase, Bank of America, and Royal Bank of Scotland).

133. In this particular circumstance, where there is information relevant to Plaintiff's claims that is impacting both Barclays and the Preferred Stock Index, Dr. Kleidon's methodology inappropriately treats the decline in the Preferred Stock Index as an "independent" factor that is considered part of the "expected return" and ***excluded*** from the residual return. As a result, he is biasing his measurement of the effect of the relevant information on the Series 5 Shares.

134. In sum, on events where the Preferred Stock Index cannot be separated from Plaintiff's claims and the index does not represent a proper independent control, Dr. Kleidon has insufficient economic or statistical evidence to establish that the full price decline was caused by something other than information related to Plaintiff's claims.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

RESPECTFULLY SUBMITTED AND EXECUTED THIS 2nd DAY OF FEBRUARY 2016.



Chad Coffman

[115] "WRAPUP 3-U.S. bank shares sink as investors fear more losses," *Reuters*, January 20, 2009, 9:26 AM EST.

Appendix A
Documents Considered

Court Documents

- Class Action Complaint for Violation of the Federal Securities Laws, *Pellegrini, et al. v. Barclays Bank Plc, et al.*, dated April 8, 2009.
- Second Consolidated Amended Complaint for Violations of the Federal Securities Laws, *In Re Barclays Bank Plc Securities Litigation*, dated September 16, 2013.
- Lead Plaintiffs' Responses and Objections to the Barclays' Defendants First Set of Interrogatories, dated November 16, 2015.
- Expert Report of Chad Coffman, CFA, dated December 15, 2015.
- Expert Report of Allan W. Kleidon, Ph. D., dated December 15, 2015.

Court Decisions and Securities Law

- Securities Act of 1933.
- Securities Exchange Act of 1934.

SEC Filings/Forms

- Barclays Bank PLC Series 5 Prospectus Form 424(b)(5), filed April 9, 2008.
- Barclays 2007 20-F.

Security Data

- Historical data for Barclays 5 Preferred Shares were obtained from Bloomberg.
- Data produced in connection with the Expert Report of Chad Coffman, CFA, dated December 15, 2015.
- Data produced in connection with the Expert Report of Allan W. Kleidon, Ph. D., dated December 15, 2015.

News Articles

Barclays news based on Factiva searches for "All Sources" with the text field "Barclays" as well as news referenced in the Kleidon Report. Articles include, but not limited to, the following:

- "Reader Survey: Banks Could Be Set for Second Round of Rights Issues," *Citywire,* July 11, 2008, 8:00 PM EST.
- "Don't Bank on a B&B buyer," *The Observer*, July 12, 2008, 7:01 PM EST.

- "Bank Consolidation: Under the Hammer," *The Economist*, July 12, 2008.
- "Rescue Plan for US Mortgage Giants," *Financial Times,* July 14, 2008, 12:34 AM EST.
- "The State of the GSEs: Not Great, Not Terrible; Answers to some of the questions facing Fannie and Freddie," *American Banker,* July 14, 2008.
- "IndyMac ReOpens, Halts Foreclosures on Its Loans," *The Wall Street Journal,* July 15, 2008.
- "Barclays PLC BARC Result of Placing and Open Offer," *Barclays Press Release*, July 18, 2008, 2:00 AM EST.
- "Barclays says shareholders take up 19 percent of open offer shares UPDATE," *AFX Asia,* July 18, 2008, 3:18 AM EST.
- "Market Comment: London Stocks Stay Down; Miners Weigh," *Dow Jones,* July 18, 2008, 8:27 AM EST.
- "FTSE Slips Back, Oil Declines," *Investors Chronicle,* July 18, 2008.
- "Bank Pair Raise £8bn – But May Need More; BANKING," *The Evening Standard,* July 18, 2008.
- "Oil and Copper Burnish FTSE," *The Guardian,* August 14, 2008, 5:55 AM EST.
- "UPDATE 1-Barclays May Write Down 1.5 Bln Stg More, says Goldman," *AFX Asia,* August 14, 2008, 6:43 AM EST.
- "Market Report," *Press Association,* August 14, 2008, 1:15 PM EST.
- "UK Summary: FTSE To Shed 75 Points On Econ Slowdown Fears," *Dow Jones,* September 3, 2008, 3:00 AM EST.
- "STOCKS NEWS EUROPE-ROK higher as Landsbanki initiates as buy," *Reuters*, September 3, 2008, 4:14 AM EST.
- "London Shares Fall as Miners, Banks Weigh; Punch Taverns Drops After Scrapping Dividend Payout," *MarketWatch,* September 3, 2008, 12:12 PM EST.
- "U.K. to Inject about $87 Billion in Country's Banks (Update1)," *Bloomberg*, October 8, 2008, 2:48 AM EST.
- "Rescue Plan for UK Banks Unveiled," *BBC News,* October 8, 2008, 11:58 AM EST.
- "Government Bailout Provides Little Relief for Stock Market," *Estates Gazette Interactive,* October 8, 2008.
- "Bank Shares Rocked as Nationalisation Rumours Rampage Through Markets," *The Times,* October 8, 2008.
- "U.K. Stocks Fall Despite New Bank-Rescue Effort; Government Says It Will Buy Stakes in Banks and Guarantee Debts; Other Countries May Look to British Model," *The Wall Street Journal,* October 9, 2008.
- "U.S. Stocks Linger in the Red," *The Wall Street Journal,* October 9, 2008.
- "Barclays PLC Further Comment on UK Government Announcement," *Regulatory News Service,* October 10, 2008 5:07 AM EST.

- "Barclays Looking at Options to Boost Finances," *Press Association*, October 10, 2008, 5:29 AM EST.
- "Market Report," *The Sun*, October 10, 2008.
- "Sector Surrenders Early Gains, S&P Cuts Hit," *MarketWatch*, December 19, 2008, 10:36 AM EST.
- "S&P: Barclays Bank PLC L-T Rating Lowered To 'AA-'; 'A-1+' S-T Rating Affirmed; Outlook Negative," *Market News Publishing*, December 19, 2008.
- "Barclays May Sell Private Equity Arm," *Press Association*, December 21, 2008, 7:45 AM EST.
- "Barclays Looks to Sell Private Equity Empire; Billions of Vital Capital Could be Raised in Buyout," *The Mail on Sunday*, December 21, 2008.
- "Barclays to Review Future of Private Equity Arm," *The Sunday Telegraph*, December 21, 2008.
- "Barclays Fightback Fails to Ease Fears of Taxpayer Rescue," *The Evening Standard*, January 19, 2009.
- "Banks Battered as Sector Matches Worst Day Ever," *MarketWatch*, January 20, 2009, 4:21 PM EST.
- "WRAPUP 3-U.S. bank shares sink as investors fear more losses," *Reuters*, January 20, 2009, 9:26 AM.
- Barclays, Lloyds Shares Tumble Again on Results Fears," *Dow Jones*, January 21, 2009, 4:01 AM EST.
- "Banking Shares Suffer in London," *The Irish Examiner*, January 21, 2009, 6:57 AM EST.
- "Successful or Not, the Price of Bailout Could Be Too High," *The Irish Times,* January 21, 2009.
- "Barclays CEO: Will Make 08 Profit After Write-Downs – Report," *Dow Jones,* January 23, 2009, 2:07 AM EST.
- "WRAPUP 1-Banks on back foot; state help fails to lift gloom," *Reuters*, January 23, 2009.
- "Barclays Plunges Amid New Worries Over Bailouts Bill; Economy by Bill Condie," *The Evening Standard*, January 23, 2009.
- "Barclays Shares Plunge 15%," *The Guardian*, January 23, 2009.
- "TEXT-Moody's Downgrades Barclays to Aa3," *Reuters,* February 1, 2009, 7:29 PM EST.
- "UPDATE 1-Moody's Cuts Barclays' Ratings on Loss Expectations," *Reuters*, February 1, 2009, 9:15 PM EST.
- "Moody's Downgrades Barclays Bank (Senior to Aa3/Stable, BFSR to C/Negative)," *Moody's Investor Service Press Release,* February 1, 2009.
- "Bank Bosses Face Grilling by MPs," *The Guardian*, February 2, 2009.

- "Barclays Slips Back on Downgrade," *The Guardian*, February 2, 2009.
- "BarCap to Close US Residential Mortgage Unit EquiFirst," *Dow Jones*, February 17, 2009.
- "Pressure Rises on Banks to Participate in U.K. Bailout," *The International Herald Tribune*, March 7, 2009.
- "Lloyds Banking Shares Drop After Scheme Lifts Govt Stake," *Dow Jones*, March 9, 2009, 4:42 AM EST.
- "UPDATE: Lloyds Shares Drop As Government Stake Increases," *Dow Jones*, March 9, 2009, 11:05 AM EST.
- "Morning Market: Malaise in Banking Sector Casts Early Shadow," *Citywire*, March 9, 2009.
- "Barclays Loses 25% Value on Toxic-Debt Prediction," *Derivatives Week*, March 9, 2009.
- What a Million Syllabuses Can Teach Us," *The New York Times*, January 22, 2016.

Analyst Reports

Analyst reports obtained through Investext for the period January 2008 through December 2009 as well as reports referenced in the Kleidon Report. Analyst reports include, but not limited to, the following:

- "Some of the Parts," *RBS*, September 3, 2008.
- "Barclays PLC-A Stay of Execution," *MF Global,* January 20, 2009.

Academic Articles/Texts

- John Binder, "The Event Study Methodology Since 1969," *Review of Quantitative Finance and Accounting*, Vol. 11, 1998.
- Sir Ronald A. Fisher, *The Design of Experiments*, (New York: Hafner Press, 1971).
- Damodar N. Gujarati, *Basic Econometrics* (3d ed. 1995).
- See Philippe Jorion, Value at Risk, *The New Benchmark for Controlling Derivatives Risk*, McGraw Hill, 1997.
- David H. Kaye and David A. Freedman, "Reference Guide on Statistics," *Reference Manual on Scientific Evidence*, 3rd ed., Federal Judicial Center (Washington, DC: The National Academies Press, 2011).
- Sheldon G. Levy, *Inferential Statistics in the Behavioral Sciences* (1968).
- A. Craig MacKinlay, "Event Studies in Economics and Finance," *Journal of Economics Literature*, Vol. 35, No. 1, March 1997.

- Robert D. Mason, Douglas A. Lind and William G. Marchal, "The Normal Probability Distribution," Ch. 7 in *Statistical Techniques in Business and Economics*, Irwin/McGraw-Hill, Tenth Edition, 1999.
- David I. Tabak and Frederick C. Dunbar, "Materiality and Magnitude: Event Studies in the Courtroom," Ch. 19, *Litigation Services Handbook, The Role of the Financial Exper*t (3d ed. 2001).
- Helen M. Walker & Joseph Lev, *Elementary Statistical Methods* (3rd ed. 1969).

APPENDIX B

CHAD W. COFFMAN, MPP, CFA

Global Economics Group, LLC
140 South Dearborn Street, Suite 1000
Chicago, IL 60603
Office: (312) 470-6500
Mobile: (815) 382-0092
Email: ccoffman@globaleconomicsgroup.com

EMPLOYMENT:

Global Economics Group, LLC
President (2008 - Current)

Global Economics Group specializes in the application of economics, finance, statistics, and valuation principles to questions that arise in a variety of contexts, including litigation and policy matters throughout the world. With offices in Chicago, Boston, and New York, Principals of Global Economics Group have extensive experience in high-profile securities, antitrust, labor, and intellectual property matters.

Market Platform Dynamics, LLC
Chief Financial Officer & Chief Operating Officer (2010 – Current)

Market Platform Dynamics is a management consulting firm that specializes in assisting platform-based companies profit from industry disruption caused by the introduction of new technologies, new business models and/or new competitive threats. MPD's experts include economists, econometricians, product development specialists, strategic marketers and recognized thought leaders who apply cutting-edge research to the practical problems of building and running a profitable business.

Chicago Partners, LLC
Principal (2007 – 2008)
Vice President (2003 – 2007)
Director (2000 – 2003)
Senior Associate (1999 – 2000)
Associate (1997 – 1999)
Research Analyst (1995 – 1997)

EDUCATION:

CFA Chartered Financial Analyst, 2003

M.P.P. University of Chicago, 1997

Masters of Public Policy, with a focus in economics including coursework in Finance, Labor Economics, Econometrics, and Regulation

B.A. Knox College, 1995
Economics, Magna Cum Laude
Graduated with College Honors for Paper entitled "Increasing Efficiency in Water Supply Pricing: Using Galesburg, Illinois as a Case Study"
Dean's List Every Term
Phi Beta Kappa

PROFESSIONAL EXPERIENCE:

Securities, Valuation, and Market Manipulation Cases:

- Testifying Expert in numerous high-profile class action securities matters including, but not limited to:
    - In Re: Bank of America Corp. Securities, Derivative, and Employee Retirement Income Security Act (ERISA) Litigation. Parties settled for $2.4 billion in which I served as Plaintiffs' damages and loss causation expert.
    - In Re: Schering-Plough Corporation/ Enhance Securities Litigation. Parties settled for $473 million in which I served as Plaintiffs' damages and loss causation expert.
    - In Re: REFCO Inc. Securities Litigation. Parties settled for $367 million in which I served as Plaintiffs' damages and loss causation expert.
    - In Re: Computer Sciences Corporation Securities Litigation. Parties settled for $98 million in which I served as Plaintiffs' damages and loss causation expert.
    - Full list of testimonial experience is provided below

- Engaged several dozen times as a neutral expert by prominent mediators to evaluate economic analyses of other experts.

- Expert consultant for the American Stock Exchange (AMEX) where I evaluated issues related to multiple listing of options. Performed econometric analysis of various measures of option spread using tens of millions of trades.

- Performed detailed audit of CDO valuation models employed by a banking institution to satisfy regulators – non-litigation matter.

- Played significant role in highly-publicized internal accounting investigations of two Fortune 500 companies. One led to restatement of previously issued financial statements and both involved SEC investigations.

Testimony:

- Testifying expert in the matter of Kuo, Steven Wu v. Xceedium Inc, Supreme Court of New York, County of New York, Index No. 06-100836. Filed report re: the fair value of Mr. Kuo's shares. Case settled at trial.

- Testifying expert in the matter of Pallas, Dennis H. v. BPRS/Chestnut Venture Limited Partnership and Gerald Nudo, Circuit Court of Cook County, Illinois, County Department, Chancery Division. Filed report re: fair value of Pallas shares. Report: July 9, 2008. Deposition August 6, 2008. Court Testimony February 11, 2009.

- Testifying expert in Washington Mutual Securities Litigation, United States District Court, Western District of Washington, at Seattle, No. 2:08-md-1919 MJP, Lead Case No. C08-387 MJP. Filed declaration August 5, 2008 re: plaintiffs' loss causation theory. Filed expert report April 30, 2010. Filed rebuttal expert report August 4, 2010.

- Testifying expert in DVI Securities Litigation, Case No. 2:03-CV-05336-LDD, United States District Court for the Eastern District of Pennsylvania. Filed expert report October 1, 2008 re: damages. Filed rebuttal expert report December 17, 2008. Deposition January 27, 2009. Filed rebuttal expert report June 24, 2013.

- Testifying expert in Syratech Corporation v. Lifetime Brands, Inc. and Syratech Acquisition Corporation, Supreme Court of the State of New York, Index No. 603568/2007. Filed expert report October 31, 2008.

- Expert declaration in Jacksonville Police and Fire Pension Fund, et al. v. AIG, Inc., et al., No. 08-CV-4772-LTS; James Connolly, et al. v. AIG, Inc., et al., No. 08-CV-5072-LTS; Maine Public Employees Retirement System, et al. v. AIG, Inc., et al., No. 08-CV-5464-LTS; and Ontario Teachers' Pension Plan Board, et al. v. AIG, Inc., et al., No. 08-CV-5560-LTS, United States District Court, Southern District of New York. Filed declaration February 18, 2009.

- Expert declaration in Connetics Securities Litigation, Case No. C 07-02940 SI, United States District Court for the Northern District of California, San Francisco Division. Filed expert report March 16, 2009.

- Testifying expert in Boston Scientific Securities Litigation, Master File No. 1:05-cv-11934 (DPW), United States District Court District of Massachusetts. Filed expert report August 6, 2009. Deposition October 6, 2009.

- Expert declaration in Louisiana Sheriffs' Pension and Relief Fund, et al. v. Merrill Lynch & Co, Inc., et al., Case Number 08-cv-09063, United States District Court, Southern District of New York. Filed declaration re: Plan of Allocation October, 2009.

- Testifying expert in Henry J. Wojtunik v. Joseph P. Kealy, John F. Kealy, Jerry A. Kleven, Richard J. Seminoff, John P. Stephen, C. James Jensen, John P. Morbeck, Terry W. Beiriger, and Anthony T. Baumann. Filed expert report on January 25, 2010.

- Testifying expert in REFCO Inc. Securities Litigation, Case No. 05 Civ. 8626 (GEL), United States District Court for the Southern District of New York. Filed expert report February 2, 2010. Filed rebuttal expert report March 12, 2010. Deposition March 26, 2010.

- Expert declaration in New Century Securities Litigation, Case No. 07-cv-00931-DDP, United States District Court Central District of California. Filed declaration March 11, 2010.

- Testifying expert in Louisiana Municipal Police Employees' Retirement System, et. al. v. Tilman J. Fertitta, Steven L. Scheinthal, Kenneth Brimmer, Michael S. Chadwick, Michael Richmond, Joe Max Taylor, Fertitta Holdings, Inc., Fertitta Acquisition Co., Richard Liem, Fertitta Group, Inc. and Fertitta Merger Co, C.A. No. 4339-VCL, Court of Chancery of the State of Delaware. Filed expert report April 23, 2010.

- Testifying expert in Edward E. Graham and William C. Nordlund, individually and d/b/a Silver King Capital Management v. Eton Park Capital Management, L.P., Eton Park Associates, L.P. and Eton Park Fund, L.P. Case No. 1:07-CV-8375-GBD, Circuit Court of Shelby County, Alabama. Filed rebuttal expert report July 8, 2010. Deposition September 1, 2010. Filed supplemental rebuttal expert report August 22, 2011.

- Testifying expert in Moody's Corporation Securities Litigation. Case No. 1:07-CV-8375-GBD), United States District Court for the Southern District of New York. Filed rebuttal expert report August 23, 2010. Deposition October 7, 2010. Filed rebuttal reply report November 5, 2010. Filed expert report May 25, 2012.

- Testifying expert in Minneapolis Firefighters' Relief Association v. Medtronic, Inc., et al. Civil No. 08-6324 (PAM/AJB), United States District Court, District of Minnesota. Filed expert report January 14, 2011.

- Testifying expert in Schering-Plough Corporation/ENHANCE Securities Litigation Case No.2:08-cv-00397 (DMC) (JAD), United States District Court, District of New Jersey. Filed declaration February 7, 2011. Filed expert report September 15, 2011. Filed rebuttal expert report October 28, 2011. Filed declaration January 30, 2012. Deposition November 15, 2011 and November 29, 2011.

- Testifying expert in Fannie Mae 2008 Securities Litigation, Master File No. 08 Civ. 7831 (PAC), United States District Court for the Southern District of New York. Filed expert report July 18, 2011.

- Testifying expert in Bank of America Corp. Securities, Derivative, and Employee Retirement Income Security Act (ERISA) Litigation, Master File No. 09 MDL 2058 (PKC), United States District Court for the Southern District of New York. Filed expert report August 29, 2011. Filed rebuttal expert report September 26, 2011. Filed expert report March 16, 2012. Filed rebuttal expert report April 9, 2012. Filed rebuttal expert report April 29, 2012. Deposition October 14, 2011 and May 24, 2012.

- Testifying expert in Toyota Motor Corporation Securities Litigation, Case No. 10-922 DSF (AJWx), United States District Court, Central District of California. Filed expert report February 17, 2012. Deposition March 28, 2012. Filed rebuttal expert report August 2, 2012. Filed declaration re: Plan of Allocation January 28, 2013.

- Testifying expert in The West Virginia Investment Management Board and the West Virginia Consolidated Public Retirement Board v. The Variable Annuity Life Insurance Company, Civil No. 09-C-2104, Circuit Court of Kanawha County, West Virginia. Filed expert report June 1, 2012. Depositions June 19, 2013 and December 11, 2015.

- Testifying expert in Aracruz Celulose S.A. Securities Litigation, Case No. 08-23317-CIV-LENARD, United States District Court, Southern District of Florida. Filed expert report July 20,

2012. Deposition September 14, 2012. Filed rebuttal expert report October 29, 2012. Filed declaration re: Plan of Allocation May 20, 2013.

- Testifying expert in In Re Computer Sciences Corporation Securities Litigation, CIV. A. No. 1:11-cv-610-TSE-IDD, United States District Court, Eastern District of Virginia, Alexandria Division. Filed expert report November 9, 2012. Filed supplemental report February 18, 2013. Filed rebuttal expert report March 25, 2013. Deposition March 27, 2013. Filed declaration re: Plan of Allocation August 7, 2013.

- Testifying expert in In Re Weatherford International Securities Litigation, Case 1:11-cv-01646-LAK, United States District Court for the Southern District of New York. Filed expert report April 1, 2013. Deposition April 26, 2013.

- Testifying expert in In Re: Regions Morgan Keegan Closed-End Fund Litigation, Case 2:07-cv-02830-SHM-dkv, United States District Court for the Western District of Tennessee Western Division. Court testimony April 12, 2013.

- Testifying expert in City of Roseville Employees' Retirement System and Southeastern Pennsylvania Transportation Authority, derivatively on behalf of Oracle Corporation, Plaintiff, v. Lawrence J. Ellison, Jeffrey S. Berg, H. Raymond Bingham, Michael J. Boskin, Safra A. Catz, Bruce R. Chizen, George H. Conrades, Hector Garcia-Molina, Donald L. Lucas, and Naomi O. Seligman, Defendants, and Oracle Corporation, Nominal Defendant, C.A. No. 6900-CS, Court of Chancery of the State of Delaware. Filed expert report May 13, 2013. Filed rebuttal expert report June 21, 2013. Deposition July 17, 2013.

- Testifying expert in In Re BP plc Securities Litigation, No. 4:10-md-02185, Honorable Keith P. Ellison, United States District Court for the Southern District of Texas, Houston Division. Filed expert report June 14, 2013. Deposition July 25, 2013. Filed rebuttal expert report October 7, 2013. Filed declaration re: Plaintiff accounting losses November 17, 2013. Filed expert report January 6, 2014. Deposition January 22, 2014. Filed rebuttal expert report March 12, 2014. Filed expert report March 17, 2014. Hearing testimony April 21, 2014. Deposition June 3, 2014. Filed declaration re: damages June 3, 2014.

- Testifying expert in In Re Celestica Inc. Securities Litigation, Civil Action No. 07-CV-00312-GBD, United States District Court for the Southern District of New York. Filed expert report June 14, 2013. Filed rebuttal expert report September 10, 2013. Deposition September 24, 2013.

- Testifying expert in In Re Dendreon Corporation Class Action Litigation, Master Docket No. C11-01291JLR, United States District Court for the Western District of Washington at Seattle. Filed declaration re: Plan of Allocation June 14, 2013.

- Testifying expert in In Re Hill v. State Street Corporation, Master Docket No. 09-cv12146-GAO, United States District Court for the District of Massachusetts. Filed expert report October 28, 2013.

- Testifying expert in In Re BNP Paribas Mortgage Corporation and BNP Paribas v. Bank of America, N.A., Master Docket No. 09-cv-9783-RWS, United States District Court for the Southern District of New York. Filed expert report November 25, 2013. Deposition June 26-27, 2014.

- Testifying expert in Stan Better and YRC Investors Group v. YRC Worldwide Inc., William D. Zollars, Michael Smid, Timothy A. Wicks and Stephen L. Bruffet, Civil Action No. 11-2072-KHV, United States District Court for the District of Kansas. Filed declaration re: Plan of Allocation February 5, 2014. Filed expert report May 29, 2015.

- Testifying expert in The Archdiocese of Milwaukee Supporting Fund v. Halliburton Company, et al., Civil Action No. 3:02-CV-1152-M, United States District Court for the Northern District of Texas, Dallas Division. Filed expert report October 30, 2014. Deposition November 11, 2014. Hearing testimony December 1, 2014.

- Testifying expert in In Re HP Securities Litigation, Master File No. 3:12-cv-05980-CRB, United States District Court for the Northern District of California, San Francisco Division. Filed expert report November 4, 2014. Deposition December 3, 2014. Filed rebuttal expert report January 26, 2015.

- Testifying expert in In Re MGM Mirage Securities, No. 2:09-cv-01558-GMN-VCF, United States District Court for the District of Nevada. Filed expert report November 12, 2014. Deposition January 6, 2015. Filed rebuttal expert report April 2, 2015.

- Testifying expert in Adam S. Levy v. Thomas Gutierrez, Richard J. Gaynor, Raja Bal, J. Michal Conaway, Kathleen A. Cote, Ernest L. Godshalk, Matthew E. Massengill, Mary Petrovich, Robert E. Switz, Noel G. Watson, Thomas Wroe, Jr., Morgan Stanley & Co. LLC, Goldman, Sachs & Co., and Canaccord Genuity Inc., No. 1:14-cv-00443-JL, United States District Court for the District of New Hampshire. Filed declaration January 7, 2015.

- Testifying expert in In Re Nu Skin Enterprises, Inc., Securities Litigation, Master File No. 2:14-cv-00033-DB, United States District Court for the District of Utah, Central Division. Filed expert report June 26, 2015. Deposition August 17, 2015.

- Testifying expert in In Re Intuitive Surgical Securities Litigation, Master File No. 5:13-cv-01920-EJD, United States District Court for the Northern District of California. Filed expert report September 1, 2015. Filed expert rebuttal report November 16, 2015.

- Testifying expert in Babak Hatamian, et al., v. Advanced Micro Devices, Inc., et al., No. 4:14-cv-00226-YGR, United States District Court for the Northern District of California, San Francisco Division. Filed expert report September 4, 2015. Filed rebuttal expert report December 7, 2015.

- Testifying expert in In Re NII Holdings, Inc. Securities Litigation, No. 1:14-cv-00227-LMB-JFA, United States District Court for the Eastern District of Virginia, Alexandria Division. Filed expert report September 11, 2015. Deposition September 17, 2015. Filed rebuttal expert report October 28, 2015. Filed expert report January 8, 2016.

- Testifying expert in In Re Barrick Gold Securities Litigation, No. 1:13-cv-03851-SAS, United States District Court for the Southern District of New York. Filed expert report September 15, 2015.

- Expert declaration in In Re Tower Group International, Ltd. Securities Litigation, Master Docket No. 1:13-cv-5852-AT, United States District Court, Southern District of New York. Filed declaration re: Plan of Allocation October 6, 2015.

- Testifying expert in Beaver County Employees' Retirement Fund et al. v. Tile Shop Holdings Inc. et al., No. 0:14-cv-00786-ADM-TNL, United States District Court for the District of Minnesota. Filed expert report December 1, 2015.
- Testifying expert in In Re Barclays Bank PLC Securities Litigation, Civil Action No. 1:09-cv-01989-PAC, United States District Court for the Southern District of New York. Filed expert report December 15, 2015.

Experience in Labor Economics and Discrimination-Related Cases:

- Expert consultant for Cargill in class action race discrimination matter in which class certification was defeated.
- Expert consultant for 3M in class action age discrimination matter.
- Expert consultant for Wal-Mart in class action race discrimination matter.
- Expert consultant on various other significant confidential labor economics matters in which there were class action allegations related to race, age and gender.
- Expert consultant for large insurance company related to litigation and potential regulation resulting from the use of credit scores in the insurance underwriting process.

Testimony:

- Testifying expert in Shirley Cohens v. William Henderson, Postmaster General, C.A 1:00CV-1834 (TFH) United States Postal Service. United States District Court for the District of Columbia.– Filed report re: lost wages and benefits.
- Testifying expert in Richard Akins v. NCR Corporation. Before the American Arbitration Association – Filed report re: lost wages.
- Testifying expert in Maureen Moriarty v. Dyson, Inc., Case No. 09 CV 2777, United States District Court for the Northern District of Illinois, Eastern Division. Filed expert report October 12, 2011. Deposition November 10, 2011.

Selected Experience in Antitrust, General Damages, and Other Matters:

- Expert consultant in high-profile antitrust matters in the computer and credit card industries.
- Expert consultant for plaintiffs in re: Brand Name Drugs Litigation. Responsible for managing, maintaining and analyzing data totaling over one billion records in one of the largest antitrust cases ever filed in the Federal Courts.
- Served as neutral expert for mediator (Judge Daniel Weinstein) in allocating a settlement in an antitrust matter.

- Expert consultant in Seminole County and Martin County absentee ballot litigation during disputed presidential election of 2000.

- Expert consultant for sub-prime lending institution to determine effect of alternative loan amortization and late fee policies on over 20,000 customers of a sub-prime lending institution. Case settled favorably at trial immediately after the testifying expert presented an analysis I developed showing fundamental flaws in opposing experts calculations.

TEACHING EXPERIENCE:

KNOX COLLEGE, Teaching Assistant - Statistics, (1995)
KNOX COLLEGE, Tutor in Mathematics, (1992 - 1993)

PUBLICATIONS:

Coffman, Chad and Mary Gregson, "Railroad Construction and Land Value." *Journal of Real Estate and Finance*, 16:2, pp. 191-204 (1998).

Coffman, Chad, Tara O'Neil, and Brian Starr, Ed. Richard D. Kahlenberg, "An Empirical Analysis of the Impact of Legacy Preferences on Alumni Giving at Top Universities," *Affirmative Action for the Rich: Legacy Preferences in College Admissions*; pp. 101-121 (2010).

PROFESSIONAL AFFILIATIONS:

Associate Member CFA Society of Chicago
Associate Member CFA Institute
Phi Beta Kappa

AWARDS:

1994 Ford Fellowship Recipient for Summer Research.
1993 Arnold Prize for Best Research Proposal.
1995 Knox College Economics Department Award.

PERSONAL ACTIVITIES:

- Pro bono consulting for Cook County State's Attorney's Office.
- Pro bono consulting for Cook County Health & Hospitals System – Developed method for hospital to assess real-time patient level costs to assist in improving care for Cook County residents and prepare for implementation of Affordable Care Act.
- Pro bono consulting for Chicago Park District to analyze economic impact of park district assets and assist in developing strategic framework for decision-making.

EXHIBIT 5

20-F 1 d20f.htm FORM 20-F

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

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

OR

[**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

OR

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

OR

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

For the transition period from _____ to _____.

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 charters)

ENGLAND
(Jurisdictions of Incorporation)

1 CHURCHILL PLACE, LONDON, E14 5HP, ENGLAND
(Address of principal executive offices)

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

	Title of each class	Name of each exchange on which registered
Barclays PLC	25p ordinary shares	New York Stock Exchange*
	American Depositary Shares, each representing four 25p ordinary shares	New York Stock Exchange
Barclays Bank PLC	7.4% Subordinated Notes 2009	New York Stock Exchange
	Callable Floating Rate Notes 2035	New York Stock Exchange
	Non-Cumulative Callable Dollar Preference Shares, Series 2	New York Stock Exchange*
	American Depositary 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 Depositary Shares, Series 2, 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 Depositary Shares, Series 2, each representing one Non-Cumulative Callable Dollar Preference Share, Series 4	New York Stock Exchange
iPath℠ CBOE S&P 500 BuyWrite Index℠	American Stock Exchange
iPath® Dow Jones – AIG Grains Total Return Sub-Index℠ ETN	NYSE Arca
iPath® Dow Jones – AIG Livestock Total Return Sub-Index℠ ETN	NYSE Arca
iPath® Dow Jones – AIG Nickel Total Return Sub-Index℠ ETN	NYSE Arca
iPath® Dow Jones – AIG Copper Total Return Sub-Index℠ ETN	NYSE Arca
iPath® Dow Jones – AIG Energy Total Return Sub-Index℠ ETN	NYSE Arca
iPath® Dow Jones – AIG Agriculture Total Return Sub-Index℠ ETN	NYSE Arca
iPath® Dow Jones – AIG Natural Gas Total Return Sub-Index℠ ETN	NYSE Arca
iPath® Dow Jones – AIG Industrial Metals Total Return Sub-Index℠ ETN	NYSE Arca
iPath® GBP/USD Exchange Rate ETN	NYSE Arca
iPath® Dow Jones – AIG Commodity Index Total Return℠ ETN	NYSE Arca
iPath® EUR/USD Exchange Rate ETN	NYSE Arca
iPath® S&P GSCI™ Total Return Index ETN	NYSE Arca
iPath® MSCI India Index℠ ETN	NYSE Arca
iPath® S&P GSCI™ Crude Oil Total Return Index ETN	NYSE Arca
iPath® JPY/USD Exchange Rate ETN	NYSE Arca

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

Securities 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	6,534,698,021
	£1 staff shares	875,000
Barclays Bank PLC	£1 ordinary shares	2,337,161,000
	£1 preference shares	1,000
	£100 preference shares	75,000
	€100 preference shares	240,000
	$0.25 preference shares	131,000,000
	$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 [No ″

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

Yes ″ No [

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 registrants were required to file such reports) and (2) have been subject to such filing requirements for the past 90 days.

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 [Accelerated filer ″ Non-accelerated flier ″

Barclays Bank PLC:

Large accelerated filer ″ Accelerated filer ″ Non-accelerated filer [

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 [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, indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ″ No [

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

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

Yes ″ No ″

Table of Contents

Certain non-IFRS measures

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

Market and other data

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

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance. 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 "aim", "anticipate", "target", 'expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group's future financial position, income growth, impairment charges, business strategy, projected levels of growth in the banking and financial markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, UK domestic and global economic and business conditions, the effects of continued volatility in credit markets, market related risks such as changes in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, changes in legislation, the further development of standards and interpretations under IFRS applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS, progress in the integration of Absa into the Group's business and the achievement of synergy targets related to Absa, the outcome of pending and future litigation, the success of future acquisitions and other strategic transactions and the impact of competition – a number of which factors are 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 by or on behalf of Barclays speak only as of the date they are made. Barclays does not undertake to update forward-looking statements to reflect any changes in Barclays expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has filed or may file with the Securities and Exchange Commission, including the discussion of risk management in the document.

Table of Contents

SEC Form 20-F cross reference information

SEC Form 20-F Cross Reference Information

Form 20-F item number		Page reference in this document*
1	**Identity of Directors, Senior Management and Advisers**	
	Not applicable	
2	**Offer Statistics and Expected Timetable**	
	Not applicable	
3	**Key Information**	
	Risk factors	63
	Currency of presentation	265
	Financial data	6
	Dividends	267
4	**Information on the Company**	
	Presentation of information	146
	Glossary	266
	Business description	8
	Acquisitions	158
	Financial review	3
	Recent developments	159
	Supervision and regulation	110
	Note 23 Property, plant and equipment	181
	Note 34 Contingent liabilities and commitments	200
	Note 40 Principal subsidiaries	206
	Note 51 Segmental reporting	247
4A	**Unresolved staff comments**	
	Not applicable	
5	**Operating and Financial Review and Prospects**	
	Financial review	3
	Capital adequacy	70
	Liquidity management	91
	Note 14 Derivative Financial Instruments	172
	Note 46 Market Risk	218
	Note 48 Liquidity Risk	240
	Note 50 Capital Management	246
6	**Directors, Senior Management and Employees**	
	Board and Executive Committee	112
	Directors' report	114
	Corporate governance report	117
	Remuneration report	128
	Accountability and Audit	143
	Note 8 Staff costs	168
	Note 30 Retirement benefit obligations	190
	Note 42 Related party transactions and Directors' remuneration	208
7	**Major Shareholders and Related Party Transactions**	
	Presentation of information	146
	Directors' report	114
	Note 42 Related party transactions and Director's remuneration	208
	Trading market for ordinary shares of Barclays PLC	267
8	**Financial Information**	
	Financial statements	145
	Note 1 Dividends per share –Barclays PLC	166
	Note 35 Legal proceedings	201
	Note 43 Events after the balance sheet date	212
	Dividends – Barclays PLC	267
9	**The Offer and Listing**	
	Trading market for ordinary shares of Barclays PLC	267
10	**Additional Information**	
	Memorandum and Articles of Association	269
	Taxation	271
	Exchange controls and other limitations affecting security holders	273
	Documents on display	273
11	**Quantitative and qualitative disclosure about market risk**	
	Risk management Introduction	65
	Credit risk management	74
	Monitoring of Loans and advances	80
	Allowances for impairment and other credit provisions	84
	Potential credit risk loans	82
	Loans and advances in non-local currencies	101
	Market risk management	86
	Derivatives	89
	Capital adequacy	70
	Liquidity management	91
	Note 14 Derivative financial instruments	172
12	**Description of Securities Other than Equity Securities**	
	Not applicable	
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**	
	Disclosure controls and procedures	144
	Management's report on internal control over financial reporting	143
	Independent registered public accounting firm's report	147
	Changes in internal control	144
16A	**Audit Committee Financial Expert**	122
16B	**Code of Ethics**	Exhibit 11.1
16C	**Principal Accountant Fees and Services**	122,169
16D	**Exemptions from the Listing Standards for Audit Committees**	
	Not applicable	
16E	**Share Repurchase**	**197**
17	**Financial Statements**	
	Not applicable	
18	**Financial Statements**	
	Independent registered public accounting firm's report for Barclays PLC	147
	Independent registered public accounting firm report for Barlays Bank PLC	148
	Accounting policies	149
	Consolidated accounts Barclays PLC	149
	Notes to accounts of Barclays PLC	166
	Barclays Bank PLC data	250
	Notes to consolidated accounts of Barclays Bank PLC	254
19	**Exhibits**	
	Included in documents as filed with the SEC	

*

Where the response to an item of Form 20-F is presented over a number of pages, the page number indicates the page number on which the relevant response begins.

Barclays
Annual Report 2007

Table of Contents

Contents

Section 1 Business review	3
Financial review	3
Corporate sustainability	58
Risk management	61
Section 2 Governance	111
Board and Executive Committee	112
Directors' report	114
Corporate governance report	117
Remuneration report	128
Accountability and audit	143
Section 3 Financial statements	145
Presentation of information	146
Independent Registered Public Accounting Firm's report – Barclays PLC	147
Independent Registered Public Accounting Firm's report – Barclays Bank PLC	148
Consolidated accounts Barclays PLC	149
Consolidated accounts Barclays Bank PLC	250
Section 4 Shareholder information	267

Table of Contents

Glossary of terms

Absa definitions

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

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

"International Retail and Commercial Banking-Absa" is the portion of Absa's results that is reported by Barclays within the International Retail and Commercial Banking business.

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

Other definitions

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

"Profit before business disposals" represents profit before tax and disposal of subsidiaries, associates and joint ventures.

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

"Risk Tendency" is a statistical estimate of the average loss for each loan portfolio for a 12-month period, taking into account the size of the portfolio and its risk characteristics under current economic conditions, and is used to track the change in risk as the portfolio of loans changes over time. Further information on Risk Tendency is included under "Risk Management — Credit Risk Management"

"Daily Value at Risk (DVaR)" is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%.

Table of Contents

Financial review

Group performance	4
Financial data	6
Business description	8
Analysis of results by business	10
Results by nature of income and expense	33
Total assets and risk weighted assets	40
Capital management	42
Capital resources and deposits	44
Deposits and short-term borrowings	45
Commitments and contractual obligations	46
Securities	47
Critical accounting estimates	48
Off-balance sheet arrangements	51
Barclays Capital credit market positions	53
Average balance sheet	54
Corporate sustainability	58

Table of Contents

Financial review

Group Performance

Barclays delivered profit before tax of £7,076m. Earnings per share were 68.9p and we increased the full year dividend payout to 34p, a rise of 10%.

Income grew 7% to £23,000m. Growth was well spread by business, with strong contributions from International Retail and Commercial Banking, Barclays Global Investors and Barclays Wealth. Net income, after impairment charges, grew 4% and included net losses of £1,635m relating to credit market turbulence, net of £658m of gains arising from the fair valuation of notes issued by Barclays Capital and settlements on overdraft fees in relation to prior years of £116m in UK Retail Banking.

Impairment charges and other credit provisions rose 30% to £2,795m. Impairment charges relating to US sub-prime mortgages and other credit market exposures were £782m. Excluding these sub-prime related charges, impairment charges improved 7% to £2,013m. In UK Retail Banking and Barclaycard, impairment charges improved significantly, as a consequence of reductions in flows into delinquency and arrears balances in UK cards and unsecured loans. UK mortgage impairment charges remained negligible, with low levels of defaults, and the wholesale and corporate sector remained stable. The significant increase in impairment charges in International Retail and Commercial Banking was driven by very strong book growth.

Operating expenses increased 4% to £13,199m. We invested in growing the branch network and distribution channels in International Retail and Commercial Banking and in infrastructure development in Barclays Global Investors. Costs were lower in UK Banking and broadly flat in Barclays Capital. Gains from property disposals were £267m (2006: £432m). The Group cost:income ratio improved two percentage points to 57%.

Business Performance – Global Retail and Commercial Banking

In UK Banking we improved the cost:income ratio a further two percentage points to 48%, excluding settlements on overdraft fees in relation to prior years of £116m. On this basis we have delivered a cumulative eight percentage point improvement in the past three years, well ahead of our target of six percentage points.

UK Retail Banking profit before tax grew 9% to £1,282m. Income grew 2% excluding settlements on overdraft fees in relation to prior years of £116m, reflecting a very strong performance in Personal Customer Retail Savings and good performances in Current Accounts, Local Business and Home Finance, partially offset by lower income from loan protection insurance. Enhancements in product offering and continued improvements in processing capacity enabled a strong performance in mortgage origination, with a share of net new lending of 8%. Operating expenses were well controlled and improved 3%. Impairment charges improved 12% reflecting lower charges in unsecured consumer lending and Local Business. This was driven by improvements in the collection process which led to reduced flows into delinquency, lower levels of arrears and stable charge-offs. Mortgage impairment charges remained negligible.

Table of Contents

Barclays Commercial Bank delivered profit before tax of £1,371m. Profit before business disposals improved 5%. Income improved 7% driven by very strong growth in fees and commissions and steady growth in net interest income. Non-interest income increased to 32% of total income reflecting continuing focus on cross sales and efficient balance sheet utilisation. Operating expenses rose 6%, reflecting increased investment in product development and support, sales force capability and operational efficiency. Impairment charges increased £38m as a result of asset growth and higher charges in Larger Business.

Barclaycard profit before tax increased to £540m, 18% ahead of the prior year. Steady income relative to 2006 reflected strong growth in Barclaycard International offset by a reduction in UK card extended credit balances as we re-positioned the UK business and reduced lower credit quality exposures including the sale of the Monument card portfolio. As a result, impairment charges improved 21%, reflecting more selective customer recruitment, client management and improved collections. Operating expenses increased 12%, driven by continued investment in Barclaycard International and the non-recurrence of a property gain included in the 2006 results. Barclaycard US continued to make good progress, and for the first time made a profit for the year.

International Retail and Commercial Banking profits declined 23% to £935m. Results in 2006 included a £247m profit on disposals and £41m post tax profit share from FirstCaribbean International Bank. 2007 results reflected a 12% decline in the average value of the Rand.

International Retail and Commercial Banking – excluding Absa delivered a profit before tax of £246m. Income rose 28% as we significantly increased the pace of organic growth across the business, with especially strong growth in Emerging Markets and Spain. Operating expenses grew 32% as we expanded the distribution footprint, opening 324 new branches and 157 new sales centres and also invested in rolling out a common technology platform and processes across the business. Impairment increased to £79m including very strong balance sheet growth and lower releases.

International Retail and Commercial Banking – Absa Sterling profit fell £9m to £689m after absorbing the 12% decline in the average value of the Rand. Retail loans and advances grew 22% and retail deposits grew 20%.

Business Performance – Investment Banking and Investment Management

Barclays Capital delivered a 5% increase in profit before tax to £2,335m. Net income was ahead of last year, reflecting very strong performances in most asset classes including interest rates, currencies, equity products and commodities. Results also included net losses arising from credit market turbulence of £1,635m net of gains from the fair valuation of issued notes of £658m. All geographies outside the US enjoyed significant growth in income and profits. Strong cost control led to operating expenses declining slightly year on year.

Barclays Global Investors (BGI) profit before tax increased 3% to £734m. Income grew 16%, driven by very strong growth in management fees and in securities lending revenues. Profit and income growth were both affected by the 8% depreciation in the average value of the US Dollar. BGI costs increased 25% as we continued to build our infrastructure across multiple products and platforms to support future growth.

The cost:income ratio rose to 62%. Assets under management grew US$265bn to US$2.1 trillion, including net new assets of US$86bn.

Barclays Wealth profit before tax rose 25% to £307m. Income growth of 11% was driven by increased client funds and greater transaction volumes. Costs were well controlled as business volumes rose and the cost:income ratio improved three percentage points to 76%. We continued to invest in client facing staff and infrastructure. Redress costs declined. Total client assets increased 14% to £133bn.

Head office functions and other operations

Head Office functions and other operations loss before tax increased 65% to £428m reflecting higher inter-segment adjustments and lower gains from hedging activities.

Capital management

At 31st December 2007, our Basel I Tier 1 Capital ratio was 7.8% (2006: 7.7%). We started managing capital ratios under Basel II from 1st January 2008. Our Basel II Tier 1 Capital ratio was 7.6%. Our Equity Tier 1 ratio was 5.0% under Basel I (2006: 5.3%) and 5.1% under Basel II.

We have increased the proposed dividend payable to shareholders in respect of 2007 by 10%. We maintain our progressive approach to dividends, expecting dividend growth broadly to match earnings growth over time.

Table of Contents

Financial data

Consolidated income statement summary
For the year ended 31st December

	2007 £m	2006 £m	2005 £m	2004 £m [a]
Net interest income	9,610	9,143	8,075	6,833
Net fee and commission income	7,708	7,177	5,705	4,847
Principal transactions	4,975	4,576	3,179	2,514
Net premiums from insurance contracts	1,011	1,060	872	1,042
Other income	188	214	147	131
Total income	23,492	22,170	17,978	15,367
Net claims and benefits incurred on insurance contracts	(492)	(575)	(645)	(1,259)
Total income net of insurance claims	23,000	21,595	17,333	14,108
Impairment charges and other credit provisions	(2,795)	(2,154)	(1,571)	(1,093)
Net income	20,205	19,441	15,762	13,015
Operating expenses	(13,199)	(12,674)	(10,527)	(8,536)
Share of post-tax results of associates and joint ventures	42	46	45	56
Profit before business disposals	7,048	6,813	5,280	4,535
Profit on disposal of subsidiaries, associates and joint ventures	28	323	–	45
Profit before tax	7,076	7,136	5,280	4,580
Tax	(1,981)	(1,941)	(1,439)	(1,279)
Profit after tax	5,095	5,195	3,841	3,301
Profit attributable to minority interests	678	624	394	47
Profit attributable to equity holders of the parent	4,417	4,571	3,447	3,254
	5,095	5,195	3,841	3,301

Selected financial statistics				
Basic earnings per share	68.9p	71.9p	54.4p	51.0p
Diluted earnings per share	66.7p	69.8p	52.6p	49.8p
Dividends per ordinary share	34.0p	31.0p	26.6p	24.0p
Dividend payout ratio	49.3%	43.1%	48.9%	47.1%
Profit attributable to the equity holders of the parent as a percentage of:				
average shareholders' equity	20.3%	24.7%	21.1%	21.7%
average total assets	0.3%	0.4%	0.4%	0.5%

Selected statistical measures				
Cost:income ratio[b]	57%	59%	61%	61%
Average United States Dollar exchange rate used in preparing the accounts	2.00	1.84	1.82	1.83
Average Euro exchange rate used in preparing the accounts	1.46	1.47	1.46	1.47
Average Rand exchange rate used in preparing the accounts	14.11	12.47	11.57	11.83

The financial information above is extracted from the published accounts for the last three years. This information should be read together with, and is qualified by reference to, the accounts and notes included in this report.

Note
a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.
b Defined on page 2.

Table of Contents

Financial data

Consolidated balance sheet summary
As at 31st December

	2007 £m	2006 £m	2005 £m	2004 £m [a]
Assets				
Cash and other short-term funds	7,637	9,753	5,807	3,525
Treasury bills and other eligible bills	n/a	n/a	n/a	6,658
Trading portfolio and financial assets designated at fair value	341,171	292,464	251,820	n/a
Derivative financial instruments	248,088	138,353	136,823	n/a
Debt securities and equity shares	n/a	n/a	n/a	141,710
Loans and advances to banks	40,120	30,926	31,105	80,632
Loans and advances to customers	345,398	282,300	268,896	262,409
Available for sale financial investments	43,072	51,703	53,497	n/a
Reverse repurchase agreements and cash collateral on securities borrowed	183,075	174,090	160,398	n/a
Other assets	18,800	17,198	16,011	43,247
Total assets	1,227,361	996,787	924,357	538,181
Liabilities				
Deposits and items in the course of collection due to banks	92,338	81,783	77,468	112,229
Customer accounts	294,987	256,754	238,684	217,492
Trading portfolio and financial liabilities designated at fair value	139,891	125,861	104,949	n/a
Liabilities to customers under investment contracts	92,639	84,637	85,201	n/a
Derivative financial instruments	248,288	140,697	137,971	n/a
Debt securities in issue	120,228	111,137	103,328	83,842
Repurchase agreements and cash collateral on securities lent	169,429	136,956	121,178	n/a
Insurance contract liabilities, including unit-linked liabilities	3,903	3,878	3,767	8,377
Subordinated liabilities	18,150	13,786	12,463	12,277
Other liabilities	15,032	13,908	14,918	87,200
Total liabilities	1,194,885	969,397	899,927	521,417
Shareholders' equity				
Shareholders' equity excluding minority interests	23,291	19,799	17,426	15,870
Minority interests	9,185	7,591	7,004	894
Total shareholders' equity	32,476	27,390	24,430	16,764
Total liabilities and shareholders' equity	1,227,361	996,787	924,357	538,181
Risk weighted assets and capital ratios [b]				
Risk weighted assets	353,476	297,833	269,148	
Tier 1 ratio	7.8%	7.7%	7.0%	
Risk asset ratio	12.1%	11.7%	11.3%	
Selected financial statistics				
Net asset value per ordinary share	353p	303p	269p	246p
Year-end United States Dollar exchange rate used in preparing the accounts	2.00	1.96	1.72	1.92
Year-end Euro exchange rate used in preparing the accounts	1.36	1.49	1.46	1.41
Year-end Rand exchange rate used in preparing the accounts	13.64	13.71	10.87	10.86

The financial information above is extracted from the published accounts for the last three years. This information should be read together with, and is qualified by reference to, the accounts and Notes included in this report.

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Risk weighted assets and capital ratios are calculated on a Basel I basis. Capital ratios for 2004 based on IFRS are not available. As at 1st January 2005 the tier 1 ratio was 7.1% and the risk asset ratio was 11.8% reflecting the impact of IFRS including the adoption of IAS 32, IAS 39 and IFRS 4.

Table of Contents

Financial review

Business description

The following section analyses the Group's performance by business. For management and reporting purposes, Barclays is organised into the following business groupings:

Global Retail and Commercial Banking

... **UK Banking**, comprising:

–UK Retail Banking

–Barclays Commercial Bank (formerly UK Business Banking)

... **Barclaycard**

... **International Retail and Commercial Banking,** comprising

–International Retail and Commercial Banking-excluding Absa

–International Retail and Commercial Banking-Absa.

Investment Banking and Investment Management

... **Barclays Capital**

... **Barclays Global Investors**

... **Barclays Wealth**

Head office functions and other operations

UK Banking

UK Banking delivers banking solutions to Barclays UK retail and business banking customers. It offers a range of integrated products and services and access to the expertise of other Group businesses. Customers are served through a variety of channels comprising the branch network, automated teller machines, telephone banking, online banking and relationship managers. UK Banking is managed through two business areas, UK Retail Banking and Barclays Commercial Bank.

UK Retail Banking

UK Retail Banking comprises Personal Customers, Home Finance, Local Business, Consumer Lending and Barclays Financial Planning. This cluster of businesses aims to build broader and deeper relationships with its Personal and Local Business customers through providing a wide range of products and financial services. Personal Customers and Home Finance provide access to current account and savings products, Woolwich branded mortgages and general insurance. Consumer Lending provides unsecured loan and protection products and Barclays Financial Planning provides investment advice and products. Local Business provides banking services, including money transmission, to small businesses.

Barclays Commercial Bank

Barclays Commercial Bank provides banking services to organisations with an annual turnover of more than £1m. Customers are served via a network of relationship and industry sector specialists, which provides solutions constructed from a comprehensive suite of banking products, support, expertise and services, including specialist asset financing and leasing facilities. Customers are also offered access to the products and expertise of other businesses in the Barclays Group, particularly Barclays Capital, Barclaycard and Barclays Wealth.

Barclaycard

Barclaycard is a multi-brand credit card and consumer lending business which also processes card payments for retailers and merchants and issues credit and charge cards to corporate customers and the UK Government. It is one of Europe's leading credit card businesses and has an increasing presence in the United States.

In the UK, Barclaycard comprises Barclaycard UK Cards, Barclaycard Partnerships (SkyCard, Thomas Cook, Argos and Solution Personal Finance), Barclays Partner Finance (formerly CFS) and FirstPlus.

Outside the UK, Barclaycard provides credit cards in the United States, Germany, Spain, Italy and Portugal. In the Nordic region, Barclaycard operates through Entercard, a joint venture with Swedbank.

Barclaycard works closely with other parts of the Group, including UK Retail Banking, Barclays Commercial Bank and International Retail and Commercial Banking, to leverage their distribution capabilities.

International Retail and Commercial Banking

International Retail and Commercial Banking provides banking services to Barclays personal and corporate customers outside the UK. The products and services offered to customers are tailored to meet the customer needs and the regulatory and commercial environments within each country. For reporting purposes, the operations are grouped into two components: International Retail and Commercial Banking-excluding Absa and International Retail and Commercial Banking-Absa. International Retail and Commercial Banking works closely with all other parts of the Group to leverage synergies from product and service propositions.

International Retail and Commercial Banking-excluding Absa

International Retail and Commercial Banking - excluding Absa provides a range of banking services to retail and corporate customers in Western Europe and Emerging Markets, including current accounts, savings, investments, mortgages and loans. Barclays Western Europe business includes Spain, Italy, France and Portugal. Emerging Markets includes operations in Africa, India and the Middle East.

International Retail and Commercial Banking-Absa

International Retail and Commercial Banking-Absa represents Barclays consolidation of Absa, excluding Absa Capital which is included as part of Barclays Capital. Absa Group Limited is one of South Africa's largest financial services organisations serving personal, commercial and corporate customers predominantly in South Africa. International Retail and Commercial Banking-Absa serves retail customers through a variety of distribution channels and offers a full range of banking services, including current and deposit accounts, mortgages, instalment finance, credit cards, bancassurance products and wealth management services. It also offers customised business solutions for commercial and large corporate customers.

Table of Contents

Barclays Capital

Barclays Capital is a leading global investment bank which provides large corporate, institutional and government clients with solutions to their financing and risk management needs.

Barclays Capital services a wide variety of client needs, from capital raising and managing foreign exchange, interest rate, equity and commodity risks, through to providing technical advice and expertise. Activities are organised into three principal areas: Rates, which includes fixed income, foreign exchange, commodities, emerging markets, money markets, prime services and equity products; Credit, which includes primary and secondary activities for loans and bonds for investment grade, high yield and emerging market credit, as well as hybrid capital products, asset based finance, mortgage backed securities, credit derivatives, structured capital markets and large asset leasing; and Private Equity. Barclays Capital includes Absa Capital, the investment banking business of Absa. Barclays Capital works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Barclays Global Investors

Barclays Global Investors (BGI) is one of the world's largest asset managers and a leading global provider of investment management products and services.

BGI offers structured investment strategies such as indexing, global asset allocation and risk controlled active products including hedge funds and provides related investment services such as securities lending, cash management and portfolio transition services. In addition, BGI is the global leader in assets and products in the exchange traded funds business, with over 320 funds for institutions and individuals trading globally. BGI's investment philosophy is founded on managing all dimensions of performance: a consistent focus on controlling risk, return and cost. BGI collaborates with the other Barclays businesses, particularly Barclays Capital and Barclays Wealth, to develop and market products and leverage capabilities to better serve the client base.

Barclays Wealth

Barclays Wealth serves high net worth affluent and intermediary clients worldwide, providing private banking, asset management, stockbroking, offshore banking, wealth structuring and financial planning services and manages the closed life assurance activities of Barclays and Woolwich in the UK.

Barclays Wealth works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Head office functions and other operations

Head office functions and other operations comprise:

–Head office and central support functions

–Businesses in transition

–Consolidation adjustments.

Head office and central support functions comprises the following areas: Executive Management, Finance, Treasury, Corporate Affairs, Human Resources, Strategy and Planning, Internal Audit, Legal, Corporate Secretariat, Property, Tax, Compliance and Risk. Costs incurred wholly on behalf of the businesses are recharged to them.

Businesses in transition principally relate to certain lending portfolios that are centrally managed with the objective of maximising recovery from the assets.

Consolidation adjustments largely reflect the elimination of inter-segment transactions.

Table of Contents

Financial review

Analysis of results by business

Analysis of results by business
For the year ended 31st December 2007

	UK Banking £m	Barclaycard £m	International Retail and Commercial Banking £m	Barclays Capital £m	Barclays Global Investors £m	Barclays Wealth £m	Head office functions and other operations £m	Group £m
Net interest income	4,596	1,394	1,890	1,179	(8)	431	128	9,610
Net fee and commission income	1,932	1,080	1,210	1,235	1,936	739	(424)	7,708
Principal transactions[a]	56	11	248	4,692	(4)	55	(83)	4,975
Net premiums from insurance contracts	252	40	372	–	–	195	152	1,011
Other income	58	(26)	87	13	2	19	35	188
Total income	6,894	2,499	3,807	7,119	1,926	1,439	(192)	23,492
Net claims and benefits incurred on insurance contracts	(43)	(13)	(284)	–	–	(152)	–	(492)
Total income, net of insurance claims	6,851	2,486	3,523	7,119	1,926	1,287	(192)	23,000
Impairment charges	(849)	(838)	(252)	(846)	–	(7)	(3)	(2,795)
Net income	6,002	1,648	3,271	6,273	1,926	1,280	(195)	20,205
Operating expenses	(3,370)	(1,101)	(2,356)	(3,973)	(1,192)	(973)	(234)	(13,199)
Share of post-tax results of associates and joint ventures	7	(7)	7	35	–	–	–	42
Profit before business disposals	2,639	540	922	2,335	734	307	(429)	7,048
Profit on disposal of subsidiaries, associates and joint ventures	14	–	13	–	–	–	1	28
Profit before tax	2,653	540	935	2,335	734	307	(428)	7,076
As at 31st December 2007								
Total assets	161,777	22,164	89,457	839,662	89,224	18,024	7,053	1,227,361
Total liabilities	166,988	1,559	48,809	811,516	87,101	43,988	34,924	1,194,885

Note
a Principal transactions comprise net trading income and net investment income.

Table of Contents

Financial review
Analysis of results by business

Global Retail and Commercial Banking
UK Banking

Who we are

UK Banking comprises UK Retail Banking and Barclays Commercial Bank (formerly UK Business Banking).

What we do

UK Banking delivers banking solutions to Barclays retail and business banking customers in the United Kingdom. We offer a range of integrated products and services and access to the expertise of other Group businesses. Customers are served through a variety of channels comprising the branch network, automated teller machines, telephone banking, online banking and relationship managers.

Highlights

£6,851m
Income

£2,653m
Profit before tax

Performance
2007/06

UK Banking profit before tax increased 4% (£107m) to £2,653m (2006: £2,546m) driven principally by solid income growth. Results included gains from the sale and leaseback of properties and property sales of £232m (2006: £313m).

The cost:income ratio improved one percentage point to 49%. Excluding the impact of settlements on overdraft fees in relation to prior years (£116m), the cost:income ratio improved two percentage points to 48%, making eight percentage points of improvement from 2004 to 2007 compared to the target of six percentage points.

2006/05

UK Banking profit before tax increased 14% (£310m) to £2,546m (2005: £2,236m) driven principally by good income growth. Profit before business disposals grew 10% (£234m) to £2,470m (2005: £2,236m).

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	4,596	4,467	4,213
Net fee and commission income	1,932	1,874	1,728
Net trading income	9	2	–
Net investment income	47	28	26
Principal transactions	56	30	26
Net premiums from insurance contracts	252	342	298
Other income	58	63	32
Total income	6,894	6,776	6,297
Net claims and benefits incurred on insurance contracts	(43)	(35)	(61)
Total income, net of insurance claims	6,851	6,741	6,236
Impairment charges	(849)	(887)	(671)
Net income	6,002	5,854	5,565
Operating expenses excluding amortisation of intangible assets	(3,358)	(3,387)	(3,323)
Amortisation of intangible assets	(12)	(2)	(3)
Operating expenses	(3,370)	(3,389)	(3,326)
Share of post-tax results of associates and joint ventures	7	5	(3)
Profit on disposal of subsidiaries, associates and joint ventures	14	76	–
Profit before tax	2,653	2,546	2,236
Balance sheet information			
Loans and advances to customers	£145.3bn	£131.0bn	£125.5bn
Customer accounts	£147.9bn	£139.7bn	£127.2bn
Total assets	£161.8bn	£147.6bn	£138.0bn
Selected statistical measures			
Cost:income ratio[a]	49%	50%	53%
Risk Tendency[a]	£ 775m	£ 790m	£ 665m
Risk weighted assets	£ 99.8bn	£ 93.0bn	£ 87.9bn

a Defined on page 2.

Table of Contents

Financial review
Analysis of results by business

Global Retail and Commercial Banking
UK Retail Banking

Who we are

UK Retail Banking comprises Personal Customers, Home Finance, Local Business, Consumer Lending and Barclays Financial Planning. We have one of the largest branch networks in the UK with around 1,700 branches and an extensive network of cash machines.

What we do

Our cluster of businesses aims to build broader and deeper relationships with customers. Personal Customers and Home Finance provide a wide range of products and services to retail customers, including current accounts, savings and investment products, mortgages branded Woolwich and general insurance. Barclays Financial Planning provides banking, investment products and advice to affluent customers.

Local Business provides banking services to small businesses. UK Retail Banking is also a gateway to more specialised services from other parts of Barclays such as Barclays Stockbrokers.

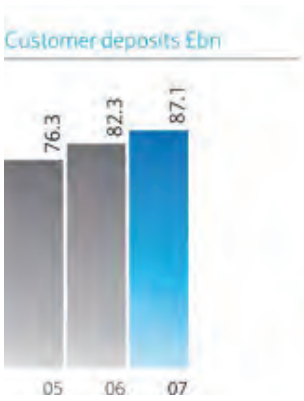
Our business serves 15 million UK customers.

Highlights

£4,297m
Income

£1,282m
Profit before tax

Performance indicators



Performance 2007/06

UK Retail Banking profit excluding tax increased 9% (£101m) to £1,282m (2006: £1,181m) due to reduced costs and a strong improvement in impairment.

Including the impact of settlements on overdraft fees from prior years (£116m), income decreased 1% (£49m) to £4,297m (2006: £4,346m). Income grew 2% (£67m) excluding the impact of settlements on overdraft fees in relation to prior years (£116m). This was driven by very strong growth in Personal Customer retail savings and good growth in Personal Customer current accounts, Home Finance and Local Business.

Net interest income increased 3% (£93m) to £2,858m (2006: £2,765m). Growth was driven by a higher contribution from deposits, through a combination of good balance sheet growth and an increased liability margin. Total average customer deposit balances increased 7% to £81.9bn (2006: £76.5bn), supported by the launch of new products.

Mortgage volumes increased significantly, driven by an improved mix of longer term value products for customers, higher levels of retention and continuing improvements in processing capability. Mortgage balances were £69.8bn at the end of the period (2006: £61.7bn), an approximate market share of 6% (2006: 6%). Gross advances were 25% higher at £23.0bn (2006: £18.4bn). Net lending was £8.0bn (2006: £2.4bn), representing market share of 8% (2006: 2%). The average loan to value ratio of the residential mortgage book on a current valuation basis was 33%. The average loan to value ratio of new residential mortgage lending in 2007 was 54%. Consumer Lending balances decreased 4% to £7.9bn (2006: £8.2bn), reflecting the impact of tighter lending criteria.

Overall asset margins decreased as a result of the increased proportion of mortgages and contraction in unsecured loans.

Net fee and commission income reduced 4% (£49m) to £1,183m (2006: £1,232m). There was strong Current Account income growth in Personal Customers and good growth within Local Business. This was more than offset by settlements on overdraft fees.

Net premiums from insurance underwriting activities reduced 26% (£90m) to £252m (2006: £342m), as there continued to be lower customer take-up of loan protection insurance. Net claims and benefits on insurance contracts increased to £43m (2006: £35m).

Impairment charges decreased 12% (£76m) to £559m (2006: £635m) reflecting lower charges in unsecured Consumer Lending and Local Business. This was driven by improvements in the collection process which led to reduced flows into delinquency, lower levels of arrears and stable charge-offs. Mortgage impairment charges remained negligible.

Operating expenses reduced 3% (£69m) to £2,463m (2006: £2,532m), reflecting strong and active management of all expense lines, targeted processing improvements and back office consolidation. Gains from the sale of property were £193m (2006: £253m). Increased investment was focused on improving the overall customer experience through converting and improving the branch network; revitalising the product offering; increasing operational and process efficiency; and meeting regulatory requirements.

The cost:income ratio improved one percentage point to 57%. Excluding the impact of settlements on overdraft fees from prior years (£116m), the cost:income ratio improved two percentage points to 56%.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	2,858	2,765	2,677
Net fee and commission income	1,183	1,232	1,065
Net premiums from insurance contracts	252	342	372
Other income	47	42	24
Total income	4,340	4,381	4,138
Net claims and benefits on insurance contracts	(43)	(35)	(61)
Total income net of insurance claims	4,297	4,346	4,077
Impairment charges	(559)	(635)	(494)
Net income	3,738	3,711	3,583
Operating expenses excluding amortisation of intangible assets	(2,455)	(2,531)	(2,501)
Amortisation of intangible assets	(8)	(1)	–
Operating expenses	(2,463)	(2,532)	(2,501)
Share of post-tax results of associates and joint ventures	7	2	(6)
Profit before tax	1,282	1,181	1,076
Balance sheet information			
Loans and advances to customers	£82.0bn	£74.7bn	£72.1bn
Customer accounts	£87.1bn	£82.3bn	£76.3bn
Total assets	£87.8bn	£81.7bn	£78.1bn
Selected statistical measures			
Cost:income ratio[a]	57%	58%	61%
Risk Tendency[a]	£ 470m	£ 500m	£ 415m
Risk weighted assets	£46.0bn	£43.0bn	£40.8bn

a Defined on page 2.

2006/05

UK Retail Banking profit before tax increased 10% (£105m) to £1,181m (2005: £1,076m), driven by good income growth and well controlled costs. There has been substantial additional investment to transform the business.

Income increased 7% (£269m) to £4,346m (2005: £4,077m). Income growth was broadly based. There was strong income growth in Personal Customers retail savings, Local Business and UK Premier and good growth in Personal Customers current account income. Sales volumes increased, with a particularly strong performance from direct channels.

Net interest income increased 3% (£88m) to £2,765m (2005: £2,677m). Growth was driven by a higher contribution from deposits, through a combination of good balance sheet growth and a stable liability margin. Total average customer deposit balances increased 8% to £76.5bn (2005: £71.0bn), supported by new products. Growth of personal savings was above that of the market.

Mortgage volumes improved significantly, driven by a focus on improving capacity, customer service, value and promotion. UK residential mortgage balances ended the year at £61.7bn (2005: £59.6bn). Gross advances were 60% higher at £18.4bn (2005: £11.5bn), with a market share of 5% (2005: 4%). Net lending was £2.4bn, with performance improving during the year, leading to a market share of 4% in the second half of the year. The mortgage margin was reduced by changed assumptions used in the calculation of effective interest rates, a higher proportion of new mortgages and base rate changes. The new business spread was in line with the industry. The loan to value ratio within the residential mortgage book on a current valuation basis was 34% (2005: 35%).

There was good balance growth in non-mortgage loans, where Local Business average balances increased 9% and UK Premier average balances increased 25%.

Net fee and commission income increased 16% (£167m) to £1,232m (2005: £1,065m). There was strong current account income growth in Personal Customers and Local Business. UK Premier delivered strong growth reflecting higher income from banking services, mortgage sales and investment advice.

Net premiums from insurance underwriting activities decreased 8% (£30m) to £342m (2005: £372m). There continued to be lower customer take-up of loan protection insurance. Net claims and benefits on insurance contracts improved to £35m (2005: £61m).

Impairment charges increased 29% (£141m) to £635m (2005: £494m). The increase principally reflected balance growth and some deterioration in delinquency rates in the Local Business loan book. Losses from the mortgage portfolio remained negligible, with arrears at low levels.

Operating expenses were steady at £2,532m (2005: £2,501m). Gains from the sale and leaseback of property amounted to £253m (2005: nil). Investment in the business to improve customer service and deliver sustainable performance improvements was directed at upgrading distribution capabilities, including restructuring and improving the branch network. Further investment was focused on upgrading the contact centres, transforming the performance of the mortgage business, revitalising the retail product range to meet customers' needs, improving core operations and processes and rationalising the number of operating sites. The level of investment reflected in operating expenses in 2006 was approximately double the level of 2005.

The cost:income ratio improved three percentage points to 58% (2005: 61%).

Table of Contents

Financial review
Analysis of results by business

Global Retail and Commercial Banking
Barclays Commercial Bank

Who we are

Barclays Commercial Bank comprises 8,400 colleagues who serve 81,000 customers.

Earlier this year, we launched our new brand – Barclays Commercial Bank – to replace UK Business Banking. This new identity is much more than just a name change. Instead, it more accurately reflects our current capabilities and future aspirations, and it is scalable across markets. To complement the new identity, we also launched a clear customer proposition. It comprises three elements:

... relationship

... specialisation

... innovation

These encapsulate our capability to deliver distinctive service and solutions that meet our customers' needs.

What we do

Barclays Commercial Bank provides banking services to organisations with an annual turnover of more than £1m. Customers are served via a network of relationship and industry sector specialists, which provides solutions constructed from a comprehensive suite of banking products, support, expertise and services, including specialist asset financing and leasing facilities.

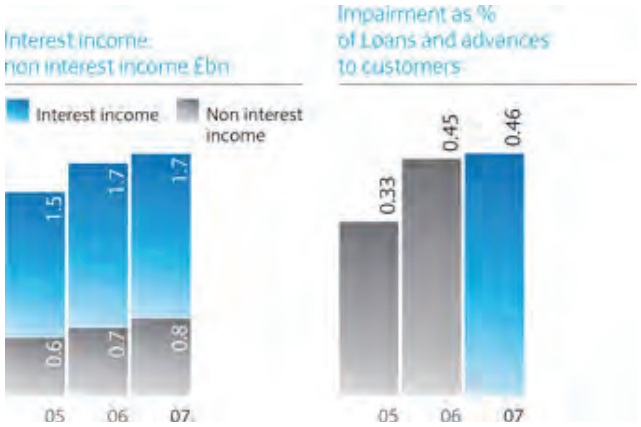
We are a key component of the Barclays universal banking model, delivering income in partnership with all the constituent business units of the Barclays Group.

Highlights

£2,554m
Income

£1,371m
Profit before tax

Performance indicators



Performance

2007/06

Barclays Commercial Bank profit before tax increased £6m to £1,371m (2006: £1,365m) due to continued good income growth partially offset by lower gains from business disposals. Profit excluding profit on business disposals of £14m (2006: £76m) increased 5% to £1,357m (2006: £1,289m).

Income increased 7% (£159m) to £2,554m (2006: £2,395m). Non-interest income increased to 32% of total income (2006: 29%), reflecting continuing focus on cross sales and efficient balance sheet utilisation. There was very strong growth in net fee and commission income, which increased 17% (£107m) to £749m (2006: £642m) due to very strong performance in lending fees. There was also good growth in transaction related income, foreign exchange and derivatives transactions undertaken on behalf of clients.

Net interest income improved 2% (£36m) to £1,738m (2006: £1,702m). Average customer lendings increased 3% to £53.6bn (2006: £52.0bn). Average customer accounts grew 4% to £46.4bn (2006: £44.8bn).

Income from principal transactions primarily reflecting venture capital and other equity realisations increased 87% (£26m) to £56m (2006: £30m).

Impairment charges increased 15% (£38m) to £290m (2006: £252m), mainly due to a higher level of impairment losses in Larger Business as impairment trended towards risk tendency. There was a reduction in impairment levels in Medium Business due to a tightening of the lending criteria.

Operating expenses increased 6% (£50m) to £907m (2006: £857m). Operating expenses are net of gains of £39m (2006: £60m) on the sale of property. Growth in operating expenses was focused on continuing investment in operations, infrastructure, and new initiatives in product development and sales capability.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	1,738	1,702	1,536
Net fee and commission income	749	642	589
Net trading income	9	2	–
Net investment income	47	28	17
Principal transactions	56	30	17
Other income	11	21	17
Total income	2,554	2,395	2,159
Impairment charges	(290)	(252)	(177)
Net income	2,264	2,143	1,982
Operating expenses excluding amortisation of intangible assets	(903)	(856)	(822)
Amortisation of intangible assets	(4)	(1)	(3)
Operating expenses	(907)	(857)	(825)
Share of post-tax results of associates and joint ventures	–	3	3
Profit on disposal of subsidiaries, associates and joint ventures	14	76	–
Profit before tax	1,371	1,365	1,160
Balance sheet information			
Loans and advances to customers	£63.3bn	£56.3bn	£53.4bn
Customer accounts	£60.8bn	£57.4bn	£50.9bn
Total assets	£73.9bn	£65.9bn	£59.9bn
Selected statistical measures			
Cost:income ratio[a]	36%	36%	38%
Risk Tendency[a]	£ 305m	£ 290m	£ 250m
Risk weighted assets	£53.8bn	£50.0bn	£47.1bn

a Defined on page 2.

2006/05

Barclays Commercial Bank profit before tax increased 18% (£205m) to £1,365m (2005: £1,160m), driven by continued strong income growth. Barclays Commercial Bank maintained its market share of primary customer relationships. The 2006 result included a £23m (2005: £13m) contribution from the full year consolidation of Iveco Finance, in which a 51% stake was acquired on 1st June 2005. Profit before business disposals increased 11% to £1,289m (2005: £1,160m).

Income increased 11% (£236m) to £2,395m (2005: £2,159m), driven by strong balance sheet growth. The uplift in income was broadly based across income categories.

Net interest income increased 11% (£166m) to £1,702m (2005: £1,536m) driven by strong balance sheet growth. There was strong growth in all business areas and in particular Larger Business. The lending margin improved slightly. Average customer accounts increased 11% to £44.8bn (2005: £40.5bn) with good growth across product categories. The deposit margin was stable.

Net fee and commission income increased 9% (£53m) to £642m (2005: £589m). There was a strong rise in income from foreign exchange and derivatives business transacted through Barclays Capital on behalf of Barclays Commercial Bank customers.

Income from principal transactions was £30m (2005: £17m), primarily reflecting the profit realised on a number of equity investments.

As expected, impairment rates trended upwards during the year towards a more normalised level. Impairment increased 42% (£75m) to £252m (2005: £177m), with the increase mainly reflecting higher charges from Medium Business and balance growth. Impairment charges in Larger Business were stable.

Operating expenses increased 4% (£32m) to £857m (2005: £825m). Cost growth reflected higher volumes, increased expenditure on front line staff and the costs of Iveco Finance for a full year. Operating expenses included a credit of £60m on the sale and leaseback of property. Increased investment was focused on the acceleration of the rationalisation of operating sites and technology infrastructure.

The cost:income ratio improved two percentage points to 36% (2005: 38%).

Profit on disposals of subsidiaries, associates and joint ventures of £76m (2005: £nil) arose from the sales of interests in vehicle leasing and European vendor finance businesses.

Table of Contents

Financial review
Analysis of results by business

Global Retail and Commercial Banking
Barclaycard

Who we are

We are a multi-brand international credit card and consumer lending business. Our credit card was the first to be launched in the UK in 1966 and is now one of the leading credit card businesses in Europe, with a fast growing business in the US.

What we do UK

Our activities include all Barclaycard branded credit cards, the FirstPlus secured lending business and the retail finance business Barclays Partner Finance. In addition to these activities, Barclaycard also operates partnership cards with leading brands including SkyCard and the Thomas Cook Credit Card. We continue to lead the UK market with the launch in 2007 of Barclaycard OnePulse, the UK's first contactless card, and Barclaycard Breathe, the first card to donate a percentage of its profits to carbon reduction projects around the world.

International

Barclaycard's international presence is extensive. In 2007, 3 out of every 4 cards issued by Barclaycard were in markets outside the UK and we have 8.8m international cards in issue. We currently operate across Europe and the United States where we are the fastest growing credit card business. In Scandinavia we operate through Entercard, a joint venture with Swedbank.

Barclaycard Business

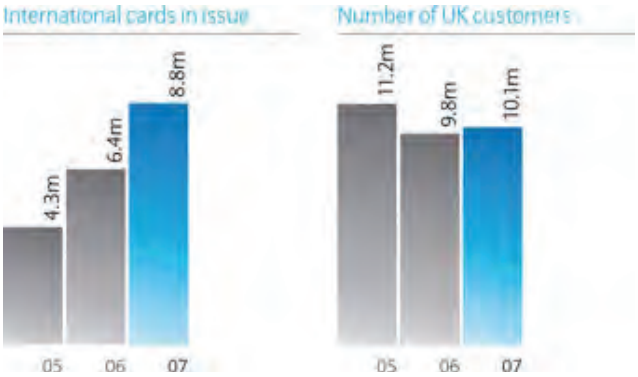
Barclaycard Business processes card payments for 93,000 retailers and merchants and issues credit and charge cards to corporate customers and the UK Government. It is Europe's number one issuer of Visa Commercial Cards with over 137,000 corporate customers.

Highlights

£2,486m
Income

£540m
Profit before tax

Performance indicators



Performance 2007/06

Barclaycard profit before tax increased 18% (£82m) to £540m (2006: £458m), driven by strong international growth coupled with a significant improvement in UK impairment charges. Other income included a £27m loss on disposal of part of the Monument card portfolio. 2006 results reflected a property gain of £38m.

Income decreased 1% (£28m) to £2,486m (2006: £2,514m) reflecting strong growth in Barclaycard International, offset by a decline in UK Cards revenue resulting from a more cautious approach to lending in the UK and a £27m loss on disposal of part of the Monument card portfolio.

Net interest income increased 1% (£11m) to £1,394m (2006: £1,383m) due to strong organic growth in international average extended credit card balances, up 32% to £3.3bn and average secured consumer lending balances up 26% to £4.3bn, partially offset by lower UK average extended credit card balances which fell 14% to £6.9bn. Margins fell to 6.59% (2006: 7.13%) due to higher average base rates across core operating markets and a change in the product mix with an increased weighting to secured lending.

Net fee and commission income fell 2% (£26m) to £1,080m (2006: £1,106m) with growth in Barclaycard International offset by our actions in response to the Office of Fair Trading's findings on late and overlimit fees in the UK which were implemented in August 2006.

Impairment charges improved 21% (£229m) to £838m (2006: £1,067m) reflecting reduced flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. We made changes to our impairment methodologies to standardise our approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by an increase in impairment charges in Barclaycard International and secured consumer lending.

Operating expenses increased 12% (£120m) to £1,101m (2006: £981m). Excluding a property gain of £38m in 2006, operating expenses increased 8% (£82m) reflecting continued investment in expanding our businesses in Europe and the US. Costs in the UK businesses were broadly flat, with investment in new UK product innovations such as Barclaycard OnePulse being funded out of operating efficiencies.

Barclaycard International continued to gain momentum, delivering a profit before tax of £77m against a loss before tax of £36m in 2006. We concluded seven new credit card partnership deals across Western Europe. The Entercard joint venture continued to perform ahead of plan and entered the Danish market, extending its reach across the Scandinavian region. Barclaycard US was profitable, with very strong average balance growth and a number of new card partnerships including Lufthansa Airlines and Princess Cruise Lines.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	1,394	1,383	1,231
Net fee and commission income	1,080	1,106	1,065
Net investment income	11	15	–
Net premiums from insurance contracts	40	18	6
Other income	(26)	–	–
Total income	2,499	2,522	2,302
Net claims and benefits incurred on insurance contracts	(13)	(8)	(3)
Total income net of insurance claims	2,486	2,514	2,299
Impairment charges	(838)	(1,067)	(753)
Net income	1,648	1,447	1,546
Operating expenses excluding amortisation of intangible assets	(1,073)	(964)	(891)
Amortisation of intangible assets	(28)	(17)	(17)
Operating expenses	(1,101)	(981)	(908)
Share of post-tax results of associates and joint ventures	(7)	(8)	1
Profit before tax	540	458	639
Balance sheet information			
Loans and advances to customers	£20.1bn	£ 18.2bn	£16.5bn
Total assets	£22.2bn	£ 20.1bn	£18.2bn
Selected statistical measures			
Cost:income ratio[a]	44%	39%	39%
Risk Tendency[a]	£ 945m	£1,135m	£ 865m
Risk weighted assets	£19.9bn	£ 17.0bn	£13.6bn

a Defined on page 2.

2006/05

Barclaycard profit before tax decreased 28% (£181m) to £458m (2005: £639m) as good income growth was more than offset by higher impairment charges and increased costs from the continued development of international businesses.

Income increased 9% (£215m) to £2,514m (2005: £2,299m) reflecting very strong momentum in Barclaycard US and strong performances in Barclaycard Business, FirstPlus, SkyCard and continental European markets.

Net interest income increased 12% (£152m) to £1,383m (2005: £1,231m) due to strong growth in International average extended credit card balances up 39% to £2.5bn (2005: £1.8bn) and average secured consumer lending balances up 55% to £3.4bn (2005: £2.2bn), partly offset by UK average extended credit card balances down 7% to £8.0bn (2005: £8.6bn), reflecting the impact of tighter lending criteria.

Net fee and commission income increased 4% (£41m) to £1,106m (2005: £1,065m) as a result of increased contributions from Barclaycard International, SkyCard, FirstPlus and Barclaycard Business. Barclaycard reduced its late and overlimit fee charges in the UK on 1st August 2006 in response to the Office of Fair Trading's findings.

Investment income of £15m (2005: £nil) represents the gain arising from the sale of part of the stake in MasterCard Inc, following its flotation.

Impairment charges increased 42% (£314m) to £1,067m (2005: £753m). The increase was driven by a rise in delinquent balances and increased numbers of bankruptcies and Individual Voluntary Arrangements. As a result of management action in 2005 and 2006 to tighten lending criteria and improve collection processes, the flows of new delinquencies reduced, and levels of arrears balances declined in the second half of 2006 in UK cards.

Operating expenses increased 8% (£73m) to £981m (2005: £908m). This included a £38m gain from the sale and leaseback of property. Excluding this item, underlying operating expenses increased 12% (£111m) to £1,019m. This was largely as a result of continued investment in Barclaycard International, particularly Barclaycard US, and the development of UK partnerships.

Barclaycard International continued its growth strategy in the continental European business delivering solid results. The Entercard joint venture, which is based in Scandinavia, performed ahead of plan. Barclaycard International loss before tax reduced to £36m (2005: loss £44m), including the loss before tax for Barclaycard US of £57m (2005: loss £60m). Barclaycard US continued to perform ahead of expectations, delivering very strong growth in balances and customer numbers and creating a number of new partnerships including US Airways, Barnes & Noble, Travelocity and Jo-Ann Stores.

Barclaycard UK customer numbers declined 1.4 million to 9.8 million (2005: 11.2 million). This reflected the closure of 1.5 million accounts that had been inactive.

Table of Contents

Financial review
Analysis of results by business
Global Retail and Commercial Banking
International Retail and Commercial Banking

Who we are

Our business comprises: International Retail and Commercial Banking – excluding Absa and International Retail and Commercial Banking – Absa.

What we do

International Retail and Commercial Banking provides banking services to Barclays personal and corporate customers outside the UK. The products and services offered to customers are tailored to meet customer needs and the regulatory and commercial environments within each country.

Highlights

£3,523m
Income

£935m
Profit before tax

Performance 2007/06

International Retail and Commercial Banking profit before tax decreased £281m to £935m (2006: £1,216m). International Retail and Commercial Banking – excluding Absa profit before tax in 2006 included a £247m gain on the sale of associate FirstCaribbean International Bank and a £41m share of its post-tax results. Profit before tax in 2007 included gains from the sale and leaseback of property of £23m (2006: £55m). Very strong profit growth in Rand terms in International Retail and Commercial Banking – Absa was offset by a 12% decline in the average value of the Rand.

A significant investment was made in infrastructure and distribution, including the opening of 644 new branches and sales centres across Western Europe, Emerging Markets and Absa.

2006/05

International Retail and Commercial Banking profit before tax increased £623m to £1,216m (2005: £593m). The increase reflected the inclusion of a full year's profit before tax from International Retail and Commercial Banking – Absa of £698m (2005 [a]: £298m) and a profit of £247m on the disposal of Barclays interest in FirstCaribbean International Bank.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	1,890	1,653	1,045
Net fee and commission income	1,210	1,221	644
Net trading income	69	6	3
Net investment income	179	188	143
Principal transactions	248	194	146
Net premiums from insurance contracts	372	351	227
Other income	87	74	60
Total income	3,807	3,493	2,122
Net claims and benefits incurred under insurance contracts	(284)	(244)	(206)
Total income net of insurance claims	3,523	3,249	1,916
Impairment charges	(252)	(167)	(33)
Net income	3,271	3,082	1,883
Operating expenses excluding amortisation of intangible assets	(2,279)	(2,077)	(1,289)
Amortisation of intangible assets	(77)	(85)	(47)
Operating expenses	(2,356)	(2,162)	(1,336)
Share of post-tax results of associates and joint ventures	7	49	46
Profit on disposal of subsidiaries, associates and joint ventures	13	247	–
Profit before tax	935	1,216	593
Balance sheet information			
Loans and advances to customers	£70.1bn	£53.2bn	£49.2bn
Customer accounts	£28.8bn	£22.1bn	£22.4bn
Total assets	£89.5bn	£68.6bn	£63.4bn
Selected statistical measures			
Cost:income ratio[a]	67%	67%	70%
Risk Tendency[a]	£ 475m	£ 220m	£ 175m
Risk weighted assets	£53.3bn	£40.8bn	£41.0bn

a Defined on page 2.

Table of Contents

Financial review
Analysis of results by business

Global Retail and Commercial Banking
International Retail and Commercial Banking – excluding Absa

Who we are
Western Europe

This business area includes our retail and commercial banking operations in Spain, Portugal, France and Italy. Barclays has operated in Spain for over 30 years, and is the leading foreign bank and the sixth largest banking group overall. We have tripled the branch network in Portugal over the last two years, becoming the largest non-Iberian bank. Barclays is a leading affluent banking brand and a recognised product innovator in France. We are one of the leading mortgage providers in Italy and in 2007 established full retail and commercial banking operations.

Emerging Markets

The Emerging Markets team is responsible for Barclays businesses in the growing markets of Africa, India and the Middle East. Barclays has long-standing commercial banking operations in the UAE and in 2007 launched retail banking operations in India and the UAE. In Africa, Barclays operates in Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe offering a range of retail and commercial banking products.

What we do

We provide a full range of banking services, including current accounts, savings, investments, mortgages and loans to our international personal and corporate customers.

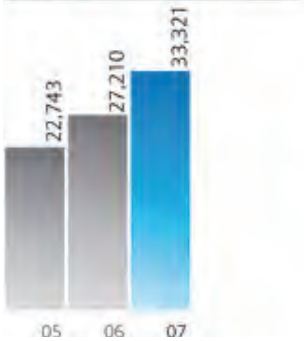
International Retail and Commercial Banking works closely with all other parts of the group to leverage synergies from product and service propositions.

£1,339m
Income

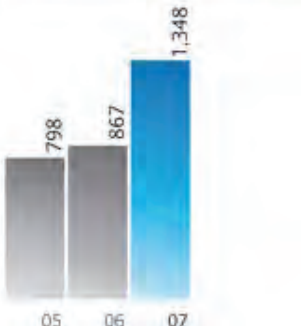
£246m
Profit before tax

Performance indicators

Average asset balances £m



Number of distribution points (branches and sales centres)



Performance 2007/06

International Retail and Commercial Banking – excluding Absa profit before tax decreased 53% (£272m) to £246m (2006: £518m). Profit before tax in 2006 included a £247m gain on the sale of associate FirstCaribbean International Bank and a £41m share of its post-tax results. Profit before tax in 2007 included gains from the sale and leaseback of property in 2007 of £23m (2006: £55m). The performance reflected very strong income growth driven by a rapid growth in distribution points to 1,348 (2006: 867) as well as the launch of new businesses in India and UAE and a full retail and commercial banking offering in Italy.

Income increased 28% (£293m) to £1,339m (2006: £1,046m) driven by excellent performances in Western Europe and Emerging Markets.

Net interest income increased 25% (£149m) to £753m (2006: £604m). Total average customer loans increased 22% (£6.1bn) to £33.3bn (2006: £27.2bn) with lending margins broadly stable. Mortgage balance growth in Western Europe was very strong, with average Euro balances up 16% (€4.2bn) to €30.1bn (2006: €25.9bn). Average customer deposits increased 20% (£2.1bn) to £12.5bn (2006: £10.4bn) driven by growth in Western Europe and Emerging Markets.

Net fee and commission income grew 16% (£59m) to £425m (2006: £366m), reflecting strong performances in Western Europe driven by the expansion of the customer base.

Principal transactions increased £94m to £177m (2006: £83m) reflecting gains on equity investments and higher foreign exchange income across Emerging Markets.

Impairment charges rose 93% (£38m) to £79m (2006: £41m). The increase reflected very strong balance sheet growth in 2006 and 2007 and the impact of lower releases in 2007.

Operating expenses grew 32% (£249m) to £1,023m (2006: £774m) driven by the rapid expansion of the distribution network across all regions and investment in people and infrastructure to support future growth across the franchise. Operating expenses included property sales in Spain of £23m (2006: £55m).

Western Europe continued to perform strongly. Profit before tax increased 30% (£56m) to £245m (2006: £189m). Barclays Spain profit before tax increased 53% (£72m) to £207m (2006: £135m) driven by increased customer lending, higher service commissions and equity investment realisations. France also performed well driven by good growth in the balance sheet, higher fees and commissions and good cost control. Income grew very strongly in Italy as a result of the opening of new branches and the roll-out of a complete retail and commercial banking offering but this was more than offset by higher investment costs. Profit before tax decreased in Portugal, with very strong income growth offset by increased investment in the expansion of the business.

Emerging Markets profit before tax increased 25% (£28m) to £142m (2006: £114m) reflecting a very strong rise in income across a broad range of markets, with particularly strong growth in Egypt, UAE, Kenya, Ghana, Tanzania, Uganda and India. The income growth benefited from increased investment in the business across all geographies, including branch openings and the launch of retail banking services in India and the UAE.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	753	604	557
Net fee and commission income	425	366	316
Net trading income	68	17	31
Net investment income	109	66	88
Principal transactions	177	83	119
Net premiums from insurance contracts	145	111	129
Other income	9	20	23
Total income	1,509	1,184	1,144
Net claims and benefits incurred under insurance contracts	(170)	(138)	(162)
Total income net of insurance claims	1,339	1,046	982
Impairment charges	(79)	(41)	(14)
Net income	1,260	1,005	968
Operating expenses excluding amortisation of intangible assets	(1,007)	(765)	(706)
Amortisation of intangible assets	(16)	(9)	(6)
Operating expenses	(1,023)	(774)	(712)
Share of post-tax results of associates and joint ventures	1	40	39
Profit on disposal of subsidiaries, associates and joint ventures	8	247	–
Profit before tax	246	518	295
Balance sheet information			
Loans and advances to customers	£39.3bn	£29.0bn	£25.3bn
Customer accounts	£15.7bn	£11.0bn	£10.2bn
Total assets	£52.2bn	£38.2bn	£34.0bn
Selected statistical measures			
Cost:income ratio[a]	76%	74%	73%
Risk Tendency[a]	£220m	£75m	£75m
Risk weighted assets	£29.7bn	£20.1bn	£20.2bn

a Defined on page 2.

2006/05

International Retail and Commercial Banking – excluding Absa profit before tax increased 76% (£223m) to £518m (2005: £295m), including a gain on the disposal of the interest in FirstCaribbean International Bank of £247m. This reflected good growth in continental Europe offset by a decline in profits in Africa caused by higher impairment, and increased costs reflecting a step change in the rate of organic investment in the business.

Income increased 7% (£64m) to £1,046m (2005: £982m).

Net interest income increased 8% (£47m) to £604m (2005: £557m), reflecting strong balance sheet growth in continental Europe, Africa and the Middle East, and the development of the corporate business in Spain.

Total average customer loans increased 20% to £27.2bn (2005: £22.7bn). Mortgage balance growth in continental Europe was particularly strong, with average Euro balances up 22%. There was a modest decline in lending margins partly driven by a greater share of mortgage assets as a proportion of the total book in continental Europe. Average customer deposits increased 16% to £10.4bn (2005: £9.0bn), with deposit margins stable.

Net fee and commission income increased 16% (£50m) to £366m (2005: £316m). This reflected a strong performance from the Spanish funds business, where average assets under management increased 11%, together with very strong growth in France, including the first full year contribution of the ING Ferri business which was acquired on 1st July 2005. Net fee and commission income showed solid growth in Africa and the Middle East.

Principal transactions decreased £36m to £83m (2005: £119m). 2005 included £23m from the redemption of preference shares in FirstCaribbean International Bank.

Impairment charges increased £27m to £41m (2005: £14m). This reflected the absence of one-off recoveries of £12m which arose in 2005 in Africa and the Middle East, and strong balance sheet growth across the businesses.

Operating expenses increased 9% (£62m) to £774m (2005: £712m). This included gains from the sale and leaseback of property in Spain of £55m. Operating expenses also included incremental investment expenditure of £25m to expand the distribution network and enhance IT and operational capabilities.

Barclays Spain continued to perform strongly. Profit before tax increased 21% (£30m) to £171m (2005: £141m), excluding net one-off gains on asset sales of £32m (2005: £8m) and integration costs of £43m (2005: £57m). This was driven by the continued realisation of benefits from Banco Zaragozano, together with strong growth in assets under management and solid growth in mortgages.

Africa and the Middle East profit before tax decreased 9% (£12m) to £126m (2005: £138m) driven by higher impairment charges reflecting one-off recoveries of £12m that arose in 2005 and an increase in investment expenditure.

Profit before tax increased strongly in Portugal reflecting good flows of new customers and increased business volumes. France also performed well as a result of good organic growth and the acquisition of ING Ferri.

The profit on disposal of subsidiaries, associate and joint ventures of £247m (2005: £nil) comprised the gain on the sale of Barclays interest in FirstCaribbean International Bank. The share of post-tax results of FirstCaribbean International Bank included in 2006 was £41m (2005: £37m).

Table of Contents

Financial review
Analysis of results by business

Global Retail and Commercial Banking
International Retail and Commercial Banking – Absa

Who we are

This business represents Barclays consolidation of Absa, excluding Absa Capital which is included in Barclays Capital.

International Retail and Commercial Banking – Absa comprises four operating divisions: Retail Banking, Commercial Banking, African operations and a Bancassurance division. (Barclays Bank PLC owns 59% of Absa Group Limited).

What we do

International Retail and Commercial Banking – Absa serves retail customers through a variety of distribution channels and offers a full range of banking services, including current and deposit accounts, mortgages, instalment finance, credit cards, bancassurance products and wealth management services. It also offers customised business solutions for commercial and large corporate customers.

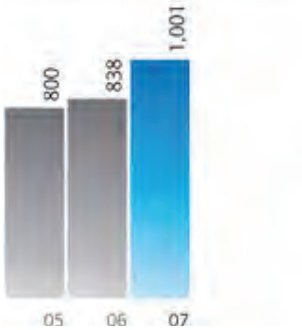
Highlights

£2,184m
Income

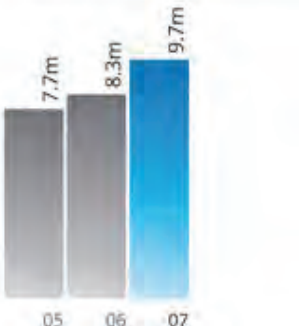
£689m
Profit before tax

Performance indicators

Number of distribution points (branches and sales centres)



Number of retail customers



Performance 2007/06

International Retail and Commercial Banking - Absa profit before tax decreased to £689m (2006: £698m)

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	1,137	1,049	488
Net fee and commission income	785	855	328
Net trading income/(expense)	1	(11)	(28)
Net investment income	70	122	55
Principal transactions	71	111	27
Net premiums from insurance contracts	227	240	98
Other income	78	54	37
Total income	2,298	2,309	978
Net claims and benefits incurred under insurance contracts	(114)	(106)	(44)
Total income net of insurance claims	2,184	2,203	934
Impairment charges	(173)	(126)	(19)
Net income	2,011	2,077	915
Operating expenses excluding amortisation of intangible assets	(1,272)	(1,312)	(583)
Amortisation of intangible assets	(61)	(76)	(41)
Operating expenses	(1,333)	(1,388)	(624)
Share of post-tax results of associates and joint ventures	6	9	7
Profit on disposal of subsidiaries, associates and joint ventures	5	–	–
Profit before tax	689	698	298
Balance sheet information			
Loans and advances to customers	£30.8bn	£24.2bn	£23.9bn
Customer accounts	£13.1bn	£11.1bn	£12.2bn
Total assets	£37.3bn	£30.4bn	£29.4bn
Selected statistical measures			
Cost:income ratio[a]	61%	63%	67%
Risk Tendency[a]	£255m	£145m	£100m
Risk weighted assets	£23.6bn	£20.7bn	£20.8bn

a Defined on page 2.

2006/05

International Retail and Commercial Banking – Absa profit before tax increased 134% to £698m (2005: £298m) reflecting the full year to 31st December 2006 compared with the five months ended 31st December 2005. Barclays acquired a controlling stake in Absa Group Limited on 27th July 2005.

Table of Contents

Financial review
Analysis of results by business

Investment Banking and Investment Management
Barclays Capital

Who we are

Barclays Capital is a leading global investment bank providing large corporate, institutional and government clients with solutions to their financing and risk management requirements.

What we do

Barclays Capital service a wide variety of client needs, from capital raising and managing foreign exchange, interest rate, equity and commodity risks, through to providing technical advice and expertise.

Activities are organised into three principal areas: Rates, which includes fixed income, foreign exchange, commodities, emerging markets, money markets, prime services and equity products; Credit, which includes primary and secondary activities for loans and bonds for investment grade, high yield and emerging market credit, as well as hybrid capital products, asset based finance, mortgage backed securities, credit derivatives, structured capital markets and large asset leasing; and Private Equity. Barclays Capital includes Absa Capital, the investment banking business of Absa.

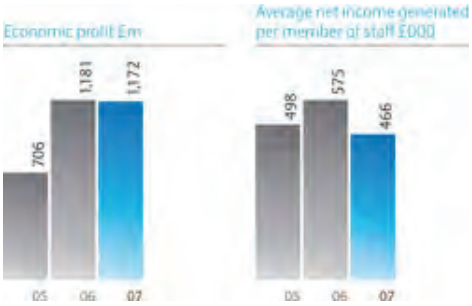
Barclays Capital works closely with all other parts of the Group to leverage synergies from client relationships and product capabilities.

Highlights

£7,119m
Income

£2,335m
Profit before tax

Performance indicators



Performance

2007/06

Barclays Capital delivered profits ahead of the record results achieved in 2006 despite challenging trading conditions in the second half of the year. Profit before tax increased 5% (£119m) to £2,335m (2006: £2,216m). There was strong income growth across the Rates businesses and excellent results in Continental Europe, Asia and Africa demonstrating the breadth of the client franchise. Net income was slightly ahead at £6,273m (2006: £6,225m) and costs were tightly managed, declining slightly year on year. Absa Capital delivered very strong growth in profit before tax to £155m (2006: £71m).

The US sub-prime driven market dislocation affected performance in the second half of 2007. Exposures relating to US sub-prime were actively managed and declined over the period. Barclays Capital's 2007 results reflected net losses related to the credit market turbulence of £1,635m, of which £795m was included in income, net of £658m gains arising from the fair valuation of notes issued by Barclays Capital. Impairment charges included £840m against ABS CDO Super Senior exposures, other credit market exposures and drawn leveraged finance underwriting positions.

Income increased 14% (£852m) to £7,119m (2006: £6,267m) as a result of very strong growth in interest rate, currency, equity, commodity and emerging market asset classes. There was excellent income growth in continental Europe, Asia, and Africa. Average DVaR increased 13% to £42m (2006: £37.1m) in line with income.

Secondary income, comprising principal transactions (net trading income and net investment income), is mainly generated from providing client financing and risk management solutions. Secondary income increased 11% (£578m) to £5,871m (2006: £5,293m).

Net trading income increased 5% (£177m) to £3,739m (2006: £3,562m) with strong contributions from fixed income, commodities, equities, foreign exchange and prime services businesses. These were largely offset by net losses in the business affected by sub-prime mortgage related write downs. The general widening of credit spreads that occurred over the course of the second half of 2007 also reduced the carrying value of the £57bn of issued notes held at fair value on the balance sheet, resulting in gains of £658m. Net investment income increased 66% (£380m) to £953m (2006: £573m) as a result of a number of private equity realisations, investment disposals in Asia and structured capital markets transactions. Net interest income increased 2% (£21m) to £1,179m (2006: £1,158m), driven by higher contributions from money markets. The corporate lending portfolio increased 29% to £52.3bn (2006: £40.6bn), largely due to an increase in drawn leveraged finance positions and a rise in drawn corporate loan balances.

Primary income, which comprises net fee and commission income from advisory and origination activities, grew 30% (£283m) to £1,235m (2006: £952m), with good contributions from bonds and loans.

Impairment charges and other credit provisions of £846m included £722m against ABS CDO Super Senior exposures, £60m from other credit market exposures and £58m relating to drawn leveraged finance underwriting positions. Other impairment charges on loans and advances amounted to a release of £7m (2006: £44m release) before impairment charges on available for sale assets of £13m (2006: £86m).

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	1,179	1,158	1,065
Net fee and commission income	1,235	952	776
Net trading income	3,739	3,562	2,231
Net investment income	953	573	413
Principal transactions	4,692	4,135	2,644
Other income	13	22	20
Total income	7,119	6,267	4,505
Impairment charges and other credit provisions	(846)	(42)	(111)
Net income	6,273	6,225	4,394
Operating expenses excluding amortisation of intangible assets	(3,919)	(3,996)	(2,961)
Amortisation of intangible assets	(54)	(13)	(2)
Operating expenses	(3,973)	(4,009)	(2,963)
Share of post-tax results of associates and joint ventures	35	–	–
Profit before tax	2,335	2,216	1,431
Balance sheet information			
Total assets	£839.7bn	£657.9bn	£601.2bn
Selected statistical measures			
Cost:income ratio[a]	56%	64%	66%
Risk Tendency[a]	£ 140m	£ 95m	£ 110m
Risk weighted assets	£169.1bn	£137.6bn	£116.7bn
Average DVaR	£ 42.0m	£ 37.1m	£ 32.0m
Corporate lending portfolio	£ 52.3bn	£ 40.6bn	£ 40.1bn

a Defined on page 2.

Operating expenses decreased 1% (£36m) to £3,973m (2006: £4,009m). Performance related pay, discretionary investment spend and short term contractor resources represented 42% (2006: 50%) of the cost base. Amortisation of intangible assets of £54m (2006: £13m) principally related to mortgage service rights.

Total headcount increased 3,000 during 2007 to 16,200 (2006: 13,200) including 800 from the acquisition of EquiFirst. The majority of organic growth was in Asia Pacific.

2006/05

Profit before tax increased 55% (£785m) to £2,216m (2005: £1,431m). This was the result of a very strong income performance, driven by higher business volumes, continued growth in client activity and favourable market conditions. Net income increased 42% (£1,831m) to £6,225m (2005: £4,394m). Profit before tax for Absa Capital was £71m (2005: £39m).

Income increased 39% (£1,762m) to £6,267m (2005: £4,505m) as a result of very strong growth across the Rates, Credit and Private Equity businesses. Income increased in all geographic regions. Average DVaR increased 16% to £37.1m (2005: £32.0m) significantly below the rate of income growth.

Secondary income increased 43% (£1,584m) to £5,293m (2005: £3,709m).

Net trading income increased 60% (£1,331m) to £3,562m (2005: £2,231m) with very strong contributions across the Rates and Credit businesses, in particular, commodities, fixed income, equities, credit derivatives and emerging markets.

The performance was driven by higher volumes of client led activity and favourable market conditions. Net investment income increased 39% (£160m) to £573m (2005: £413m) driven by investment realisations, primarily in Private Equity, offset by reduced contributions from credit products. Net interest income increased 9% (£93m) to £1,158m (2005: £1,065m) driven by a full year contribution from Absa Capital.

Primary income grew 23% (£176m) to £952m (2005: £776m). This reflected higher volumes and continued market share gains in a number of key markets, with strong contributions from issuances in bonds, European leveraged loans and convertibles.

Impairment charges of £42m (2005: £111m), including impairment on available for sale assets of £86m (2005: £nil), were 62% lower than prior year reflecting recoveries and the continued benign wholesale credit environment.

Operating expenses increased 35% (£1,046m) to £4,009m (2005: £2,963m), reflecting higher performance related costs, increased levels of activity and continued investment across the business. Performance related pay, discretionary investment spend and short-term contractor resource costs represented 50% of operating expenses (2005: 46%). Amortisation of intangible assets principally relates to mortgage service rights obtained as part of the purchase of HomEq.

Total headcount increased 3,300 during 2006 to 13,200 (2005: 9,900) and included 1,300 from the acquisition of HomEq. Organic growth was broadly based across all regions and reflected further investments in the front office, systems development and control functions to support continued business expansion.

Table of Contents

Financial review
Analysis of results by business

Investment Banking and Investment Management
Barclays Global Investors

Who we are

Barclays Global Investors (BGI) is one of the world's largest asset managers and a leading global provider of investment management products and services. We are the global leader in assets and products in the exchange traded funds business, with over 320 funds for institutions and individuals trading globally. BGI's investment philosophy is founded on managing all dimensions of performance: a consistent focus on controlling risk, return and cost.

With a 3,000-plus strong workforce, we currently have over £1trn in assets under management, for 3,000 clients around the world.

What we do

BGI offers structured investment strategies such as indexing, global asset allocation and risk controlled active products including hedge funds and provides related investment services such as securities lending, cash management and portfolio transition services.

BGI collaborates with the other Barclays businesses, particularly Barclays Capital and Barclays Wealth, to develop and market products and leverage capabilities to better serve the client base.

Highlights

£1,926m
Income

£734m
Profit before tax

Performance indicators

Net new assets $bn

Average net income generated per member of staff £000

Performance

2007/06

Barclays Global Investors delivered solid growth in profit before tax, which increased 3% (£20m) to £734m (2006: £714m). Very strong US Dollar income and strong profit growth was partially offset by the 8% depreciation in the average value of the US Dollar against Sterling.

Income grew 16% (£261m) to £1,926m (2006: £1,665m).

Net fee and commission income grew 17% (£285m) to £1,936m (2006: £1,651m). This was primarily attributable to increased management fees and securities lending. Incentive fees increased 6% (£12m) to £198m (2006: £186m). Higher asset values, driven by higher market levels and good net new inflows, contributed to the growth in income.

Operating expenses increased 25% (£241m) to £1,192m (2006: £951m) as a result of significant investment in key product and channel growth initiatives and in infrastructure as well as growth in the underlying business. Operating expenses included charges of £80m (2006: £nil) related to selective support of liquidity products managed in the US. The cost:income ratio rose five percentage points to 62% (2006: 57%).

Headcount increased 700 to 3,400 (2006: 2,700). Headcount increased in all geographical regions and across product groups and the support functions, reflecting continued investment to support further growth.

Total assets under management increased 13% (£117bn) to £1,044bn (2006: £927bn) comprising £42bn of net new assets, £12bn attributable to the acquisition of Indexchange Investment AG (Indexchange), £66bn of favourable market movements and £3bn of adverse exchange movements. In US$ terms assets under management increased 15% US$265bn to US$2,079bn (2006: US$1,814bn), comprising US$86bn of net new assets, US$23bn attributable to acquisition of Indexchange, US$127bn of favourable market movements and US$29bn of positive exchange rate movements.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest (expense)/income	(8)	10	15
Net fee and commission income	1,936	1,651	1,297
Net trading income	5	2	2
Net investment (expense)/income	(9)	2	4
Principal transactions	(4)	4	6
Other income	2	–	–
Total income	1,926	1,665	1,318
Operating expenses excluding amortisation of intangible assets	(1,184)	(946)	(775)
Amortisation of intangible assets	(8)	(5)	(4)
Operating expenses	(1,192)	(951)	(779)
Profit before tax	734	714	540
Balance sheet information			
Total assets	£89.2bn	£80.5bn	£80.9bn
Selected statistical measures			
Cost:income ratio[a]	62%	57%	59%
Risk weighted assets	£ 2.0bn	£ 1.4bn	£ 1.5bn

a Defined on page 2.

2006/05

Barclays Global Investors delivered another year of outstanding results. Profit before tax increased 32% (£174m) to £714m (2005: £540m), reflecting very strong income growth and higher operating margins. The performance was broadly based across products, distribution channels and geographies.

Net fee and commission income increased 27% (£354m) to £1,651m (2005: £1,297m). This growth was attributable to increased management fees, particularly in the iShares and active businesses, and securities lending, offset by lower incentive fees. Incentive fees decreased 9% (£18m) to £186m (2005: £204m). Higher asset values, driven by higher market levels and good net new inflows, contributed to the growth in income.

Operating expenses increased 22% (£172m) to £951m (2005: £779m) as a result of significant investment in key growth initiatives, ongoing investment in product development and infrastructure and higher performance-based expenses. The cost:income ratio improved two percentage points to 57% (2005: 59%).

Total headcount rose 400 to 2,700 (2005: 2,300). Headcount increased in all regions, across product groups and the support functions, reflecting continued investment to support strategic initiatives.

Total assets under management increased 5% (£46bn) to £927bn (2005: £881bn) primarily due to net new inflows of £37bn. The positive market move impact of £98bn was largely offset by £89bn of adverse exchange rate movements. In US$ terms assets under management increased by US$301bn to US$1,814bn (2005: US$1,513bn), comprising US$68bn of net new assets, US$177bn of favourable market movements and US$56bn of positive exchange rate movements.

Table of Contents

Financial review
Analysis of results by business

Investment Banking and Investment Management
Barclays Wealth

Who we are

Barclays Wealth focuses on high net worth, affluent and intermediary clients worldwide. We have over 6,900 staff in 20 countries and have total client assets of £133bn. Barclays Wealth includes the closed life assurance activities of Barclays and Woolwich, and Walbrook, an independent fiduciary services company acquired in 2007.

What we do

Barclays Wealth provides private banking, asset and investment management, stockbroking, offshore banking, wealth structuring and financial planning services.

We work closely with all other parts of the Group to leverage synergies from client relationships and product capabilities, for example, offering world-class investment solutions with institutional quality products and services from Barclays Capital and Barclays Global Investors.

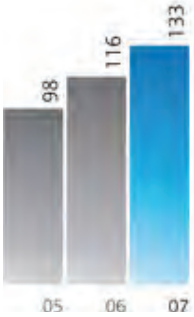
Highlights

£1,287m
Income

£307m
Profit before tax

Performance indicators

Total client assets £bn



Average net income generated per member of staff £000

Performance 2007/06

Barclays Wealth profit before tax showed very strong growth of 25% (£62m) to £307m (2006: £245m). Performance was driven by broadly based income growth, reduced redress costs and tight cost control, partially offset by additional volume related costs and increased investment in people and infrastructure to support future growth.

Income increased 11% (£127m) to £1,287m (2006: £1,160m).

Net interest income increased 10% (£39m) to £431m (2006: £392m) reflecting strong growth in both customer deposits and lending. Average deposits grew 13% to £31.2bn (2006: £27.7bn). Average lending grew 35% to £7.4bn (2006: £5.5bn) driven by increased lending to high net worth, affluent and intermediary clients.

Net fee and commission income grew 10% (£65m) to £739m (2006: £674m). This reflected growth in client assets and higher transactional income from increased sales of investment products and solutions.

Principal transactions decreased £101m to £55m (2006: £156m) as a result of lower growth in the value of unit linked insurance contracts. Net premiums from insurance contracts reduced £15m to £195m (2006: £210m). These reductions were offset by a lower charge for net claims and benefits incurred under insurance contracts of £152m (2006: £288m).

Operating expenses increased 7% to £973m (2006: £913m) with greater volume related costs and a significant increase in investment partially offset by efficiency gains and lower customer redress costs of £19m (2006: £67m). Ongoing investment programmes included increased hiring of client facing staff and improvements to infrastructure with the upgrade of technology and operations platforms. The cost:income ratio improved three percentage points to 76% (2006: 79%).

Total client assets, comprising customer deposits and client investments, increased 14% (£16.4bn) to £132.5bn (2006: £116.1bn) reflecting strong net new asset inflows and the acquisition of Walbrook, an independent fiduciary services company, which completed on 18th May 2007.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	431	392	346
Net fee and commission income	739	674	593
Net trading income	3	2	–
Net investment income	52	154	264
Principal transactions	55	156	264
Net premiums from insurance contracts	195	210	195
Other income	19	16	11
Total income	1,439	1,448	1,409
Net claims and benefits incurred on insurance contracts	(152)	(288)	(375)
Total income net of insurance claims	1,287	1,160	1,034
Impairment charges	(7)	(2)	(2)
Net income	1,280	1,158	1,032
Operating expenses excluding amortisation of intangible assets	(967)	(909)	(866)
Amortisation of intangible assets	(6)	(4)	(2)
Operating expenses	(973)	(913)	(868)
Profit before tax	307	245	164
Balance sheet information			
Loans and advances to customers	£ 9.0bn	£ 6.2bn	£ 5.0bn
Customer accounts	£34.4bn	£28.3bn	£25.8bn
Total assets	£18.0bn	£15.0bn	£13.4bn
Selected statistical measures			
Cost:income ratio[a]	76%	79%	84%
Risk Tendency[a]	£ 10m	£ 10m	£ 5m
Risk weighted assets	£ 7.7bn	£ 6.1bn	£ 4.3bn

a Defined on page 2.

2006/05

Barclays Wealth profit before tax showed very strong growth of 49% (£81m) to £245m (2005: £164m). Performance was driven by broadly based income growth and favourable market conditions. This was partially offset by additional volume related costs and a significant increase in investment in people and infrastructure to support future growth.

Income increased 12% (£126m) to £1,160m (2005: £1,034m).

Net interest income increased 13% (£46m) to £392m (2005: £346m) reflecting growth in both customer deposits and customer lending. Average deposits grew 6% (£1.6bn) to £27.7bn (2005: £26.1bn). Average lending grew 17% to £5.5bn (2005: £4.7bn), driven by increased lending to offshore and private banking clients. Asset and liability margins were higher relative to 2005.

Net fee and commission income increased 14% (£81m) to £674m (2005: £593m). This reflected growth in client assets and higher transactional income, including increased sales of investment products to high net worth and affluent clients, and higher stockbroking volumes.

Operating expenses increased 5% (£45m) to £913m (2005: £868m) with greater volume related and investment costs more than offsetting efficiency gains. Investment costs included increased hiring of client-facing staff and improvements to infrastructure with the upgrade of technology and operations platforms. The cost:income ratio improved five percentage points to 79% (2005: 84%).

Total client assets, comprising customer deposits and client investments, increased 19% (£18.6bn) to £116.1bn (2005: £97.5bn) reflecting good net new asset inflows and favourable market conditions. Multi-Manager assets increased 68% (£4.1bn) to £10.1bn (2005: £6.0bn); this growth included transfers of existing client assets.

Table of Contents

Financial review
Analysis of results by business

Head office functions and other operations

Who we are

Head office functions and other operations comprises:

- Head office and central support functions
- Businesses in transition
- Inter segment adjustments.

What we do

Head office and central support functions comprises the following areas: Executive Management, Finance, Treasury, Corporate Affairs, Human Resources, Strategy and Planning, Internal Audit, Legal, Corporate Secretariat, Property, Tax, Compliance and Risk. Costs incurred wholly on behalf of the businesses are recharged to them.

Businesses in transition principally relate to certain lending portfolios that are centrally managed with the objective of maximising recovery from the assets.

Performance

2007/06

Head office functions and other operations loss before tax increased £169m to £428m (2006: £259m).

Group segmental reporting is performed in accordance with Group accounting policies. This means that inter-segment transactions are recorded in each segment as if undertaken on an arm's length basis. Adjustments necessary to eliminate inter-segment transactions are included in Head office functions and other operations.

The impact of such inter-segment adjustments increased £86m to £233m (2006: £147m). These adjustments included internal fees for structured capital market activities of £169m (2006: £87m) and fees paid to Barclays Capital for debt and equity raising and risk management advice of £65m (2006: £23m), both of which increased net fee and commission expense in head office. The impact on the inter-segment adjustments of the timing of the recognition of insurance commissions included in Barclaycard was a reduction in head office income of £9m (2006: £44m). This net reduction was reflected in a decrease in net fee and commission income of £162m (2006: £184m) and an increase in net premium income of £153m (2006: £140m).

Principal transactions decreased to a loss of £83m (2006: £42m profit). 2006 included a £55m profit from a hedge of the expected Absa foreign currency earnings. 2007 included a loss of £33m relating to fair valuation of call options embedded within retail US$ preference shares arising from widening of own credit spreads.

Operating expenses decreased £35m to £234m (2006: £269m). The primary driver of this decrease was the receipt of a break fee relating to the ABN AMRO transaction which, net of transaction costs, reduced expenses by £58m. This was partially offset by lower rental income and lower proceeds on property sales.

Table of Contents

	2007 £m	2006 £m	2005 £m
Income statement information			
Net interest income	128	80	160
Net fee and commission income	(424)	(301)	(324)
Net trading (loss)/income	(66)	40	85
Net investment (expense)/income	(17)	2	8
Principal transactions	(83)	42	93
Net premiums from insurance contracts	152	139	72
Other income	35	39	24
Total income	(192)	(1)	25
Impairment (charges)/releases	(3)	11	(1)
Net income	(195)	10	24
Operating expenses excluding amortisation of intangible assets	(233)	(259)	(343)
Amortisation of intangible assets	(1)	(10)	(4)
Operating expenses	(234)	(269)	(347)
Profit on disposal of associates and joint ventures	1	–	–
Loss before tax	(428)	(259)	(323)
Balance sheet information			
Total assets	£7.1bn	£7.1bn	£9.3bn
Selected statistical measures			
Risk Tendency[a]	£ 10m	£ 10m	£ 25m
Risk weighted assets	£1.6bn	£1.9bn	£4.0bn

a Defined on page 2.

2006/05

Head office functions and other operations loss before tax decreased £64m to £259m (2005: loss £323m).

Net interest income decreased £80m to £80m (2005: £160m) reflecting a reduction in net interest income in Treasury following the acquisition of Absa Group Limited. Treasury's net interest income also included the hedge ineffectiveness for the period, which together with other related Treasury adjustments amounted to a gain of £11m (2005: £18m) and the cost of hedging the foreign exchange risk on the Group's equity investment in Absa, which amounted to £71m (2005: £37m).

The impact of such inter-segment adjustments reduced £72m to £147m (2005: £219m). These adjustments related to internal fees for structured capital market activities of £87m (2005: £67m) and fees paid to Barclays Capital for capital raising and risk management advice of £23m (2005: £39m), both of which reduce net fees and commission income.

In addition the impact of the timing of the recognition of insurance commissions included in Barclaycard and UK Retail Banking reduced to £44m (2005: £113m). This reduction was reflected in a decrease in net fee and commission income of £184m (2005: £185m) and an increase in net premium income of £140m (2005: £72m).

Principal transactions decreased £51m to £42m (2005: £93m). 2005 included hedging related gains in Treasury of £80m. 2006 included £55m (2005: £nil) in respect of the economic hedge of the translation exposure arising from Absa foreign currency earnings.

The impairment charge improved £12m to a release of £11m (2005: £1m charge) as a number of workout situations were resolved.

Operating expenses decreased £78m to £269m (2005: £347m) primarily due to the expenses of the 2005 Head office relocation to Canary Wharf not recurring in 2006 (2005: £105m) and the gains of £26m (2005: £nil) from the sale and leaseback of property offset by increased costs, principally driven by major project expenditure including work related to implementing Basel II.

Table of Contents

Financial review
Results by nature of income and expense

Results by nature of income and expense
Net interest income

	2007 £m	2006 £m	2005 £m
Cash and balances with central banks	145	91	9
Available for sale investments	2,580	2,811	2,272
Loans and advances to banks	1,416	903	690
Loans and advances to customers	19,559	16,290	12,944
Other	1,608	1,710	1,317
Interest income	25,308	21,805	17,232
Deposits from banks	(2,720)	(2,819)	(2,056)
Customer accounts	(4,110)	(3,076)	(2,715)
Debt securities in issue	(6,651)	(5,282)	(3,268)
Subordinated liabilities	(878)	(777)	(605)
Other	(1,339)	(708)	(513)
Interest expense	(15,698)	(12,662)	(9,157)
Net interest income	9,610	9,143	8,075

2007/06
Group net interest income increased 5% (£467m) to £9,610m (2006: £9,143m) reflecting balance sheet growth across a number of businesses.

Group net interest income reflects structural hedges which function to reduce the impact of the volatility of short-term interest rate movements on equity and customer balances that do not re-price with market rates.

The contribution of structural hedges relative to average base rates decreased to £351m expense (2006: £26m income), largely due to the smoothing effect of the structural hedge on changes in interest rates.

Other interest expense principally includes interest on repurchase agreements and hedging activity.

2006/05
Group net interest income increased 13% (£1,068m) to £9,143m (2005: £8,075m). The inclusion of Absa contributed net interest income of £1,138m (2005 [a]: £516m). Group net interest income excluding Absa grew 6%.

The contribution of the structural hedge decreased to £26m (2005: £145m), largely due to the impact of relatively higher short-term interest rates and lower medium-term rates.

Notes
a For 2005, this reflects the period from 27th July until 31st December 2005.

Table of Contents

Financial review
Results by nature of income and expense

Net fee and commission income

	2007 £m	2006 £m	2005 £m
Brokerage fees	109	70	64
Investment management fees	1,787	1,535	1,250
Securities lending	241	185	151
Banking and credit related fees and commissions	6,363	6,031	4,805
Foreign exchange commission	178	184	160
Fee and commission income	8,678	8,005	6,430
Fee and commission expense	(970)	(828)	(725)
Net fee and commission income	7,708	7,177	5,705

2007/06

Net fee and commission income increased 7% (£531m) to £7,708m (2006: £7,177m).

Fee and commission income rose 8% (£673m) to £8,678m (2006: £8,005m) reflecting increased management and securities lending fees in Barclays Global Investors, increased client assets and higher transactional income in Barclays Wealth and higher income generated from lending fees in Barclays Commercial Bank. Fee income in Barclays Capital increased primarily due to the acquisition of HomEq.

2006/05

Net fee and commission income increased 26% (£1,472m) to £7,177m (2005: £5,705m). The inclusion of Absa contributed net fee and commission income of £850m (2005 [a]: £334m). Group net fee and commission income excluding Absa grew 18%, reflecting growth across all businesses.

Fee and commission income rose 24% (£1,575m) to £8,005m (2005: £6,430m). The inclusion of Absa contributed fee and commission income of £896m (2005 [a]: £386m). Excluding Absa, fee and commission income grew 18%, driven by a broadly based performance across the Group, particularly within Barclays Global Investors.

Fee and commission expense increased 14% (£103m) to £828m (2005: £725m), reflecting the growth in Barclaycard US. Absa contributed fee and commission expense of £46m (2005 [a]: £52m).

Principal transactions

	2007 £m	2006 £m	2005 £m
Rates related business	4,162	2,848	1,732
Credit related business	(403)	766	589
Net trading income	3,759	3,614	2,321
Net gain from disposal of available for sale assets	560	307	120
Dividend income	26	15	22
Net gain from financial instruments designated at fair value	293	447	389
Other investment income	337	193	327
Net investment income	1,216	962	858
Principal transactions	4,975	4,576	3,179

2007/06

Principal transactions increased 9% (£399m) to £4,975m (2006: £4,576m).

Net trading income increased 4% (£145m) to £3,759m (2006: £3,614m). The majority of the Group's net trading income arises in Barclays Capital. Growth in the Rates related business reflects very strong performances in fixed income, commodities, foreign exchange, equity and prime services. The Credit related business includes net losses from credit market turbulence and the benefits of widening credit spreads on the fair value of issued notes.

Net investment income increased 26% (£254m) to £1,216m (2006: £962m). The cumulative gain from disposal of available for sale assets increased 82% (£253m) to £560m (2006: £307m) largely as a result of a number of private equity realisations and divestments. Net income from financial instruments designated at fair value decreased by 34% (£154m) largely due to lower growth in the value of linked insurance assets within Barclays Wealth.

Fair value movements on insurance assets included within net investment income contributed £113m (2006: £205m).

2006/05

Net trading income increased 56% (£1,293m) to £3,614m (2005: £2,321m) due to excellent performances in Barclays Capital Rates and Credit businesses, in particular in commodities, fixed income, equities, credit derivatives and emerging markets. This was driven by higher volumes of client – led activity and favourable market conditions. The inclusion of Absa contributed net trading income of £60m (2005 [a]: £9m). Group net trading income excluding Absa grew 54%.

Net investment income increased 12% (£104m) to £962m (2005: £858m).

The inclusion of Absa contributed net investment income of £144m (2005 [a]: £62m). Group net investment income excluding Absa increased 3%.

The cumulative gain from disposal of available for sale assets increased 156% (£187m) to £307m (2005: £120m) driven by investment realisations, primarily in Private Equity.

Fair value movements on certain assets and liabilities have been reported within net trading income or within net investment income depending on the nature of the transaction. Fair value movements on insurance assets included within net investment income contributed £205m (2005: £317m).

Note

a For 2005, this reflects the period from 27th July until 31st December 2005.

Table of Contents

Other income

	2007 £m	2006 £m	2005 £m
Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	5,592	7,417	9,234
Increase in liabilities to customers under investment contracts	(5,592)	(7,417)	(9,234)
Property rentals	53	55	54
Loss on part disposal of Monument credit card portfolio	(27)	–	–
Other	162	159	93
Other income	188	214	147

Certain asset management products offered to institutional clients by Barclays Global Investors are recognised as investment contracts. Accordingly the invested assets and the related liabilities to investors are held at fair value and changes in those fair values are reported within other income.

Impairment charges and other credit provisions

	2007 £m	2006 £m	2005 £m
Impairment charges on loans and advances			
– New and increased impairment allowances	2,871	2,722	2,129
– Releases	(338)	(389)	(333)
– Recoveries	(227)	(259)	(222)
Impairment charges on loans and advances	2,306	2,074	1,574
Other credit provisions			
Charges/(credits) in respect of undrawn contractually committed facilities and guarantees	476	(6)	(7)
Impairment charges on loans and advances and other credit provisions	2,782	2,068	1,567
Impairment charges on available for sale assets	13	86	4
Impairment charges and other credit provisions	2,795	2,154	1,571
Impairment charges and other credit provisions on ABS CDO Super Senior and other credit market exposures included above:			
Impairment charges on loans and advances	313	–	–
Charges in respect of undrawn facilities	469	–	–
Impairment charges and other credit provisions on ABS CDO Super senior and other credit market positions	782	–	–

2007/06

Total impairment charges and other credit provisions increased 30% (£641m) to £2,795m (2006: £2,154m).

Impairment charges on loans and advances and other credit provisions increased 35% (£714m) to £2,782m (2006: £2,068m) reflecting charges of £782m against ABS CDO Super Senior and other credit market positions.

Impairment charges on loans and advances and other credit provisions as a percentage of Group total loans and advances increased to 0.71% (2006: 0.65%); total loans and advances grew 23% to £389,290m (2006: £316,561m).

Retail

Retail impairment charges on loans and advances fell 11% (£204m) to £1,605m (2006: £1,809m). Retail impairment charges as a percentage of period end total loans and advances reduced to 0.98% (2006: 1.30%); total retail loans and advances increased 18% to £164,062m (2006: £139,350m).

Barclaycard impairment charges improved 21% (£229m) to £838m (2006: £1,067m) reflecting reduced flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. We made changes to our impairment methodologies to standardise our approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by the increase in impairment charges in Barclaycard International and secured consumer lending.

Impairment charges in UK Retail Banking decreased by £76m (12%) to £559m (2006: £635m), reflecting lower charges in unsecured Consumer Lending and Local Business driven by improved collection processes, reduced flows into delinquency, lower arrears trends and stable charge-offs. In UK Home Finance, asset quality remained strong and mortgage charges remained negligible. Mortgage delinquencies as a percentage of outstandings remained stable and amounts charged off were low.

Impairment charges in International Retail and Commercial Banking –excluding Absa rose by £38m (93%) to £79m (2006: £41m) reflecting very strong balance sheet growth in 2006 and 2007 and the impact of lower releases in 2007.

Arrears in some of International Retail and Commercial Banking – Absa's retail portfolios deteriorated in 2007, driven by interest rate increases in 2006 and 2007 resulting in pressure on collections.

Wholesale and corporate

Wholesale and corporate impairment charges on loans and advances increased £436m to £701m (2006: £265m). Wholesale and corporate impairment charges as a percentage of period end total loans and advances increased to 0.31% (2006: 0.15%); total loans and advances grew 27% to £225,228m (2006: £177,211m).

Barclays Capital impairment charges and other credit provisions of £846m included a charge of £782m against ABS CDO Super Senior and other credit market exposures and £58m net of fees relating to drawn leveraged finance positions.

The impairment charge in Barclays Commercial Bank increased £38m (15%) to £290m (2006: £252m), primarily due to higher impairment charges in Larger Business, partially offset by a lower charge in Medium Business due to a tightening of the lending criteria.

Table of Contents

Financial review
Results by nature of income and expense

Impairment charges (continued)

2006/05

Total impairment charges increased 37% (£583m) to £2,154m (2005: £1,571m).

Impairment charges on loans and advances and other credit provisions increased 32% (£501m) to £2,068m (2005: £1,567m). Excluding Absa, the increase was 26% (£395m) and largely reflected the continued challenging credit environment in UK unsecured retail lending through 2006. The wholesale and corporate sectors remained stable with a low level of defaults.

The Group impairment charges on loans and advances and other credit provisions as a percentage of year-end total loans and advances of £316,561m (2005: £303,451m) increased to 0.65% (2005: 0.52%).

Retail

Retail impairment charges on loans and advances and other credit provisions increased to £1,809m (2005: £1,254m), including £99m (2005 [a]: £10m) in respect of Absa. Retail impairment charges on loans and advances amounted to 1.30% (2005 [b]: 0.93%) as a percentage of year-end total loans and advances of £139,350m (2005 [b]: £134,420m), including balances in Absa of £20,090m (2005: £20,836m).

In the UK retail businesses, household cash flows remained under pressure leading to a deterioration in consumer credit quality. High debt levels and changing social attitudes to bankruptcy and debt default contributed to higher levels of insolvency and increased impairment charges. In UK cards and unsecured consumer lending, the flows of new delinquencies and the levels of arrears balances declined in the second half of 2006, reflecting more selective customer recruitment, limit management and improved collections.

In UK Home Finance, delinquencies were flat and amounts charged-off remained low. The weaker external environment led to increased credit delinquency in Local Business, where there were both higher balances on caution status and higher flows into delinquency, which both stabilised towards the year end.

Wholesale and corporate

In the wholesale and corporate businesses, impairment charges on loans and advances and other credit provisions decreased to £259m (2005: £313m), including £27m (2005 [a]: £10m) in respect of Absa. The fall was due mainly to recoveries in Barclays Capital as a result of the benign wholesale credit environment. This was partially offset by an increase in Barclays Commercial Bank, reflecting higher charges in Medium Business and growth in lending balances.

The wholesale and corporate impairment charge was 0.15% (2005 [b]: 0.19%) as a percentage of year-end total loans and advances to banks and to customers of £177,211m (2005 [b]: £169,031m), including balances in Absa of £9,299m (2005: £9,731m).

In Absa, impairment charges increased to £126m (2005 [b]: £20m) reflecting a full year of business and normalisation of credit conditions in South Africa following a period of low interest rates.

Impairment on available for sale assets

The total impairment charges in Barclays Capital included losses of £83m (2005: £nil) on an available for sale portfolio where an intention to sell caused the losses to be viewed as other than temporary in nature. These losses in 2006 were primarily due to interest rate movements, rather than credit deterioration, with a corresponding gain arising on offsetting derivatives recognised in net trading income.

Operating expenses

	2007 £m	2006 £m	2005 £m
Staff costs (refer to page 37)	8,405	8,169	6,318
Administrative expenses	3,978	3,980	3,443
Depreciation	467	455	362
Impairment loss – property and equipment and intangible assets	16	21	9
Operating lease rentals	414	345	316
Gain on property disposals	(267)	(432)	–
Amortisation of intangible assets	186	136	79
Operating expenses	**13,199**	12,674	10,527

2007/06

Operating expenses grew 4% (£525m) to £13,199m (2006: £12,674m). The increase was driven by growth of 3% (£236m) in staff costs to £8,405m (2006: £8,169m) and lower gains on property disposals.

Administrative expenses remained flat at £3,978m (2006: £3,980m) reflecting good cost control across all businesses.

Operating lease rentals increased 20% (£69m) to £414m (2006: £345m), primarily due to increased property held under operating leases.

Operating expenses were reduced by gains from the sale of property of £267m (2006: £432m) as the Group continued the sale and leaseback of some of its freehold portfolio, principally in UK Banking.

Amortisation of intangible assets increased 37% (£50m) to £186m (2006: £136m) primarily reflecting the amortisation of mortgage servicing rights relating to the acquisition of HomEq in November 2006.

The Group cost:income ratio improved two percentage points to 57% (2006: 59%).

2006/05

Operating expenses increased 20% (£2,147m) to £12,674m (2005: £10,527m). The inclusion of Absa contributed operating expenses of £1,496m (2005 [a]: £664m). Group operating expenses excluding Absa grew 13%, reflecting a higher level of business activity and an increase in performance related pay.

Administrative expenses increased 16% (£537m) to £3,980m (2005: £3,443m). The inclusion of Absa contributed administrative expenses of £579m (2005 [a]: £257m). Group administrative expenses excluding Absa grew 7% principally as a result of higher business activity in UK Banking and Barclays Capital.

Operating lease rentals increased 9% (£29m) to £345m (2005: £316m). The inclusion of Absa contributed operating lease rentals of £73m (2005 [a]: £27m), which more than offset the absence of double occupancy costs incurred in 2005, associated with the Head office relocation to Canary Wharf.

Operating expenses were reduced by gains from the sale of property of £432m (2005: £nil) as the Group took advantage of historically low yields on property to realise gains on some of its freehold portfolio.

Amortisation of intangible assets increased 72% (£57m) to £136m (2005: £79m) primarily reflecting the inclusion of Absa for the full year.

The Group cost:income ratio improved to 59% (2005: 61%). This reflected improved productivity.

Notes

a For 2005, this reflects the period from 27th July until 31st December 2005.

b In 2005 the analysis of loans and advances to customers between retail business and wholesale and corporate business has been reclassified to reflect enhanced methodology implementation.

Table of Contents

Staff costs

	2007 £m	2006 £m	2005 £m
Salaries and accrued incentive payments	6,993	6,635	5,036
Social security costs	508	502	412
Pension costs			
– defined contribution plans	141	128	76
– defined benefit plans	150	282	271
Other post-retirement benefits	10	30	27
Other	603	592	496
Staff costs	8,405	8,169	6,318

2007/06

Staff costs increased 3% (£236m) to £8,405m (2006: £8,169m).

Salaries and accrued incentive payments rose 5% (£358m) to £6,993m (2006: £6,635m), reflecting increased permanent and fixed term staff worldwide.

Defined benefit plans pension costs decreased 47% (£132m) to £150m (2006: £282m). This was mainly due to lower service costs.

2006/05

Staff costs increased 29% (£1,851m) to £8,169m (2005: £6,318m). The inclusion of Absa contributed staff costs of £694m (2005 [a]: £296m). Group staff costs excluding Absa rose 24%.

Salaries and accrued incentive payments rose 32% (£1,599m) to £6,635m (2005: £5,036m), principally due to increased performance related payments and the full year inclusion of Absa. The inclusion of Absa contributed salaries and incentive payments of £615m (2005 [a]: £276m). Group salaries and accrued incentive payments excluding Absa rose 26%.

Staff numbers

	2007	2006	2005
UK Banking	41,200	42,600	41,100
UK Retail Banking	32,800	34,500	33,300
Barclays Commercial Bank	8,400	8,100	7,800
Barclaycard	7,800	8,500	7,700
IRCB	58,300	47,800	45,200
IRCB – ex Absa	22,100	13,900	12,500
IRCB – Absa	36,200	33,900	32,700
Barclays Capital	16,200	13,200	9,900
Barclays Global Investors	3,400	2,700	2,300
Barclays Wealth	6,900	6,600	6,200
Head office functions and other operations	1,100	1,200	900
Total Group permanent staff worldwide	134,900	122,600	113,300

2007/06

Staff numbers are shown on a full-time equivalent basis. Total Group permanent and fixed term contract staff comprised 61,900 (2006: 62,400) in the UK and 73,000 (2006: 60,200) internationally.

UK Retail Banking headcount decreased 1,700 to 32,800 (2006: 34,500), due to efficiency initiatives in back office operations and the transfer of operations personnel to Barclays Commercial Bank. Barclays Commercial Bank headcount increased 300 to 8,400 (2006: 8,100) due to the transfer of operations personnel from UK Retail Banking and additional investment in front line staff to drive improved geographical coverage.

Barclaycard staff numbers decreased 700 to 7,800 (2006: 8,500), due to efficiency initiatives implemented across the UK operation and the sale of part of the Monument card portfolio, partially offset by an increase in the International cards businesses.

International Retail and Commercial Banking staff numbers increased 10,500 to 58,300 (2006: 47,800). International Retail and Commercial Banking – excluding Absa staff numbers increased 8,200 to 22,100 (2006: 13,900) due to growth in the distribution network. International Retail and Commercial Banking – Absa staff numbers increased 2,300 to 36,200 (2006: 33,900), reflecting growth in the business and distribution network.

Barclays Capital staff numbers increased 3,000 to 16,200 (2006: 13,200) including 800 from the acquisition of EquiFirst. This reflected further investment in the front office, systems development and control functions to support continued business expansion. The majority of organic growth was in Asia Pacific.

Barclays Global Investors staff numbers increased 700 to 3,400 (2006: 2,700). Headcount increased in all geographical regions and across product groups and the support functions, reflecting continued investment to support further growth.

Barclays Wealth staff numbers increased 300 to 6,900 (2006: 6,600) principally due to the acquisition of Walbrook and increased client facing professionals.

Note

a For 2005, this reflects the period from 27th July until 31st December 2005.

Table of Contents

Financial review
Results by nature of income and expense

Staff numbers (continued)

2006/05

Total Group permanent and contract staff comprised 62,400 (2005: 59,100) in the UK and 60,200 (2005: 54,200) internationally.

UK Banking staff numbers increased 1,500 to 42,600 (2005: 41,100), primarily reflecting the inclusion in UK Retail Banking of mortgage processing staff involved in activities previously outsourced.

Barclaycard staff numbers rose 800 to 8,500 (2005: 7,700), reflecting growth of 400 in Barclaycard US and increases in operations and customer-facing staff in the UK.

International Retail and Commercial Banking increased staff numbers 2,600 to 47,800 (2005: 45,200). International Retail and Commercial Banking – excluding Absa increased staff numbers by 1,400 to 13,900 (2005: 12,500), mainly due to growth in continental Europe and Africa. International Retail and Commercial Banking – Absa increased staff numbers by 1,200 to 33,900 (2005: 32,700), reflecting continued growth in the business.

Barclays Capital staff numbers increased 3,300 during 2006 to 13,200 (2005: 9,900) and included 1,300 from the acquisition of HomEq. Organic growth was broadly based across all regions and reflected further investments in the front office, systems development and control functions to support continued business expansion.

Barclays Global Investors increased staff numbers 400 to 2,700 (2005: 2,300) spread across regions, product groups and support functions, reflecting continued investment to support strategic initiatives.

Barclays Wealth staff numbers rose 400 to 6,600 (2005: 6,200) to support the continued expansion of the business, including increased hiring of client-facing staff.

Head office functions and other operations staff numbers grew 300 to 1,200 (2005: 900) primarily reflecting the centralisation of functional activity and the increased regulatory environment and audit demands as a result of the expansion of business areas.

Share of post-tax results of associates and joint ventures

	2007 £m	2006 £m	2005 £m
Profit from associates	33	53	53
Profit/(loss) from joint ventures	9	(7)	(8)
Share of post-tax results of associates and joint ventures	42	46	45

2007/06

The overall share of post-tax results of associates and joint ventures decreased £4m to £42m (2006: £46m). The share of results from associates decreased £20m mainly due to the sale of FirstCaribbean International Bank (2006: £41m) at the end of 2006, partially offset by an increased contribution from private equity associates. The share of results from joint ventures increased by £16m mainly due to the contribution from private equity entities.

2006/05

The share of post-tax results of associates and joint ventures increased 2% (£1m) to £46m (2005: £45m).

Of the £46m share of post-tax results of associates and joint ventures, FirstCaribbean International Bank contributed £41m (2005: £37m).

Profit on disposal of subsidiaries, associates and joint ventures

	2007 £m	2006 £m	2005 £m
Profit on disposal of subsidiaries,associates and joint ventures	28	323	–

2007/06

The profit on disposal in 2007 relates mainly to the disposal of the Group's shareholdings in Gabetti Property Solutions (£8m) and Intelenet Global Services (£13m).

2006/05

The profit on disposal of subsidiaries, associates and joint ventures includes £247m profit on disposal of FirstCaribbean International Bank and £76m from the sale of interests in vehicle leasing and vendor finance businesses.

Table of Contents

Tax

The overall tax charge is explained in the following table:

	2007 £m	2006 £m	2005 £m
Profit before tax	7,076	7,136	5,280
Tax charge at average UK corporation tax rate of 30%	2,123	2,141	1,584
Prior year adjustments	(37)	24	(133)
Differing overseas tax rates	(77)	(17)	(35)
Non-taxable gains and income (including amounts offset by unrecognised tax losses)	(136)	(393)	(129)
Share-based payments	72	27	(12)
Deferred tax assets not previously recognised	(158)	(4)	(7)
Change in tax rates	24	4	3
Other non-allowable expenses	170	159	168
Overall tax charge	1,981	1,941	1,439
Effective tax rate	28%	27%	27%

2007/06

The tax charge for the period was based on a UK corporation tax rate of 30% (2006: 30%). The effective rate of tax for 2007, based on profit before tax, was 28.0% (2006: 27.2%). The effective tax rate differed from 30% as it took account of the different tax rates applied to profits earned outside the UK, non-taxable gains and income and adjustments to prior year tax provisions. The forthcoming change in the UK rate of corporation tax from 30% to 28% on 1st April 2008 led to an additional tax charge in 2007 as a result of its effect on the Group's net deferred tax asset. The effective tax rate for 2007 was higher than the 2006 rate, principally because there was a higher level of profit on disposals of subsidiaries, associates and joint ventures offset by losses or exemptions in 2006.

2006/05

The charge for the period is based upon a UK corporation tax rate of 30% for the calendar year 2006 (2005: 30%). The effective rate of tax for 2006, based on profit before tax, was 27.2% (2005: 27.3%). The effective tax rate differs from 30% as it takes account of the different tax rates which are applied to the profits earned outside the UK, disallowable expenditure, certain non-taxable gains and adjustments to prior year tax provisions. The effective tax rate for 2006 is consistent with the prior period. The tax charge for the year includes £1,234m (2005: £961m) arising in the UK and £707m (2005: £478m) arising overseas.

The profit on disposal of subsidiaries, associates and joint ventures of £323m was substantially offset by losses or exemptions. The effective tax rate on profit before business disposals was 28.5%.

Table of Contents

Financial review
Total assets and risk weighted assets

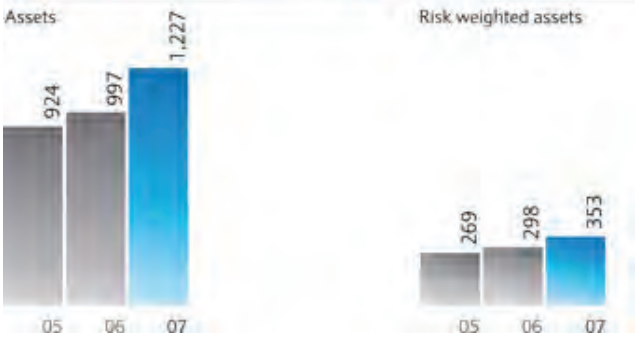
Total assets

	2007 £m	2006 £m	2005 £m
UK Banking	161,777	147,576	137,981
UK Retail Banking	87,833	81,692	78,066
Barclays Commercial Bank	73,944	65,884	59,915
Barclaycard	22,164	20,082	18,236
IRCB	89,457	68,588	63,383
IRCB – ex Absa	52,204	38,191	34,022
IRCB – Absa	37,253	30,397	29,361
Barclays Capital	839,662	657,922	601,193
Barclays Global Investors	89,224	80,515	80,900
Barclays Wealth	18,024	15,022	13,401
Head office functions and other operations	7,053	7,082	9,263
Total assets	1,227,361	996,787	924,357

Risk weighted assets [a]

	2007 £m	2006 £m	2005 £m
UK Banking	99,836	92,981	87,971
UK Retail Banking	45,992	43,020	40,845
Barclays Commercial Bank	53,844	49,961	47,126
Barclaycard	19,929	17,035	13,625
IRCB	53,269	40,810	41,069
IRCB – ex Absa	29,667	20,082	20,235
IRCB – Absa	23,602	20,728	20,834
Barclays Capital	169,124	137,635	116,677
Barclays Global Investors	1,994	1,375	1,456
Barclays Wealth	7,692	6,077	4,305
Head office functions and other operations	1,632	1,920	4,045
Risk weighted assets	353,476	297,833	269,148

Total assets and risk weighted assets £bn



Note

a Risk weighted assets are calculated under Basel I

2007/06

Total assets increased 23% to £1,227.4bn (2006: £996.8bn). Risk weighted assets increased 19% to £353.5bn (2006: £297.8bn). Loans and advances to customers that have been securitised increased £4.3bn to £28.7bn (2006: £24.4bn). The increase in risk weighted assets since 2006 reflected a rise of £31.6bn in the banking book and a rise of £24.0bn in the trading book.

UK Retail Banking total assets increased 7% to £87.8bn (2006: £81.7bn). This was mainly attributable to growth in mortgage balances. Risk weighted assets increased by 7% to £46.0bn (2006: £43.0bn) with growth in mortgages partially offset by an increase in securitised balances and other reductions.

Barclays Commercial Bank total assets grew 12% to £73.9bn (2006: £65.9bn) driven by good growth across lending products. Risk weighted assets increased 8% to £53.8bn (2006: £50.0bn), reflecting asset growth partially offset by increased regulatory netting and an increase in securitised balances.

Barclaycard total assets increased 10% to £22.2bn (2006: £20.1bn). Risk weighted assets increased 17% to £19.9bn (2006: £17.0bn), primarily reflecting the increase in total assets, redemption of securitisation transactions, partially offset by changes to the treatment of regulatory associates and the sale of part of the Monument card portfolio.

International Retail and Commercial Banking – excluding Absa total assets grew 37% to £52.2bn (2006: £38.2bn). This growth was mainly driven by increases in retail mortgages and unsecured lending in Western Europe and increases in unsecured lending in Emerging Markets. Risk weighted assets increased 48% to £29.7bn (2006: £20.1bn), reflecting asset growth and a change in product mix.

International Retail and Commercial Banking – Absa total assets increased 23% to £37.3bn (2006: £30.4bn), primarily driven by increases in mortgages, credit cards and commercial property finance. Risk weighted assets increased 14% to £23.6bn (2006: £20.7bn), reflecting balance sheet growth.

Barclays Capital total assets rose 28% to £839.7bn (2006: £657.9bn). Derivative assets increased £109.3bn primarily due to movements across a range of market indices. This was accompanied by a corresponding increase in derivative liabilities. The increase in non-derivative assets reflects an expansion of the business across a number of asset classes, combined with an increase in drawn leveraged loan positions and mortgage-related assets. Risk weighted assets increased 23% to £169.1bn (2006: £137.6bn) reflecting growth in fixed income, equities and credit derivatives.

Barclays Global Investors total assets increased 11% to £89.2bn (2006: £80.5bn), mainly attributable to growth in certain asset management products recognised as investment contracts. The majority of total assets relates to asset management products with equal and offsetting balances reflected within liabilities to customers. Risk weighted assets increased 43% to £2.0bn (2006: £1.4bn) mainly attributable to overall growth in the balance sheet and the mix of securities lending activity.

Barclays Wealth total assets increased 20% to £18.0bn (2006: £15.0bn) reflecting strong growth in lending to high net worth, affluent and intermediary clients. Risk weighted assets increased 26% to £7.7bn (2006: £6.1bn) reflecting the increase in lending.

Head office functions and other operations total assets remained flat at £7.1bn (2006: £7.1bn). Risk weighted assets decreased 16% to £1.6bn (2006: £1.9bn).

Table of Contents

2006/05

Total assets increased 8% to £996.8bn (2005: £924.4bn). Risk weighted assets increased 11% to £297.8bn (2005: £269.1bn). Loans and advances to customers that have been securitised increased £5.8bn to £24.4bn (2005: £18.6bn). The increase in risk weighted assets since 2005 reflects a rise of £18.1bn in the banking book and a rise of £10.9bn in the trading book.

UK Retail Banking total assets increased 5% to £81.7bn (2005: £78.1bn). This was mainly attributable to growth in mortgage balances. Risk weighted assets increased 5% to £43.0bn (2005: £40.8bn) also primarily reflecting the growth in mortgage balances.

Barclays Commercial Bank total assets increased 10% to £65.9bn (2005: £59.9bn) reflecting good growth across short, medium and long term lending products. Risk weighted assets increased 6% to £50.0bn (2005: £47.1bn), reflecting asset growth and increased regulatory netting.

Barclaycard total assets increased 10% to £20.1bn (2005: £18.2bn) driven by growth in lending balances in the international businesses and FirstPlus. Risk weighted assets increased 25% to £17.0bn (2005: £13.6bn), primarily reflecting the increase in total assets and lower securitised balances.

International Retail and Commercial Banking-excluding Absa total assets increased 12% to £38.2bn (2005: £34.0bn) mainly reflecting increases in mortgage and other lending. Risk weighted assets remained flat at £20.1bn (2005: £20.2bn), with balance sheet growth offset by the sale of FirstCaribbean International Bank.

International Retail and Commercial Banking-Absa total assets increased 3% to £30.4bn (2005: £29.4bn). Risk weighted assets remained flat at £20.7bn (2005: £20.8bn). This reflects very strong growth in Rand terms offset by a 21% decline in the value of the Rand. In Rand terms assets grew 31% to R417bn (2005: R319bn) and risk weighted assets grew 25% to R284bn (2005: R227bn) due to strong growth in mortgage lending along with growth in corporate lending.

Barclays Capital total assets increased 9% to £657.9bn (2005: £601.2bn). This reflected continued expansion of the business with growth in reverse repurchase agreements, debt securities and traded equity securities. Risk weighted assets increased 18% to £137.6bn (2005: £116.7bn) in line with risk, driven by the growth in equity derivatives, credit derivatives and fixed income.

Barclays Global Investors total assets remained flat at £80.5bn (2005: £80.9bn). The majority of total assets relates to asset management products with equal and offsetting balances reflected within liabilities to customers. Risk weighted assets decreased 7% to £1.4bn (2005: £1.5bn).

Barclays Wealth total assets increased 12% to £15.0bn (2005: £13.4bn) reflecting strong growth in lending to high net worth, affluent and intermediary clients. Risk weighted assets increased 42% to £6.1bn (2005: £4.3bn) above the rate of balance sheet growth driven by changes in the mix of lending and growth in guarantees.

Head office functions and other operations total assets decreased 24% to £7.1bn (2005: £9.3bn). Risk weighted assets decreased 53% to £1.9bn (2005: £4.0bn).

Table of Contents

Financial review
Capital management

Total shareholders' equity

	2007 £m	2006 £m	2005 £m
Barclays PLC Group			
Called up share capital	1,651	1,634	1,623
Share premium account	56	5,818	5,650
Available for sale reserve	154	132	225
Cash flow hedging reserve	26	(230)	70
Capital redemption reserve	384	309	309
Other capital reserve	617	617	617
Currency translation reserve	(307)	(438)	156
Other reserves	874	390	1,377
Retained earnings	20,970	12,169	8,957
Less: Treasury shares	(260)	(212)	(181)
Shareholders' equity excluding minority interests	23,291	19,799	17,426
Minority interests	9,185	7,591	7,004
Total shareholders' equity	32,476	27,390	24,430

2007/06

Total shareholders' equity increased £5,086m to £32,476m (2006: £27,390m).

Called up share capital comprises 6,600 million (2006: 6,535 million) ordinary shares of 25p each and 1 million (2006: 1 million) staff shares of £1 each. Called up share capital increased by £17m representing the nominal value of shares issued to Temasek Holdings, China Development Bank (CDB) and employees under share option plans largely offset by a reduction in nominal value arising from share buy-backs. Share premium reduced by £5,762m; the reclassification of £7,223m to retained earnings resulting from the High Court approved cancellation of share premium was partly offset by additional premium arising on the issuance to CDB and on employee options. The capital redemption reserve increased by £75m representing the nominal value of the share buy-backs.

Retained earnings increased by £8,801m. Increases primarily arose from profit attributable to equity holders of the parent of £4,417m, the reclassification of share premium of £7,223m and the proceeds of the Temasek issuance in excess of nominal value of £941m. Reductions primarily arose from external dividends paid of £2,079m and the total cost of share repurchases of £1,802m.

Movements in other reserves, except the capital redemption reserve, reflect the relevant amounts recorded in the consolidated statement of recognised income and expense on page 162.

Minority interests increased £1,594m to £9,185m (2006: £7,591m). The increase was primarily driven by preference share issuances of £1,322m and an increase in the minority interest in Absa of £225m.

The Group's authority to buy-back equity shares was renewed at the 2007 AGM.

2006/05

Total shareholders' equity increased £2,960m to £27,390m (2005: £24,430m).

Called up share capital and share premium increased by £11m and £168m respectively representing the issue of shares to employees under share option plans.

Retained earnings increased by £3,212m primarily reflecting profit attributable to equity holders of the parent of £4,571m partly offset by dividends paid of £1,771m.

Movements in other reserves reflect the relevant amounts recorded in the consolidated statement of recognised income and expense.

Minority interests increased £587m primarily reflecting the issuance of preference shares by Barclays Bank PLC and Absa.

Barclays Bank PLC

Preference shares issued by Barclays Bank PLC are included within share capital and share premium in the Barclays Bank PLC Group but represent minority interests in the Barclays PLC Group. Certain issuances of reserve capital instruments and capital notes by Barclays Bank PLC are included within other shareholders' equity in the Barclays Bank PLC Group but represent minority interests in Barclays PLC Group.

	2007 £m	2006 £m	2005 £m
Barclays Bank PLC Group			
Called up share capital	2,382	2,363	2,348
Share premium account	10,751	9,452	8,882
Available for sale reserve	111	184	257
Cash flow hedging reserve	26	(230)	70
Currency translation reserve	(307)	(438)	156
Other reserves	(170)	(484)	483
Other shareholders' equity	2,687	2,534	2,490
Retained earnings	14,222	11,556	8,462
Shareholders' equity excluding minority interests	29,872	25,421	22,665
Minority interests	1,949	1,685	1,578
Total shareholders' equity	31,821	27,106	24,243

Table of Contents

Capital ratios

	Basel II	Basel I		Basel I		Basel I	
	2007	2007		2006		2005	
	Barclays PLC Group	Barclays PLC Group	Barclays Bank PLC Group	Barclays PLC Group	Barclays Bank PLC Group	Barclays PLC Group	Barclays Bank PLC Group
Capital ratios	%	%	%	%	%	%	%
Tier 1 ratio	7.6	7.8	7.5	7.7	7.5	7.0	6.9
Risk asset ratio	11.2	12.1	11.8	11.7	11.5	11.3	11.2
Risk weighted assets	£m	£m	£m	£m	£m	£m	£m
Banking book							
on-balance sheet	n/a	231,496	231,491	197,979	197,979	180,808	180,808
off-balance sheet	n/a	32,620	32,620	33,821	33,821	31,351	31,351
Associates and joint ventures	n/a	1,354	1,354	2,072	2,072	3,914	3,914
Total banking book	244,474	265,470	265,465	233,872	233,872	216,073	216,073
Trading book							
Market risks	39,812	36,265	36,265	30,291	30,291	23,216	23,216
Counterparty and settlement risks	41,203	51,741	51,741	33,670	33,670	29,859	29,859
Total trading book	81,015	88,006	88,006	63,961	63,961	53,075	53,075
Operational risk	28,389	n/a	n/a	n/a	n/a	n/a	n/a
Total risk weighted assets	353,878	353,476	353,471	297,833	297,833	269,148	269,148

Minimum requirements under the FSA's Basel rules are expressed as a ratio of capital resources to risk weighted assets (Risk Asset Ratio). Risk weighted assets are a function of risk weights applied to the Group's assets using calculations developed by the Basel Committee on Banking Supervision.

Basel I

At 31st December 2007, the Tier 1 capital ratio was 7.8% and the risk asset ratio was 12.1%. From 31st December 2006, total net capital resources rose £7.9bn and risk weighted assets increased £55.6bn.

Tier 1 capital rose £4.4bn, including £2.3bn arising from profits attributable to equity holders of the parent net of dividends paid. Minority interests within Tier 1 capital increased £2.7bn primarily due to the issuance of reserve capital instruments and preference shares. The deduction for goodwill and intangible assets increased by £1.1bn. Tier 2 capital increased £3.1bn mainly as a result of an increase of £3.0bn of dated loan capital.

Basel II

Under Basel II, effective from 1st January 2008, the Group has been granted approval by the FSA to adopt the advanced approaches to credit and operational risk management. Pillar 1 risk weighted assets will be generated using the Group's risk models. Pillar 1 minimum capital requirements under Basel II are Pillar 1 risk weighted assets multiplied by 8%, the internationally agreed minimum ratio.

Under Pillar 2 of Basel II, the Group is subject to an overall regulatory capital requirement (expressed in £ terms) based on individual capital guidance ('ICG') received from the FSA. The ICG imposes additional capital requirements in excess of Pillar 1 minimum capital requirements. Barclays received its ICG from the FSA in December 2007.

Risk weighted assets calculated on a Basel II basis are broadly in line with risk weighted assets calculated on a Basel I basis. A reduction in credit and counterparty risk weighted assets of £31.5bn more than offset the identification of capital equivalent risk weighted assets of £28.4bn attributable to operational risk. The reduced risk weighted assets attributable to credit risk were mainly driven by recognition of the low risk profile of first charge residential mortgages in UK Retail Banking and Absa and the use of internal models to assess exposures to counterparty risk in the trading book. These were partially offset by higher counterparty risk weightings in emerging markets and greater recognition of undrawn commitments.

Compared to Basel I, deductions from Tier 1 and Tier 2 capital under Basel II include additional amounts relating to expected loss and securitisations. For advanced portfolios, any excess of expected loss over impairment allowances is deducted half from Tier 1 and half from Tier 2 capital. Deductions relating to securitisation transactions, which are made from total capital under Basel I, are deducted half from Tier 1 and half from Tier 2 capital under Basel II.

For portfolios treated under the standardised approach, the inclusion of collectively assessed impairment allowances in Tier 2 capital remains the same under Basel II. Collectively assessed impairment allowances against exposures treated under Basel II advanced approaches are not eligible for direct inclusion in Tier 2 capital.

Table of Contents

Financial review
Capital resources and deposits

Total net capital resources

	Basel II	Basel I		Basel I		Basel I	
	2007 £m	2007 £m		2006 £m		2005 £m	
Capital resources (as defined for regulatory purposes)	Barclays PLC Group	Barclays PLC Group	Barclays Bank PLC Group	Barclays PLC Group	Barclays Bank PLC Group	Barclays PLC Group	Barclays Bank PLC Group
Tier 1							
Called up share capital	1,651	1,651	2,382	1,634	2,363	1,623	2,348
Eligible reserves	22,939	22,526	25,615	19,608	21,700	16,837	18,646
Minority interests	10,551	10,551	5,857	7,899	4,528	6,634	3,700
Tier One Notes	899	899	899	909	909	981	981
Less: Intangible assets	(8,191)	(8,191)	(8,191)	(7,045)	(7,045)	(7,180)	(7,180)
Less: Deductions from Tier 1 capital	(1,106)	(28)	(28)	–	–	–	–
Total qualifying tier 1 capital	26,743	27,408	26,534	23,005	22,455	18,895	18,495
Tier 2							
Revaluation reserves	26	26	26	25	25	25	25
Available for sale equity	295	295	295	221	221	223	223
Collectively assessed impairment allowances	440	2,619	2,619	2,556	2,556	2,306	2,306
Minority interests	442	442	442	451	451	515	515
Qualifying subordinated liabilities							
Undated loan capital	3,191	3,191	3,191	3,180	3,180	3,212	3,212
Dated loan capital	10,578	10,578	10,578	7,603	7,603	7,069	7,069
Less: Deductions from Tier 2 capital	(1,106)	(28)	(28)	–	–	–	–
Total qualifying tier 2 capital	13,866	17,123	17,123	14,036	14,036	13,350	13,350
Less: Regulatory deductions							
Investments not consolidated for supervisory purposes	(633)	(633)	(633)	(982)	(982)	(782)	(782)
Other deductions	(193)	(1,256)	(1,256)	(1,348)	(1,348)	(961)	(961)
Total deductions	(826)	(1,889)	(1,889)	(2,330)	(2,330)	(1,743)	(1,743)
Total net capital resources	39,783	42,642	41,768	34,711	34,161	30,502	30,102

Table of Contents

Financial review

Deposits and short-term borrowings

Deposits

Deposits include deposits from banks and customers accounts.

	Average: year ended 31st December		
	2007 £m	2006 £m	2005 £m
Deposits from banks			
Customers in the United Kingdom	15,321	12,832	9,703
Customers outside the United Kingdom:			
Other European Union	33,162	30,116	29,092
United States	6,656	7,352	8,670
Africa	4,452	4,140	3,236
Rest of the World	36,626	35,013	39,060
Total deposits from banks	96,217	89,453	89,761
Customer accounts			
Customers in the United Kingdom	187,249	173,767	155,252
Customers outside the United Kingdom:			
Other European Union	23,696	22,448	20,773
United States	21,908	17,661	15,167
Africa	29,855	23,560	17,169
Rest of the World	23,032	19,992	16,911
Customer accounts	285,740	257,428	225,272

Deposits from banks in offices in the United Kingdom from non-residents amounted to £45,162m (2006: £41,762m).

	Year ended 31st December		
	2007 £m	2006 £m	2005 £m
Customer accounts	294,987	256,754	238,684
In offices in the United Kingdom:			
Current and Demand accounts – interest free	33,400	25,650	22,980
Current and Demand accounts – interest bearing	32,047	31,769	28,416
Savings accounts	70,682	62,745	57,715
Other time deposits – retail	36,123	36,110	35,142
Other time deposits – wholesale	65,726	53,733	42,967
Total repayable in offices in the United Kingdom	237,978	210,007	187,220
In offices outside the United Kingdom:			
Current and Demand accounts – interest free	2,990	2,169	2,300
Current and Demand accounts – interest bearing	11,570	17,626	20,494
Savings accounts	3,917	3,041	3,230
Other time deposits	38,532	23,911	25,440
Total repayable in offices outside the United Kingdom	57,009	46,747	51,464

Customer accounts deposits in offices in the United Kingdom received from non-residents amounted to £49,179m (2006: £40,291m).

Note

a Average interest rate during the year for commercial paper and negotiable certificates of deposit have been restated for 2006 and 2005 to reflect methodology enhancements.

Short-term borrowings

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

Deposits from banks

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

	2007 £m	2006 £m	2005 £m
Year-end balance	90,546	79,562	75,127
Average balance	96,217	89,453	89,761
Maximum balance	109,586	97,165	103,397
Average interest rate during year	4.1%	4.2%	2.6%
Year-end interest rate	4.0%	4.3%	3.6%

Commercial paper

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

	2007 £m	2006 £m	2005 £m
Year-end balance	23,451	26,546	28,275
Average balance	26,229	29,740	22,309
Maximum balance	30,736	31,859	28,598
Average interest rate during year [a]	5.4%	4.4%	3.1%
Year-end interest rate	5.2%	5.0%	4.5%

Negotiable certificates of deposit

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

	2007 £m	2006 £m	2005 £m
Year-end balance	58,401	52,800	43,109
Average balance	55,394	49,327	45,533
Maximum balance	62,436	60,914	53,456
Average interest rate during year [a]	5.1%	5.3%	3.9%
Year-end interest rate	5.0%	5.1%	4.5%

Table of Contents

Financial Review
Commitments and contractual obligations

Commitments and contractual obligations
Commitments and contractual obligations include loan commitments, contingent liabilities, debt securities and purchase obligations.

Commercial commitments

	Amount of commitment expiration per period				
	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total amounts committed £m
Acceptances and endorsements	365	–	–	–	365
Guarantees and letters of credit pledged as collateral security	29,136	2,711	1,971	1,874	35,692
Other contingent liabilities	6,594	1,556	416	1,151	9,717
Documentary credits and other short-term trade related transactions	401	121	–	–	522
Forward asset purchases and forward deposits placed	283	–	–	–	283
Standby facilities, credit lines and other	136,457	17,039	28,127	10,211	191,834

Contractual obligations

	Payments due by period				
	Less than one year £m	Between one to three years £m	Between three to five years £m	After five years £m	Total £m
Long-term debt	90,201	13,558	8,630	19,358	131,747
Operating lease obligations	197	755	610	2,225	3,787
Purchase obligations	141	186	27	6	360
Total	90,539	14,499	9,267	21,589	135,894

The long-term debt does not include undated loan capital of £6,631m.

Further information on the contractual maturity of the Group's assets and liabilities is given in Note 48.

Table of Contents

Financial review
Securities

Securities

The following table analyses the book value of securities which are carried at fair value.

	2007		2006		2005	
	Book value £m	Amortised cost £m	Book value £m	Amortised cost £m	Book value £m	Amortised cost £m
Investment securities – available for sale						
Debt securities:						
United Kingdom government	78	81	758	761	31	31
Other government	7,383	7,434	12,587	12,735	14,860	14,827
Other public bodies	634	632	280	277	216	216
Mortgage and asset backed securities	1,367	1,429	1,706	1,706	3,062	3,062
Corporate issuers	19,664	19,649	27,089	27,100	25,590	25,597
Other issuers	9,547	9,599	5,492	5,450	6,265	6,257
Equity securities	1,676	1,418	1,371	1,047	1,250	1,007
Investment securities – available for sale	40,349	40,242	49,283	49,076	51,274	50,997
Other securities – held for trading						
Debt securities:						
United Kingdom government	3,832	n/a	4,986	n/a	4,786	n/a
Other government	51,104	n/a	46,845	n/a	46,426	n/a
Mortgage and asset backed securities	37,038	n/a	29,606	n/a	17,644	n/a
Bank and building society certificates of deposit	17,751	n/a	14,159	n/a	15,837	n/a
Other issuers	43,053	n/a	44,980	n/a	43,674	n/a
Equity securities	36,307	n/a	31,548	n/a	20,299	n/a
Other securities – held for trading	189,085	n/a	172,124	n/a	148,666	n/a

Investment debt securities include government securities held as part of the Group's treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group. In addition, the Group holds as investments listed and unlisted corporate securities.

Mortgage and asset backed securities and other issuers within held for trading debt securities have been restated in 2006 and 2005 to reflect changes in classification of assets.

Bank and building society certificates of deposit are freely negotiable and have original maturities of up to five years, but are typically held for shorter periods. In addition to UK government securities shown above, at 31st December 2007, 2006 and 2005, the Group held the following government securities which exceeded 10% of shareholders' equity.

Government securities

	2007	2006	2005
	Book value £m	Book value £m	Book value £m
United States	15,156	18,343	16,093
Japan	9,124	15,505	14,560
Germany	5,136	4,741	6,376
France	3,538	4,336	4,822
Italy	5,090	3,419	4,300
Spain	3,674	2,859	2,456
Netherlands	1,270	395	2,791

Maturities and yield of available for sale debt securities

	Maturing within one year:		Maturing after one but within five years:		Maturing after five but within ten years:		Maturing after ten years:		Total:	
	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %	Amount £m	Yield %
Government	1,354	5.8	3,997	4.0	788	1.6	1,322	1.1	7,461	3.5
Other public bodies	546	8.6	78	1.3	–	–	10	5.2	634	7.7
Other issuers	11,849	5.2	12,542	4.9	4,343	5.6	1,844	7.0	30,578	5.2
Total book value	13,749	5.4	16,617	4.6	5,131	5.0	3,176	4.5	38,673	5.0

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at 31st December 2007 by the fair value of securities held at that date.

Table of Contents

Financial review
Critical accounting estimates

The Group's accounting policies are set out on pages 149 to 157. Certain of these policies, as well as estimates made by management, are considered to be important to an understanding of the Group's financial condition since they require management to make difficult, complex or subjective judgements and estimates, some of which may relate to matters that are inherently uncertain. The following accounting policies include estimates which are particularly sensitive in terms of judgements and the extent to which estimates are used. Other accounting policies involve significant amounts of judgements and estimates, but the total amounts involved are not significant to the financial statements. Management has discussed the accounting policies and critical accounting estimates with the Board Audit Committee.

Fair value of financial instruments

Some of the Group's financial instruments are carried at fair value through profit or loss such as those held for trading, designated by management under the fair value option and non-cash flow hedging derivatives.

Other non-derivative financial assets may be designated as available for sale. Available for sale financial investments are initially recognised at fair value and are subsequently held at fair value. Gains and losses arising from changes in fair value of such assets are included as a separate component of equity. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in net trading income, along with interest and dividends arising from long and short positions and funding costs relating to trading activities. Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in trading portfolio assets and liabilities or derivative financial instruments, reduced by the effects of netting agreements where there is an intention to settle net with counterparties.

Valuation methodology

The method of determining the fair value of financial instruments can be analysed into the following categories:

(a) Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

(b) Valuation techniques using market observable inputs. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of similar instruments;
- discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

(c) Valuation techniques used above, but which include significant inputs that are not observable. On initial recognition of financial instruments measured using such techniques the transaction price is deemed to provide the best evidence of fair value for accounting purposes.

The valuation techniques in (b) and (c) use inputs such as interest rate yield curves, equity prices, commodity and currency prices/yields, volatilities of underlyings and correlations between inputs. The models used in these valuation techniques are calibrated against industry standards, economic models and to observed transaction prices where available.

The following tables set out the total financial instruments stated at fair value as at 31st December 2007 and those fair values are calculated with valuation techniques using unobservable inputs.

	Unobservable inputs £m	Total £m
Assets stated at fair value		
Trading portfolio assets	4,457	193,691
Financial assets designated at fair value:		
– held on own account	16,819	56,629
– held in respect of linked liabilities to customers under investment contracts	–	90,851
Derivative financial instruments	2,707	248,088
Available for sale financial investments	810	43,072
Total	24,793	632,331

	Unobservable inputs £m	Total £m
Liabilities stated at fair value		
Trading portfolio liabilities	42	65,402
Financial liabilities designated at fair value	6,172	74,489
Liabilities to customers under investment contracts	–	92,639
Derivative financial instruments	4,382	248,288
Total	10,596	480,818

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market place, the maturity of market modelling and the nature of the transaction (bespoke or generic).

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies, or other analytical techniques. The effect of changing the assumptions for those financial instruments for which the fair values were measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable inputs to a range of reasonably possible alternative assumptions, would be to provide a range of £1.2bn (2006: £0.1bn) lower to £1.5bn (2006: £0.1bn) higher than the fair values recognised in the financial statements.

The size of this range will vary over time in response to market volatility, market uncertainty and changes to benchmark proxy relationships of similar assets and liabilities. The calculation of this range is performed on a consistent basis each period.

Further information on the fair value of financial instruments is provided in Note 49 to the accounts.

The following summary sets out those instruments which use inputs where it may be necessary to use valuation techniques as described above.

Corporate bonds

Corporate bonds are generally valued using observable quoted prices or recently executed transactions. Where observable price quotations are not available, the fair value is determined based on cash flow models where significant inputs may include yield curves, bond or single name credit default swap spreads.

Table of Contents

Mortgage whole loans

The fair value of mortgage whole loans are determined using observable quoted prices or recently executed transactions for comparable assets. Where observable price quotations or benchmark proxies are not available, fair value is determined using cash flow models where significant inputs include yield curves, collateral specific loss assumptions, asset specific prepayment assumptions, yield spreads and expected default rates.

Commercial mortgage backed securities and asset backed securities

Commercial mortgage backed securities and asset backed securities (ABS) (residential mortgages, credit cards, auto loans, student loans and leases) are generally valued using observable information. Wherever possible, the fair value is determined using quoted prices or recently executed transactions. Where observable price quotations are not available, fair value is determined based on cash flow models where the significant inputs may include yield curves, credit spreads, prepayment rates. Securities that are backed by the residual cash flows of an asset portfolio are generally valued using similar cash flow models.

The fair value of home equity loan bonds are determined using models which use scenario analysis with significant inputs including age, rating, internal grade, and index prices.

Collateralised debt obligations

The valuation of collateralised debt obligations (CDOs) notes is first based on an assessment of the probability of an event of default occurring due to a credit deterioration. This is determined by reference to the probability of event of default occurring and the probability of exercise of contractual rights related to event of default. The notes are then valued by determining appropriate valuation multiples to be applied to the contractual cash flows. These are based on inputs including the prospective cash flow performance of the underlying securities, the structural features of the transaction and the net asset value of the underlying portfolio.

Private equity

The fair value of private equity is determined using appropriate valuation methodologies which, dependent on the nature of the investment, may include discounted cash flow analysis, enterprise value comparisons with similar companies, price:earnings comparisons and turnover multiples. For each investment the relevant methodology is applied consistently over time.

Own credit on financial liabilities

The carrying amount of financial liabilities held at fair value is adjusted to reflect the effect of changes in own credit spreads. As a result, the carrying value of issued notes that have been designated at fair value through profit and loss is adjusted by reference to the movement in the appropriate spreads. The resulting gain or loss is recognised in the income statement.

Derivatives

Derivative contracts can be exchange traded or over the counter (OTC). OTC derivative contracts include forward, swap and option contracts related to interest rates, bonds, foreign currencies, credit standing of reference entities, equity prices, fund levels, commodity prices or indices on these assets.

The fair value of OTC derivative contracts are modelled using a series of techniques, including closed form analytical formulae (such as the Black-Scholes option pricing model) and simulation based models. The choice of model is dependant on factors such as; the complexity of the product, inherent risks and hedging strategy: statistical behaviour of the underlying, and ability of the model to price consistently with observed market transactions. For many pricing models there is no material subjectivity because the methodologies employed do not necessitate significant judgement and the pricing inputs are observed from actively quoted markets, as is the case for generic interest rate swaps and option markets. In the case of more established derivative products, the pricing models used are widely accepted and used by the other market participants.

Significant inputs used in these models may include yield curves, credit spreads, recovery rates, dividend rates, volatility of underlying interest rates, equity prices or foreign exchange rates and, in some cases, correlation between these inputs. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data.

New, long dated or complex derivative products may require a greater degree of judgement in the implementation of appropriate valuation techniques, due to the complexity of the valuation assumptions and the reduced observability of inputs. The valuation of more complex products may use more generic derivatives as a component to calculating the overall value.

Derivatives where valuation involves a significant degree of judgement include:

– Fund derivatives

Fund derivatives are derivatives whose underlyings include mutual funds, hedge funds, indices and multi asset portfolios. They are valued using underlying fund prices, yield curves and available market information on the level of the hedging risk. Some fund derivatives are valued using unobservable information, generally where the level of the hedging risk is not observable in the market. These are valued taking account of risk of the underlying fund or collection of funds, diversification of the fund by asset, concentration by geographic sector, strategy of the fund, size of the transaction and concentration of specific fund managers.

– Commodity derivatives

Commodity derivatives are valued using models where the significant inputs may include interest rate yield curves, commodity price curves, volatility of the underlying commodities and, in some cases, correlation between these inputs, which are generally observable. This approach is applied to base metal, precious metal, energy, power, gas, emissions, soft commodities and freight positions. Due to the significant time span in the various market closes, curves are constructed using differentials to a benchmark curve to ensure that all curves are valued using the dominant market base price.

– Structured credit derivatives

Collateralised synthetic obligations (CSOs)are structured credit derivatives which reference the loss profile of a portfolio of loans, debts or synthetic underlyings. The reference asset can be a corporate credit or an asset backed credit. For CSOs that reference corporate credits an analytical model is used. For CSOs on asset backed underlyings, due to the path dependent nature of a CSO on an amortising portfolio a Monte Carlo simulation is used rather than analytic approximation. The expected loss probability for each reference credit in the portfolio is derived from the single name credit default swap spread curve and in addition, for ABS references, a prepayment rate assumption. A simulation is then used to compute survival time which allows us to calculate the marginal loss over each payment period by reference to estimated recovery rates. Significant inputs include prepayment rates, cumulative default rates, and recovery rates.

Allowances for loan impairment and other credit risk provisions

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios as at the balance sheet date. Changes to the allowances for loan impairment and changes to the provisions for undrawn contractually committed facilities and guarantees provided are reported in the consolidated income statement as part of the impairment charge. Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in recognition of an asset at an amount less than the amount advanced.

Table of Contents

Financial review
Critical accounting estimates

Within the retail and small businesses portfolios, which comprise large numbers of small homogeneous assets with similar risk characteristics where credit scoring techniques are generally used, statistical techniques are used to calculate impairment allowances on a portfolio basis, based on historical recovery rates and assumed emergence periods. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. There are many such models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for these portfolios is £1,605m (2006: £1,809m) and amounts to 70% (2006: 87%) of the total impairment charge on loans and advances in 2007.

For larger accounts, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to larger accounts is £701m (2006: £265m) or 30% (2006: 13%) of the total impairment charge on loans and advances in 2007. Further information on impairment allowances is set out on pages 84 to 85.

Goodwill

Management have to consider at least annually whether the current carrying value of goodwill is impaired. The first step of the impairment review process requires the identification of independent cash generating units, by dividing the Group business into as many largely independent income streams as is reasonably practicable. The goodwill is then allocated to these independent units. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation. The carrying value of the unit, including the allocated goodwill, is compared to its fair value to determine whether any impairment exists. If the fair value of a unit is less than its carrying value, goodwill will be impaired. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates (e.g. competitive activity, regulatory change). In the absence of readily available market price data this calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the operating unit, the determination of both of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding the long term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management's view of future performance. The most significant amounts of goodwill relate to the Absa and Woolwich acquisitions. The goodwill impairment testing performed in 2007 indicated that none of the goodwill was impaired. Management believes that reasonable changes in key assumptions used to determine the recoverable amounts of Absa and Woolwich goodwill would not result in impairment.

Intangible assets

Intangible assets that derive their value from contractual customer relationships or that can be separated and sold and have a finite useful life are amortised over their estimated useful life. Determining the estimated useful life of these finite life intangible assets requires an analysis of circumstances, and judgement by the Bank's management. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the assets' or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arms-length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. The most significant amounts of intangible assets relate to the Absa acquisition.

Retirement benefit obligations

The Group provides pension plans for employees in most parts of the world. Arrangements for staff retirement benefits vary from country to country and are made in accordance with local regulations and customs. For defined contribution schemes, the pension cost recognised in the profit and loss account represents the contributions payable to the scheme. For defined benefit schemes, actuarial valuation of each of the scheme's obligations using the projected unit credit method and the fair valuation of each of the scheme's assets are performed annually in accordance with the requirements of IAS 19.

The actuarial valuation is dependent upon a series of assumptions, the key ones being interest rates, mortality, investment returns and inflation. Mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group's own experience. The returns on fixed interest investments are set to market yields at the valuation date (less an allowance for risk) to ensure consistency with the asset valuation. The returns on UK and overseas equities are based on the long-term outlook for global equities at the calculation date having regard to current market yields and dividend growth expectations. The inflation assumption reflects long-term expectations of both earnings and retail price inflation.

The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognised actuarial gains or losses and past service cost, is recognised as a liability in the balance sheet. An asset arising, for example, as a result of past over-funding or the performance of the plan investments, is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions. To the extent that any unrecognised gains or losses at the start of the measurement year in relation to any individual defined benefit scheme exceed 10% of the greater of the fair value of the scheme assets and the defined benefit obligation for that scheme, a proportion of the excess is recognised in the income statement.

The Group's IAS 19 pension surplus across all pension and post-retirement schemes as at 31st December 2007 was a surplus of £393m (2006: £817m deficit). This comprises net recognised liabilities of £1,501m (2006: £1,719m) and unrecognised actuarial gains of £1,894m (2006: £902m). The net recognised liabilities comprises retirement benefit liabilities of £1,537m (2006: £1,807m) relating to schemes that are in deficit, and assets of £36m (2006: £88m) relating to schemes that are in surplus. The Group's IAS 19 pension surplus in respect of the main UK scheme as at 31st December 2007 was £668m (2006: £495m deficit). The estimated actuarial funding position of the main UK pension scheme as at 31st December 2007, estimated from the triennial valuation in 2004, was a surplus of £1,200m (2006: £1,300m). Cash contributions to the main UK scheme were £355m (2006: £351m).

Further information on retirement benefit obligations, including assumptions is set out in Note 30 to the accounts.

Table of Contents

Financial review

Off-balance sheet arrangements

In the ordinary course of business and primarily to facilitate client transactions, the Group enters into transactions which may involve the use of off-balance sheet arrangements and special purpose entities (SPEs). These arrangements include the provision of guarantees, loan commitments, retained interests in assets which have been transferred to an unconsolidated SPE or obligations arising from the Group's involvements with such SPEs.

Guarantees

The Group issues guarantees on behalf of its customers. In the majority of cases, the Group will hold collateral against the exposure, have a right of recourse to the customer or both. In addition, the Group issues guarantees on its own behalf. The main types of guarantees provided are: financial guarantees given to banks and financial institutions on behalf of customers to secure loans: overdrafts; and other banking facilities, including stock borrowing indemnities and standby letters of credit. Other guarantees provided include performance guarantees, advance payment guarantees, tender guarantees, guarantees to Her Majesty's Revenue and Customs and retention guarantees. The nominal principal amount of contingent liabilities with off-balance sheet risk is set out in Note 34 and in the table on page 46.

Loan commitments

The Group enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Group subject to notice conditions. Information on loan commitments and similar facilities is set out in Note 34 and in the table on page 46.

Special purpose entities

Transactions entered into by the Group may involve the use of SPEs. SPEs are entities that are created to accomplish a narrow and well defined objective. There are often specific restrictions or limits around their ongoing activities.

Transactions with SPEs take a number of forms, including:

- The provision of financing to fund asset purchases, or commitments to provide finance for future purchases.
- Derivative transactions to provide investors in the SPE with a specified exposure.
- The provision of liquidity or backstop facilities which may be drawn upon if the SPE experiences future funding difficulties.
- Direct investment in the notes issued by SPEs.

Depending on the nature of the Group's resulting exposure, it may consolidate the SPE on to the Group's balance sheet. The consolidation of SPEs is considered at inception based on the arrangements in place and the assessed risk exposures at that time. In accordance with IFRS, SPEs are consolidated when the substance of the relationship between the Group and the entity indicates control. Potential indicators of control include, amongst others, an assessment of the Group's exposure to the risks and benefits of the SPE. The initial consolidation analysis is revisited at a later date if:

(i) the Group acquires additional interests in the entity;

(ii) the contractual arrangements of the entity are amended such that the relative exposures to risks and rewards change; or if

(iii) the Group acquires control over the main operating and financial decisions of the entity.

A number of the Group's transactions have recourse only to the assets of unconsolidated SPEs. Typically, the majority of the exposure to these assets is borne by third parties and the Group's risk is mitigated through over-collateralisation, unwind features and other protective measures. The Group's involvement with unconsolidated third party conduits, collateralised debt obligations and structured investment vehicles is described further below.

Collateralised Debt Obligations

The Group has structured and underwritten CDOs. At inception, the Group's exposure principally takes the form of a liquidity facility provided to support future funding difficulties or cash shortfalls in the vehicles. If required by the vehicle, the facility is drawn with the amount advanced included within loans and advances in the balance sheet. Upon an event of default or other triggering event, the Group may acquire control of a CDO and, therefore, be required to fully consolidate the vehicle for accounting purposes. The potential for transactions to hit default triggers before the end of 2008 has been assessed and included in the determination of impairment charges and other credit provisions (£782m in relation to ABS CDO Super Senior and other credit market exposures for the year ended 31st December 2007).

The Group's exposure to ABS CDO Super Senior positions before hedging was £6,018m as at 31st December 2007. This includes £1,149m of undrawn facilities provided to mezzanine transactions (exposure stated net of writedowns and charges). Undrawn facilities provided to unconsolidated CDOs are included as part of commitments in Note 34 to the accounts.

The remaining £4,869m is the Group's exposure to High Grade CDOs, stated net of writedowns and charges. £3,782m of drawn balances are included within loans and advances on the balance sheet, with the remaining £1,087m representing consolidated High Grade CDOs accounted for on a fair value basis.

Collateral

The collateral underlying unconsolidated CDOs comprised 77% residential mortgage backed securities, 6% non-residential asset backed securities and 17% in other categories, including 10% ABS CDO exposure (a proportion of which will be backed by residential mortgage collateral).

The remaining Weighted Average Life (WAL) of all collateral is 3.9 years. The combined Net Asset Value (NAV) for all of the CDOs was £2.8bn below the nominal amount, equivalent to an aggregate 40.2% decline in value on average for all investors.

Funding

The CDOs were funded with senior unrated notes and rated notes up to AAA. The capital structure senior to the AAA notes on cash CDOs was supported by a liquidity facility provided by the Group. On mezzanine CDOs, this portion of the capital structure is unfunded, but a liquidity facility is provided to support the level of synthetic instruments within each transaction. The senior portion covered by liquidity facilities is on average 79% of the capital structure.

The initial WAL of the notes in issue averaged 7.1 years. The full contractual maturity is 37.8 years.

Table of Contents

Financial review

Off-balance sheet arrangements

Interests in Third Party CDOs

The Group has purchased securities in and entered into derivative instruments with third party CDOs. These interests are held as trading assets or liabilities on the Group's balance sheet and measured at fair value. The Group has not provided liquidity facilities or similar agreements to third party CDOs.

Structured Investment Vehicles (SIVs)

The Group has not structured or managed SIVs. Group exposure to third party SIVs comprised:

- £317m of senior liquidity facilities, of which £19m was drawn and included in loans and advances as at 31st December 2007. The Group is one of between two and eight independent liquidity providers on each transaction.
- Derivative exposures included on the balance sheet at their net fair value of £264m.
- Bonds issued by the SIVs included within trading portfolio assets at their fair value of £21m.
- £2.6bn repo funding facilities. £1.3bn has been utilised and included within loans and advances to customers in the balance sheet.

Other than the repo facilities, which when drawn are more than 100% collateralised by assets held by the Group with the collateral being valued daily, the items above are included in the credit market positions discussed on page 53.

SIV-Lites

The Group structured and helped to underwrite three SIV-Lite transactions. The Group is not involved in their ongoing management.

The Group provided £0.55bn in liquidity facilities as partial support to the £2.6bn of CP programmes on these transactions. These facilities have now been fully drawn or are terminated, such that no further drawings are possible. One of the three vehicles has been restructured into a cash CDO. As part of this restructuring, the Group acquired the £800m senior note in the CDO which is held at fair value within trading portfolio assets. The credit risk on this note has been transferred to a third party investment bank. For the remaining facilities, the amount drawn totalled £152m and is included on the balance sheet within loans and advances to customers and included in the credit market positions discussed on page 53.

Commercial Paper and Medium-term Note Conduits

The Group provided £19bn in undrawn backstop liquidity facilities to its own sponsored CP conduits. The Group fully consolidates these entities such that the underlying assets are reflected on the Group balance sheet.

The Group provided backstop facilities to support the paper issued by six third party conduits. These facilities totalled £1bn, with underlying collateral comprising auto loans (81%), bank-guaranteed residential mortgages (11%), bank-guaranteed commercial and project finance loans (5%) and UK consumer finance receivables (3%). Drawings on these facilities were £46m as at 31st December 2007 and are included within loans and advances to customers.

The Group provided backstop facilities to six third-party SPEs that fund themselves with medium term notes. These notes are sold to investors as a series of 12 month securities and remarketed to investors annually. If investors decline to renew their holdings at a price below a pre-agreed spread, the backstop facility requires the Group to purchase the outstanding notes at scheduled maturity. The group has provided facilities of £2.9bn, to SPEs holding prime UK and Australian owner-occupied Residential Mortgage Back Securities (RMBS) assets. As at 31st December 2007, the Group had acquired notes of £90m under these backstop facilities (included as available for sale assets in the balance sheet) and further acquisitions are expected through 2008 as other notes are remarketed. The notes generally rank pari passu with the other term AAA+ rated notes from the same issuer. The facilities have been designated at fair value and are reflected in the balance sheet at their current fair value.

The Group's own CP conduits provided facilities of £1.3bn to third party conduits containing prime UK buy-to-let RMBS. As at 31st December 2007, £290m of this facility had been drawn. The undrawn facilities are included within the commitments disclosed in Note 34 to the accounts, while the drawn elements are included within loans and advances to customers.

Asset securitisations

The Group has assisted companies with the formation of asset securitisations, some of which are effected through the use of SPEs. These entities have minimal equity and rely on funding in the form of notes to purchase the assets for securitisation. As these SPEs are created for other companies, the Group does not usually control these entities and therefore does not consolidate them. The Group may provide financing in the form of senior notes or junior notes and may also provide derivatives to the SPE. These transactions are included on the balance sheet.

The Group has used SPEs to securitise part of its originated and purchased retail and commercial lending portfolios and credit card receivables. These SPEs are usually consolidated and derecognition only occurs when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. The carrying amount of securitised assets together with the associated liabilities are set out in Note 29.

Client intermediation

The Group has structured transactions as a financial intermediary to meet investor and client needs. These transactions involve entities structured by either the Group or the client and they are used to modify cash flows of third party assets to create investments with specific risk or return profiles or to assist clients in the efficient management of other risks. Such transactions will typically result in a derivative being shown on the balance sheet, representing the Group's exposure to the relevant asset.

The Group also invests in lessor entities specifically to acquire assets for leasing. Client intermediation also includes arrangements to fund the purchase or construction of specific assets (most common in the property industry).

Fund management

The Group provides asset management services to a large number of investment entities on an arm's-length basis and at market terms and prices. The majority of these entities are investment funds that are owned by a large and diversified number of investors. These funds are not consolidated because the Group does not own either a significant portion of the equity, or the risks and rewards inherent in the assets.

During 2007, Group operating expenses included charges of £80m (2006: £nil) related to selective support of liquidity products managed by Barclays Global Investors and not consolidated by the Group. The Group has continued to provide further selective support to liquidity products subsequent to 31st December 2007.

Table of Contents

Financial review

Barclays Capital credit market positions

Barclays Capital credit market positions

Barclays Capital credit market exposures resulted in net losses of £1,635m in 2007, due to dislocations in the credit markets. The net losses primarily related to ABS CDO super senior exposures, with additional losses from other credit market exposures partially offset by gains from the general widening of credit spreads on issued notes held at fair value.

Credit market exposures in this note are stated relative to comparatives as at 30th June 2007, being the reporting date immediately prior to the credit market dislocations.

	As at	
	31st December 2007 £m	30th June 2007 £m
ABS CDO Super Senior		
High Grade	**4,869**	6,151
Mezzanine	**1,149**	1,629
Exposure before hedging	**6,018**	7,780
Hedges	**(1,347)**	(348)
Net ABS CDO Super Senior	**4,671**	7,432
Other US sub-prime		
Whole loans	**3,205**	2,900
Other direct and indirect exposures	**1,832**	3,146
Other US sub-prime	**5,037**	6,046
Alt-A	**4,916**	3,760
Monoline insurers	**1,335**	140
Commercial mortgages	**12,399**	8,282
SIV-lite liquidity facilities	**152**	692
Structured investment vehicles	**590**	925

ABS CDO Super Senior exposure

ABS CDO Super Senior net exposure was £4,671m (30th June 2007: £7,432m). Exposures are stated net of writedowns and charges of £1,412m (30th June 2007: £56m) and hedges of £1,347m (30th June 2007: £348m).

The collateral for the ABS CDO Super Senior exposures primarily comprised Residential Mortgage Backed Securities. 79% of the RMBS sub-prime collateral comprised 2005 or earlier vintage mortgages. On ABS CDO super senior exposures, the combination of subordination, hedging and writedowns provide protection against loss levels to 72% on US sub-prime collateral as at 31st December 2007. None of the above hedges of ABS CDO Super Senior exposures as at 31st December 2007 were held with monoline insurer counterparties.

Other credit market exposures

Barclays Capital held other exposures impacted by the turbulence in credit markets, including: whole loans and other direct and indirect exposures to US sub-prime and Alt-A borrowers; exposures to monoline insurers; and commercial mortgage backed securities. The net losses in 2007 from these exposures were £823m.

Other US sub-prime whole loan and net trading book exposure was £5,037m (30th June 2007: £6,046m). Whole loans included £2,843m (30th June 2007: £1,886m) acquired since the acquisition of EquiFirst in March 2007, all of which were subject to Barclays underwriting criteria. As at 31st December 2007 the average loan to value of these EquiFirst loans was 80% with less than 3% at above 95% loan to value. 99% of the EquiFirst inventory was first lien.

Net exposure to the Alt-A market was £4,916m (30th June 2007: £3,760m), through a combination of securities held on the balance sheet including those held in consolidated conduits and residuals. Alt-A exposure is generally to borrowers of a higher credit quality than sub-prime borrowers. As at 31st December 2007, 99% of the Alt-A whole loan exposure was performing, and the average loan to value ratio was 81%. 96% of the Alt-A securities held were rated AAA or AA.

Barclays Capital held assets with insurance protection or other credit enhancement from monoline insurers. The value of exposure to monoline insurers under these contracts was £1,335m (30th June 2007: £140m). There were no claims due under these contracts as none of the underlying assets were in default.

Exposures in our commercial mortgage backed securities business comprised commercial real estate loans of £11,103m (30th June 2007: £7,653m) and commercial mortgage backed securities of £1,296m (30th June 2007: £629m). The loan exposures were 54% US and 43% European. The US exposures had an average loan to value of 65% and the European exposures had an average loan to value of 71%. 87% of the commercial mortgage backed securities held as at 31st December 2007 were AAA or AA rated.

Loans and advances to customers included £152m (30th June 2007: £692m) of drawn liquidity facilities in respect of SIV-lites. Total exposure to other structured investment vehicles, including derivatives, undrawn commercial paper backstop facilities and bonds held in trading portfolio assets was £590m (30th June 2007: £925m).

Leveraged Finance

At 31st December 2007, drawn leveraged finance positions were £7,368m (30th June 2007: £7,317m). The positions were stated net of fees of £130m and impairment of £58m driven by widening of corporate credit spreads.

Own Credit

At 31st December 2007, Barclays Capital had issued notes held at fair value of £57,162m (30th June 2007: £44,622m). The general widening of credit spreads affected the carrying value of these notes and as a result revaluation gains of £658m were recognised in trading income.

Table of Contents

Financial review
Average balance sheet

Average balance sheet and net interest income (year ended 31st December)

	2007			2006			2005		
	Average balance[a] £m	Interest £m	Average rate %	Average balance[a] £m	Interest £m	Average rate %	Average balance[a] £m	Interest £m	Average rate %
Assets									
Loans and advances to banks [b]:									
– in offices in the United Kingdom	29.431	1,074	3.6	18,401	647	3.5	14,798	454	3.1
– in offices outside the United Kingdom	12,262	779	6.4	12,278	488	4.0	11,063	403	3.6
Loans and advances to customers [b]:									
– in offices in the United Kingdom	205,707	13,027	6.3	184,392	11,247	6.1	172,398	10,229	5.9
– in offices outside the United Kingdom	88,212	6,733	7.6	77,615	4,931	6.4	50,699	2,975	5.9
Lease receivables:									
– in offices in the United Kingdom	4,822	283	5.9	5,266	300	5.7	6,521	348	5.3
– in offices outside the United Kingdom	5,861	691	11.8	6,162	595	9.7	1,706	117	6.9
Financial investments:									
– in offices in the United Kingdom	37,803	2,039	5.4	41,125	1,936	4.7	43,133	1,755	4.1
– in offices outside the United Kingdom	14,750	452	3.1	14,191	830	5.8	10,349	467	4.5
Reverse repurchase agreements and cash collateral on securities borrowed									
– in offices in the United Kingdom	211,709	9,644	4.6	166,713	6,136	3.7	156,292	4,617	3.0
– in offices outside the United Kingdom	109,012	5,454	5.0	100,416	5,040	5.0	92,407	2,724	2.9
Trading portfolio assets:									
– in offices in the United Kingdom	120,691	5,926	4.9	106,148	4,166	3.9	81,607	2,710	3.3
– in offices outside the United Kingdom	57,535	3,489	6.1	61,370	2,608	4.2	57,452	2,116	3.7
Total average interest earning assets	897,795	49,591	5.5	794,077	38,924	4.9	698,425	28,915	4.1
Impairment allowances/provisions	(4,435)			(3,565)			(3,105)		
Non-interest earning assets	422,834			310,949			278,328		
Total average assets and interest income	1,316,194	49,591	3.8	1,101,461	38,924	3.5	973,648	28,915	3.0
Percentage of total average interest earning assets in offices outside the United Kingdom	32.0%			34.3%			32.0%		
Total average interest earning assets related to:									
Interest income		49,591	5.5		38,924	4.9		28,915	4.1
Interest expense		(37,892)	4.2		(30,385)	3.8		(20,965)	3.0
		11,699	1.3		8,539	1.1		7,950	1.0

Notes

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

b Loans and advances to customers and banks include all doubtful lendings, including non-accrual lendings. Interest receivable on such lendings has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Group.

Table of Contents

Average balance sheet and net interest income (year ended 31st December)

	2007			2006			2005		
	Average balance[a] £m	Interest £m	Average rate %	Average balance[a] £m	Interest £m	Average rate %	Average balance[a] £m	Interest £m	Average rate %
Liabilities and shareholders' equity									
Deposits by banks:									
– in offices in the United Kingdom	63,902	2,511	3.9	62,236	2,464	4.0	54,801	1,665	3.0
– in offices outside the United Kingdom	27,596	1,225	4.4	23,438	1,137	4.9	21,921	705	3.2
Customer accounts: demand deposits:									
– in offices in the United Kingdom	29,110	858	2.9	25,397	680	2.7	22,593	510	2.3
– in offices outside the United Kingdom	13,799	404	2.9	10,351	254	2.5	6,196	88	1.4
Customer accounts: savings deposits:									
– in offices in the United Kingdom	55,064	2,048	3.7	57,734	1,691	2.9	52,569	1,570	3.0
– in offices outside the United Kingdom	4,848	128	2.6	3,124	74	2.4	1,904	39	2.0
Customer accounts: other time deposits – retail:									
– in offices in the United Kingdom	30,578	1,601	5.2	34,865	1,548	4.4	33,932	1,470	4.3
– in offices outside the United Kingdom	12,425	724	5.8	8,946	482	5.4	6,346	260	4.1
Customer accounts: other time deposits – wholesale:									
– in offices in the United Kingdom	52,147	2,482	4.8	45,930	1,794	3.9	41,745	1,191	2.9
– in offices outside the United Kingdom	24,298	1,661	6.8	23,442	1,191	5.1	12,545	590	4.7
Debt securities in issue:									
– in offices in the United Kingdom	41,552	2,053	4.9	47,216	1,850	3.9	46,583	1,631	3.5
– in offices outside the United Kingdom	94,271	5,055	5.4	74,125	3,686	5.0	52,696	1,695	3.2
Dated and undated loan capital and other subordinated liabilities principally:									
– in offices in the United Kingdom	12,972	763	5.9	13,686	777	5.7	11,286	605	5.4
Repurchase agreements and cash collateral on securities lent:									
– in offices in the United Kingdom	169,272	7,616	4.5	141,862	5,080	3.6	130,767	3,634	2.8
– in offices outside the United Kingdom	118,050	5,051	4.3	86,693	4,311	5.0	80,391	2,379	3.0
Trading portfolio liabilities:									
– in offices in the United Kingdom	47,971	2,277	4.7	49,892	2,014	4.0	44,349	1,737	3.9
– in offices outside the United Kingdom	29,838	1,435	4.8	39,064	1,352	3.5	36,538	1,196	3.3
Total average interest bearing liabilities	827,693	37,892	4.6	748,001	30,385	4.1	657,162	20,965	3.2
Interest free customer deposits:									
– in offices in the United Kingdom	34,109			27,549			25,095		
– in offices outside the United Kingdom	3,092			2,228			2,053		
Other non-interest bearing liabilities	421,473			297,816			267,531		
Minority and other interests and shareholders' equity	29,827			25,867			21,807		
Total average liabilities, shareholders' equity and interest expense	1,316,194	37,892	2.9	1,101,461	30,385	2.8	973,648	20,965	2.2
Percentage of total average interest bearing non-capital liabilities in offices outside the United Kingdom	39.4%			36.1%			33.3%		

Note

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

Table of Contents

Financial review
Average balance sheet

Changes in net interest income – volume and rate analysis

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

	2007/2006 Change due to increase/(decrease) in:			2006/2005 Change due to increase/(decrease) in:			2005/2004 [a] Change due to increase/(decrease) in:		
	Total change £m	**Volume £m**	**Rate £m**	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
Interest receivable									
Treasury bills and other eligible bills:									
– in offices in the UK	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	(68)	(68)	n/a
– in offices outside the UK	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	(63)	(63)	n/a
	n/a	**n/a**	**n/a**	n/a	n/a	n/a	(131)	(131)	n/a
Loans and advances to banks:									
– in offices in the UK	**427**	**402**	**25**	193	121	72	(237)	(115)	(122)
– in offices outside the UK	**291**	**(1)**	**292**	85	46	39	132	45	87
	718	**401**	**317**	278	167	111	(105)	(70)	(35)
Loans and advances to customers:									
– in offices in the UK	**1,780**	**1,337**	**443**	1,018	726	292	1,419	1,681	(262)
– in offices outside the UK	**1,802**	**728**	**1,074**	1,956	1,695	261	1,705	787	918
	3,582	**2,065**	**1,517**	2,974	2,421	553	3,124	2,468	656
Lease receivables:									
– in offices in the UK	**(17)**	**(26)**	**9**	(48)	(70)	22	128	78	50
– in offices outside the UK	**96**	**(30)**	**126**	478	413	65	96	91	5
	79	**(56)**	**135**	430	343	87	224	169	55
Debt securities:									
– in offices in the UK	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	(2,129)	(2,129)	n/a
– in offices outside the UK	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	(338)	(338)	n/a
	n/a	**n/a**	**n/a**	n/a	n/a	n/a	(2,467)	(2,467)	n/a
Financial investments:									
– in offices in the UK	**103**	**(165)**	**268**	181	(85)	266	1,755	1,755	n/a
– in offices outside the UK	**(378)**	**32**	**(410)**	363	202	161	467	467	n/a
	(275)	**(133)**	**(142)**	544	117	427	2,222	2,222	n/a
External trading assets:									
– in offices in the UK and	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	(4,971)	(4,971)	n/a
– outside the UK	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	(2,224)	(2,224)	n/a
	n/a	**n/a**	**n/a**	n/a	n/a	n/a	(7,195)	(7,195)	n/a
Reverse repurchase agreements and cash collateral on securities borrowed:									
– in offices in the UK	**3,508**	**1,865**	**1,643**	1,519	324	1,195	4,617	4,617	n/a
– in offices outside the UK	**414**	**430**	**(16)**	2,316	254	2,062	2,724	2,724	n/a
	3,922	**2,295**	**1,627**	3,835	578	3,257	7,341	7,341	n/a
Trading portfolio assets:									
– in offices in the UK	**1,760**	**621**	**1,139**	1,456	907	549	2,710	2,710	n/a
– in offices outside the UK	**881**	**(172)**	**1,053**	492	151	341	2,116	2,116	n/a
	2,641	**449**	**2,192**	1,948	1,058	890	4,826	4,826	n/a
Total interest receivable:									
– in offices in the UK	**7,561**	**4,034**	**3,527**	4,319	1,923	2,396	3,224	3,558	(334)
– in offices outside the UK	**3,106**	**987**	**2,119**	5,690	2,761	2,929	4,615	3,605	1,010
	10,667	**5,021**	**5,646**	10,009	4,684	5,325	7,839	7,163	676

Note

a 2004 figures do not reflect the applications of IAS 32 and IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

Changes in net interest income – volume and rate analysis

	2007/2006 Change due to increase/(decrease) in:			2006/2005 Change due to increase/(decrease) in:			2005/2004 [a] Change due to increase/(decrease) in:		
	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m	Total change £m	Volume £m	Rate £m
Interest payable									
Deposits by banks:									
– in offices in the UK	47	66	(19)	799	247	552	440	231	209
– in offices outside the UK	88	190	(102)	432	52	380	395	121	274
	135	256	(121)	1,231	299	932	835	352	483
Customer accounts – demand deposits:									
– in offices in the UK	178	105	73	170	68	102	200	28	172
– in offices outside the UK	150	95	55	166	80	86	57	36	21
	328	200	128	336	148	188	257	64	193
Customer accounts – savings deposits:									
– in offices in the UK	357	(81)	438	121	152	(31)	245	145	100
– in offices outside the UK	54	45	9	35	28	7	18	16	2
	411	(36)	447	156	180	(24)	263	161	102
Customer accounts – other time deposits – retail:									
– in offices in the UK	53	(204)	257	78	41	37	164	(23)	187
– in offices outside the UK	242	200	42	222	125	97	142	59	83
	295	(4)	299	300	166	134	306	36	270
Customer accounts – other time deposits – wholesale:									
– in offices in the UK	688	263	425	603	129	474	(653)	(479)	(174)
– in offices outside the UK	470	45	425	601	550	51	248	(16)	264
	1,158	308	850	1,204	679	525	(405)	(495)	90
Debt securities in issue:									
– in offices in the UK	203	(240)	443	219	22	197	398	507	(109)
– in offices outside the UK	1,369	1,063	306	1,991	850	1,141	1,359	323	1,036
	1,572	823	749	2,210	872	1,338	1,757	830	927
Dated and undated loan capital and other subordinated liabilities principally in offices in the UK	(14)	(41)	27	172	135	37	(87)	(78)	(9)
External trading liabilities:									
– in offices in the UK	n/a	n/a	n/a	n/a	n/a	n/a	(5,611)	(5,611)	n/a
– outside the UK	n/a	n/a	n/a	n/a	n/a	n/a	(1,805)	(1,805)	n/a
	n/a	n/a	n/a	n/a	n/a	n/a	(7,416)	(7,416)	n/a
Repurchase agreements and cash collateral on securities lent:									
– in offices in the UK	2,536	1,090	1,446	1,446	329	1,117	3,634	3,634	n/a
– in offices outside the UK	740	1,402	(662)	1,932	200	1,732	2,379	2,379	n/a
	3,276	2,492	784	3,378	529	2,849	6,013	6,013	n/a
Trading portfolio liabilities:									
– in offices in the UK	263	(80)	343	277	222	55	1,737	1,737	n/a
– in offices outside the UK	83	(366)	449	156	85	71	1,196	1,196	n/a
	346	(446)	792	433	307	126	2,933	2,933	n/a
Internal funding of trading businesses	n/a	n/a	n/a	n/a	n/a	n/a	2,045	2,045	n/a
Total interest payable:									
– in offices in the UK	4,311	878	3,433	3,885	1,345	2,540	2,512	2,136	376
– in offices outside the UK	3,196	2,674	522	5,535	1,970	3,565	3,989	2,309	1,680
	7,507	3,552	3,955	9,420	3,315	6,105	6,501	4,445	2,056
Movement in net interest income									
Increase/(decrease) in interest receivable	10,667	5,021	5,646	10,009	4,684	5,325	7,839	7,163	676
(Increase)/decrease in interest payable	(7,507)	(3,552)	(3,955)	(9,420)	(3,315)	(6,105)	(6,501)	(4,445)	(2,056)
	3,160	1,469	1,691	589	1,369	(780)	1,338	2,718	(1,380)

Note
a 2004 figures do not reflect the applications of IAS 32 and IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

Corporate sustainability

Corporate sustainability

For Barclays, there are two separate but mutually dependent aspects to sustainability. One is our duty as a bank to provide sound and enduring returns for our shareholders, and the best possible services for our customers. The other is our responsibility to conduct our global business ethically, and with full regard to wider social and environmental considerations. Our ambition is to develop both of these complementary strands as we move forward.

Barclays as a sustainable bank

Banks are central to every society; they provide the funding that facilitates business and entrepreneurship, support a sound financial system, and help to create jobs and wealth. As one of the world's leading banks, with nearly 135,000 employees and operations in over 50 countries across the world, Barclays plays a significant role, whether it is working with governments on major infrastructure projects or bringing mainstream banking to customers in emerging markets.

In all of this, the customer is absolutely central. If we are to make sustainable banking successful, and successful banking sustainable, we must put our customers at the heart of everything we do, and build our services around them. We must earn – and keep – their trust by ensuring that the products we sell are understandable and appropriate.

This may seem like a statement of the obvious, but the banking sector in general has not always had a reputation for doing this. We want to change that. This aspiration covers every aspect of our business and every stage in a customer's relationship with us, from the purchase of a Barclays product for the first time, to the way we assess applications for loans, to the more general aspects of customer service such as complaints-handling, confidentiality, and security.

Focusing more on the customer is also an integral part of what we call 'inclusive banking'. This is partly about appealing to the broadest possible range of people as part of our strategic move into mass-market services in our emerging markets businesses, and partly about understanding the exact nature of our local customer base, and adapting our business model and product range accordingly.

A good example is our approach to basic banking accounts. In the UK we now have over 660,000 customers who have our basic Cash Card Account, and we have been working closely with consumer groups and third parties such as housing associations to ensure that these accounts are easily accessible and the product features and communications are tailored to meet their needs. In Africa the potential for growth in this area is enormous: over 100 million of the continent's people have yet to be brought into mainstream banking, and could in time buy a whole range of other financial services. Absa has been a pioneer of basic banking in South Africa, and has attracted over 4 million customers to these accounts. The same thinking is now being applied in other African markets and India, with new basic banking products being developed. We are also distributing these products through new and innovative formats such as express branches and direct sales agents, alongside our traditional branches.

This is another lesson we have learnt from our South African operations. In Ghana our microbanking programme is now working with over 500 Susu collectors and reaching over 280,000 market traders across the country. The programme is being extended to other intermediaries such as credit unions, trade associations, microfinance institutions and church groups.

Responsible lending

We have reported on this issue in our recent Corporate Responsibility reviews, setting out our approach to what remains a high-profile and intractable issue, especially in the UK. In the last year we have continued to enforce strict criteria on new credit card applications, using a scoring system that takes over 400 variables into account when assessing an applicant's likely ability to manage their credit. Around 50% of applications for credit cards are declined as a result. We have also extended our data-sharing collaboration with the UK credit reference agencies: pooling information about cash advances and minimum payments is proving to be an effective way of flagging up those customers who are in danger of incurring serious debt problems. We have a new unit that can step in at this stage and offer support and guidance to get their finances back on track.

We are also testing a new product, Barclaycard Freedom, which combines a credit card and the features of a structured loan, making it easier for people to manage their borrowing and keep their interest payments down.

Customer service

We have a strategic priority to be the best bank in the UK. In the last twelve months we have started to roll all our various customer initiatives into what we are calling 'Real Retail'. We are sharing best practice more actively, and both managers and employees are getting new powers to make decisions, and tailor their product range, based on local customer needs.

Real Retail also includes a new programme to telephone customers to ask about the quality of our service and products they have purchased. Over 20,000 calls have been made so far, and the feedback is being channelled back to our product development teams.

Risk management

The incorporation of environmental and social risks into mainstream commercial credit assessments is an area where Barclays has demonstrated genuine leadership.

We have been a member of the Equator Principles since their inception, and currently chair the Steering Committee for the group of Equator banks. We continue to assess our environmental and social impact beyond the project finance remit of these principles (see table on page 59) and are working to include climate change and human rights risks. We now have ten briefing notes for all lending covering a wide range of social and environmental risks. These notes set out an overview of the risks facing different sectors, and the ways they can be mitigated, as well as the legislative and regulatory environment applicable to that industry. A good example of this process in practice in 2007 is Absa's involvement with the Bujagali Hydropower project in Uganda. A rigorous social and environmental assessment was carried out, and the results were incorporated into the final plans.

Table of Contents

Barclays as a responsible global citizen

Twenty years ago the idea of 'corporate citizenship' described a company's community activities, which rarely extended beyond philanthropic donations. Public understanding of the responsibilities of business has evolved considerably since then. For us, being a responsible global citizen does not just cover our award-winning community investment programme, but also includes how we behave as an employer, and how we manage Barclays wider social and environmental impacts.

Climate change has become the single biggest challenge the world faces at the beginning of the 21st century, and in response we are focusing increasingly on our work on the environment, which includes both our direct and indirect impacts.

The environment

As a major financial services organisation we want to take a lead in helping our clients thrive in a lower-carbon future, and use our position to press for appropriate policies and regulatory frameworks to deal with climate change. We will be 100% carbon neutral globally by next year. We remain committed to increasing our energy efficiency, and reducing our carbon footprint on an ongoing basis, as well as helping our supply chain reduce its emissions.

We also believe we can make a positive impact though the products and services we offer, and the lending decisions we make. In 2007, we invested further in our emissions trading capability, and moved into the consumer market with new lower-carbon products and services.

An example is Barclaycard Breathe, a new card that gives consumers incentives when they buy green products, and donates half its profits to environmental projects. In the wholesale market we have Barclays Capital's commitment to the EU emissions trading market, where it brings its full range of commodity trading and risk management expertise to bear to help clients manage their carbon risk. Since 2005 we have traded over 600 million tonnes of carbon credits, with a notional value of over $14 billion.

Project Finance Deals – whole Barclays Group

Category	A Higher Risk	B Medium Risk	C Lower Risk	Total 2007	Total 2006
Number of project finance deals	7	18	29	54	36
Deals completed or pending	4	12	29	45	30
– of which, number where sustainability related changes were made.	4	12	29	45	30
Deals considered, but not participated in	3	6	0	9	6
Projects referred from EU	5	9	24	38	25
Projects referred from Africa	2	1	4	7	5
Projects referred from Asia Pacific	0	4	1	5	3
Projects referred from North America	0	4	0	4	3

Our supply chain

Since 2006 we have required all new and high-risk suppliers to provide us detailed information about their social, environmental and ethical performance. In the last year Absa adapted it for the special conditions of the South African market.

Measuring the emissions generated from a company's supply chain is also becoming increasingly important, and we are engaging more with our own suppliers on this. This included a special forum for nine key suppliers, which has been followed up with one-to-one discussions to ascertain the proportion of each firm's emissions that are attributable to us. We have identified a number of ways to help suppliers address their emissions, and now have a working group in place to take these ideas forward in 2008.

Human rights

We have represented the banking sector on the Business Leaders' Initiative on Human Rights since its launch in 2003 and, since October 2006, have co-chaired the United Nations Environment Programme Finance Initiative (UNEPFI) human rights work stream. During 2007 we worked as part of a team of 12 financial institutions to develop an online tool for UNEPFI that provides guidance on human rights issues associated with corporate lending. It is designed to help identify potential risks and how they may be reduced or managed. The guidance covers specific issues relevant to different sectors, ranging from employment terms and conditions, to health and safety, to child labour, to relocation of communities, among many others.

Project finance deals by sector	Project finance [a] deals	Non project finance deals referred to E and S Risk Team
Agriculture and Fisheries	0	4
Forestry and Logging	0	16
Manufacturing	3	30
Chemicals, pharmaceuticals manufacturing and bulk storage	1	6
Mining and Metals	6	91
Power generation [b]	16	118
Oil and gas	4	41
Utilities and Waste Management	5	7
Infrastructure (including dams, pipelines)	9	26
Service Industry	10	7
Totals	**54**	**346**

Note

a Project finance as defined by Basel II www.bis.org/publ/bcbs118.pdf.

b Of which non-fossil fuel deals contributed 9 and 89 to project finance deals and non-project finance deals referred to E and S Team respectively.

Table of Contents

Corporate sustainability

Barclays – an international picture

	2007	2006
FTE by world region		
UK	61,900	62,400
Africa & Middle East	51,748	44,326
Continental Europe	9,750	8,100
Americas	6,413	4,905
Asia Pacific	5,089	2,869
Total	134,900	122,600
Global employment statistics		
FTE	134,900	122,600
Total employee headcount	141,885	133,529
Percentage of female employees	56.3%	60.6%
Percentage of female senior executives	13.7%	12.2%
Percentage of female senior managers	20.6%	20.8%
Percentage working part time	12.4%	13.6%
Turnover rate	18.3%	16.9%
Resignation rate	12.3%	10.9%
Sickness absence rate	3.0%	3.6%

Barclays UK employees

	2007 [a]	2006 [b]
UK employment statistics		
Total employee headcount	61,900	62,400
Average length of service (years)	9.7	9.8
Percentage working part time	16.8%	21.8%
Sickness absence rate	3.0%	4.0%
Turnover rate	16.6%	19.0%
Resignation rate	11.1%	12.0%
Women in Barclays		
Percentage of all employees	58.0%	61.0%
Percentage of management grades	28.4%	33.0%
Percentage of senior executives	13.0%	12.9%
Ethnic minorities in Barclays		
Percentage of all employees	12.3%	12.7%
Percentage of management grades	10.0%	8.1%
Percentage of senior executives	6.6%	6.1%
Disabled employees in Barclays		
Percentage of all employees	3.4%	5.0%
Age profile		
Employees aged under 25	16.5%	17.4%
Employees aged 25-29	17.0%	15.9%
Employees aged 30-49	54.2%	56.0%
Employees aged 50+	10.3%	10.7%
Pensions		
Barclays Bank UK Retirement Fund active members	53,473	55,558
Current pensioners	48,607	43,754

Notes

a 2007 UK data – includes 1,000 BGI employees

b 2006 UK data – excludes 800 BGI employees

Barclays as an employer

One of our guiding principles is to develop the best people, and in such an intensely competitive industry we want to find, develop and retain the best talent. We are committed to diversity as a way of helping to ensure we are able to attract the best people. We have a wide range of development and leadership programmes for employees, and a policy that ensures that they are all treated with respect, regardless of age, race, sexuality, gender or disability.

We use our employee opinion surveys to understand and engage our employees. We continue to score well but we are working to improve our scores further.

As we grow internationally our workforce becomes ever more diverse, reflecting the worldwide markets in which we operate. The percentage of UK ethnic minority employees has increased significantly from 7.2% in 2001, to 12.3% in 2007. As we grow we are determined to build the local talent base in the markets in which we operate, we see this as a crucial success factor for us in emerging markets. In the UK we also continued to invest in the disability mentoring and 'reasonable adjustments' schemes in 2007, and have again been ranked in the top 20 of Stonewall's list of the best employers for lesbian, gay and bisexual people.

These are clear successes; but we have much more work to do on our gender balance, especially at senior level: 20.6% of our senior managers are women. The drive to improve this comes from the very top of the bank.

Barclays in the community

Barclays has always been a proud and committed investor in its communities. In 2007 we invested £52.4 million in communities around the world and 44,000 Barclays employees in 26 countries were involved in our fundraising and volunteering initiatives. Our flagship programme, Banking on Brighter Futures, enabled us to use our skills and expertise, as well as our money, to maximum effect helping people improve their economic prospects, especially those in poverty, disadvantage, and debt. Projects ranged from supporting elderly people in the UK who are in financial difficulty through to helping Ugandan women affected by HIV/AIDS to set up their own businesses. This is not just about good works: the more we help individuals and communities improve their economic circumstances and financial literacy, the better the environment in which we operate.

We are investing $150 million over the next five years in the Banking on Brighter Futures programme. 1,500 projects will be supported around the world, and employees will be encouraged to volunteer 150,000 hours of their time on projects focusing on financial education, entrepreneurship, employment and financial inclusion.

Governance

Corporate responsibility is firmly established as one of the Barclays Principal Risks, which means that it is managed within a robust framework of internal control, governance, and risk management processes.

Responsibility for Barclays Corporate Sustainability Strategy rests with the Group Executive Committee, with oversight by the Board. The Group Chief Executive has primary responsibility for embedding corporate sustainability throughout Barclays, supported by the Group Executive Committee. This includes ensuring there are effective processes for identifying and monitoring all the business risks or commercial opportunities that have a significant social, environmental or ethical dimension.

The Brand and Reputation Committee is a sub-committee of Group Executive Committee, and is chaired by Sir Nigel Rudd, Deputy Chairman and a Non-Executive Director on the Board. This Committee's role is to identify and manage issues that could have a significant impact on Barclays reputation. It met six times during the year and dealt with issues ranging from Barclays presence in Zimbabwe to new areas of commodities business and the fee structure for Barclaycard.

The Community Partnerships Committee, chaired by Gary Hoffman, sets the policy and provides governance for our global community investment programmes, and the Environmental Steering Group gives direction and governance to our environmental and climate change strategies. The Treating Customers Fairly (TCF) Forum, chaired by our Consumer champion, Catharine French, monitors compliance across all retail and wholesale business units, UK and non-UK, to embed TCF principles in our relationships with customers. Taking this wider approach to TCF goes significantly beyond our regulatory requirements.

Table of Contents

Risk management

Risk factors 63

Introduction 65
Barclays approach to risk management 67
Organisation and structure 68
Material risks and control framework 70

Capital adequacy 70
Model governance 73
Credit risk management 74
Organisation and structure 74
Measurement, reporting and internal ratings 75

Credit risk mitigation 78
Monitoring of loans and advances 80
Market risk management 86
Organisation and structure 86

Traded market risk 87

Interest rate risk in the banking book 88
Other market risks 88
Derivatives 89
Disclosures about certain trading activities 90

Liquidity risk management 91

Operational risk management 93
Organisation and structure 93
Measurement and capital modelling 93
Operational risk events 94
Financial crime risk management 95
Anti-money laundering and sanctions 95
Fraud 96
Security 96
Statistical information 97

Table of Contents

1 Business review

Risk management

List of Credit, Market and Operational Risk tables and charts included within the 2007 Annual Report and Accounts

Name	Page: Risk Management	Page: Financial Risk Notes
Group Risk Structure	68	
Governance Structure at Group Level	69	
Principal Risks and Other Level 1 Risks	70	
Risk Appetite Concepts	71	
Risk Tendency by Business	78	
Loans and Advances by Retail and Wholesale Portfolios	80	
Loans and Advances to Customers by Industry	80	
Geographical Analysis of Loans and Advances to Customers	80	
Analysis of LTV Ratios of Mortgages in UK Home Loan Portfolio (at most recent sanction)	80	
Loans and Advances, Balances and Limits to Wholesale Customers by Internal Risk Rating (%)	81	
Credit Exposure to Sub-Investment Grade Countries	81	
Maturity Analysis of Loans and Advances to Customers (%)	81	
PPL Balances by Geography	82	
CRL Balances by Geography	82	
PPL/Loans and Advances Ratio (%)	82	
CRL/Loans and Advances Ratio (%)	82	
Impairment/Provisions coverage of CRLs (%)	83	
Impairment/Provisions coverage of PCRLs (%)	83	
Impairment Charges for Bad and Doubtful Debts	84	
Impairment/Provisions Charges Over Five Years	84	
Total Write-offs of Impaired Financial Assets	85	
Market Risk – Business Control Structure	87	
Barclays Capital's Trading Revenue	88	
Movement in Fair Value of Commodity Derivative Positions	90	
Maturity Analysis of Commodity Derivative Fair Value	90	
Operational Risk Events > £10k	94	
Operational Risk Events by Risk Category	94	
Risk Tendency by Business	97	
Loans and Advances	97	
Maturity Analysis of Loans and Advances to Banks	98	
Interest Rate Sensitivity of Loans and Advances	98	
Loans and Advances to Customers by Industry	98	
Loans and Advances to Customers in the UK	99	
Credit Risk Loans Summary	102	
Potential Problem Loans Summary	104	
Interest Foregone on Credit Risk Loans	104	
Analysis of Impairment/Provision Charges	104	
Impairment/Provision Charges Loan Loss Ratios	105	
Analysis of Allowance for Impairment/Provision For Bad and Doubtful Debts	105	
Allowance for Impairment/Provision Balances Ratios	105	
Movements in Allowance for Impairment/Provision Charge for Bad and Doubtful Debts	106	
Amounts Written Off	106	
Recoveries	106	
Impairment Allowance/Provisions Charged Against Profit	107	
Total Impairment/Specific Provision charges for Bad and Doubtful Debts by Industry	107	
Allowance for Impairment/Specific Provision Charges for Bad and Doubtful Debts by Industry	108	
Analysis of Amounts Written Off and Recovered by Industry	108	
Total Impairment Allowance/Provision Coverage of Credit Risk Loans	109	
Total Impairment Allowance/Provision Coverage of Potential Credit Risk Loans	109	
Barclays Capital DVaR Summary Table		219
Sensitivity Analysis – Impact on Net Interest Income		220
Sensitivity Analysis – Impact on Equity		220
Concentrations of Interest Rate Risk		221
Effective Interest Rate		223
Carrying Value of Foreign Currency Net Investment, Borrowing and Derivatives used to hedge them		224
Listed and Unlisted Debt Securities and Market Counterparties where external ratings are available		227
Wholesale Lending: Default Grades		227
Retail Lending: Barclays Retail Grades		227
Maximum Exposure to Credit Risk		229
Nature of Collateral Obtained or Other Credit Risk Mitigation		230
Credit Risk Concentrations by Geographical Sector		231

Loans and Advances to Customers in Other EU Countries 99
Loans and Advances to Customers in the US 100
Loans and Advances to Customers in Africa 100
Loans and Advances to Customers in the Rest of the World 100
Maturity Analysis of Loans and Advances to Customers 101
Loans and Advances to Borrowers in Currencies Other Than the Local Currency of the Borrower for Countries where this exceeds 1% of the Total Group Assets 101
Off balance sheet and other Credit Exposure 102
Notional Principal Amounts of Credit Derivatives 102
Credit Risk Concentrations by Industrial Sector 232
Financial Assets that are Neither Past Due nor Individually Impaired 235
Financial Assets that are Past Due but not Individually Impaired 237
Impaired Financial Assets 238
Impairment Allowance 238
Collateral and Other Credit Enhancements Held 239
Collateral and Other Credit Enhancements Obtained 239
Contractual Maturity of Financial Assets And Liabilities 241
Contractual Maturity of Financial Assets on an Undiscounted Basis 243

Table of Contents

Risk management

Risk factors disclosure

Risk factors

The following information sets forth certain risk factors that the Group believes could cause its actual future results to differ materially from expected results. For further information related to such matters, please refer to page 53 (Barclays Capital credit market positions), pages 65-66 (2007 risk developments), pages 80 to 88 (credit risk management and market risk management), pages 91-95 (liquidity risk management and operational risk management), page 201 (Note 35 – legal proceedings) and page 202 (Note 36 – competition and regulatory matters). However, other factors could also adversely affect the Group results and so the factors discussed in this report should not be considered to be a complete set of all potential risks and uncertainties.

Business conditions and general economy

The profitability of Barclays businesses could be adversely affected by a worsening of general economic conditions in the United Kingdom, globally or in certain individual markets such as the US or South Africa. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of customers. For example:

- An economic downturn or significantly higher interest rates could adversely affect the credit quality of Barclays on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of Barclays customers would be unable to meet their obligations.
- A market downturn or worsening of the economy could cause the Group to incur mark to market losses in its trading portfolios.
- A market downturn could reduce the fees Barclays earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management.
- A market downturn would be likely to lead to a decline in the volume of customer transactions that Barclays executes and, therefore, a decline in the income it receives from fees and commissions and interest.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Group's investment in that entity's financial instruments to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the asset, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Group may pay a counterparty – for example, a bank in a foreign exchange transaction – but fail to receive the corresponding settlement in return.

Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The main market risk arises from trading activities. The Group is also exposed to interest rate risk in the banking book and market risk in the pension fund.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in Barclays operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Table of Contents

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

- Meet minimum regulatory capital requirements in the UK and in other jurisdictions such as the US and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources.
- Support its strong credit rating. In addition to capital resources, the Group's rating is supported by a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation. A weaker credit rating would increase the Group's cost of funds.
- Support its growth and strategic options.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Business risk

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

Insurance risk

Insurance risk is the risk that the Group will have to make higher than anticipated payments to settle claims arising from its long-term and short-term insurance businesses.

Legal risk

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

- the Group's business may not be conducted in accordance with applicable laws around the world;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the intellectual property of the Group (such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

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

Tax risk

The Group is subject to the tax laws in all countries in which it operates. A number of double taxation agreements entered between countries also impact on the taxation of the Group. The Group is also subject to European Union tax law. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law. If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk:

- tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;
- the tax charge is also reviewed by the Board Audit Committee;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the Group takes appropriate advice from reputable professional firms;
- the Group employs high-quality tax professionals and provides ongoing technical training;
- the tax professionals understand and work closely with the different areas of the business;
- the Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations;
- where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

Effect of governmental policy and regulation

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the UK, the European Union, the US, South Africa and elsewhere.

Areas where changes could have an impact include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework (page 70) and rules designed to promote financial stability and increase depositor protection;
- changes and rules in competition and pricing environments;
- further developments in the financial reporting environment;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

Regulatory compliance risk

Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Impact of strategic decisions taken by the Group

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not deliver as anticipated, the Group's earnings could grow more slowly or decline.

Competition

The global financial services markets in which the Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group's profitability if the Group fails to retain and attract clients and customers.

Table of Contents

Risk management

Introduction

This risk section outlines Barclays approach to risk management, explaining our objectives as well as the high level policies, processes, measurement techniques and controls that are used. This also presents our summary information and disclosure on our portfolios and positions. Consequent to the adoption of IFRS 7, some of our risk disclosure is moved from this section to the financial statements section of this report, as described in our list of tables on page 62.

2007 Developments

Wholesale credit risk

The results of severe disruption in the US sub-prime mortgage market were felt across many wholesale credit markets in the second half of 2007, and were reflected in wider credit spreads, higher volatility, tight liquidity in interbank and commercial paper markets, more constrained debt issuance and lower investor risk appetite. Although impairment and other credit provisions in Barclays Capital rose as a consequence of these difficult sub-prime market conditions, our risks in these portfolios were identified in the first half and management actions were taken to reduce limits and positions. Further reductions and increased hedging through the rest of the year continued to bring net positions down and limited the financial effect of the significant decline in market conditions. Our ABS CDO Super Senior positions were reduced during the year and our remaining exposure reflected netting against writedowns, hedges, and subordination. At the end of the year, market conditions remained difficult with reduced liquidity in cash and securitised products, and reflected stress at some counterparties such as the monoline insurers.

The international markets for Leveraged Finance were also disrupted in 2007. The level of underwritten positions was steady during the second half, with some small turnover in the portfolio. The vast majority of positions held were senior tranches. Liquidity conditions at year end remained constrained.

The Group's wholesale credit risk profile in 2007 benefited from the diversification available from the UK and international portfolios, which grew by 14% and 41% respectively. The corporate credit risk profile remained steady, with corporate credit ratings and watch list balances broadly stable.

At Barclays Commercial Bank there was good growth in loans and advances. The risk profile of the Larger Business portfolio remained stable as early warning list balances, default rates and loan loss rates were steady. There was no increase to exposure levels to leveraged finance during 2007 and limits were reduced.

Wholesale credit portfolio performance was steady in South Africa, particularly for Absa's most significant wholesale portfolios – agriculture, property and sovereign lending – which were relatively unaffected during 2007 by interest rate rises compared with consumer-facing sectors and retail portfolios. Relatively good performance in these sectors in 2007 was reflected in a reduction in Absa's wholesale impairment charge. After many years of positive economic conditions in South Africa, the wholsesale portfolios will be under more stress in current market conditions.

Loan loss rates across the Western Europe and Emerging Markets wholesale businesses were stable in 2007. The Group continued to invest in risk management infrastructure to support these businesses' growth initiatives in Dubai, India, Egypt and Italy.

Going into 2008, the credit environment reflects concern about weakening economic conditions in our major markets. Credit spreads and other indicators signal that the credit cycle has changed after a long period of stability. We expect some deterioration in credit metrics as default probabilities move toward their medium-term averages. This environment has led to a more cautious approach to credit assessment, pricing and ongoing control in the financial industry, which we believe will continue through the year.

Table of Contents

Retail credit risk

A continued improvement in credit quality in the UK unsecured portfolios was a principal feature of the Group's retail credit risk profile during 2007. Barclaycard continued the underwriting revisions begun in 2006 in UK credit cards, and successfully reduced impairment in the main Barclays branded cards portfolio. Flows into delinquency and arrears balances fell, as did general charge-offs, which were helped by a fall in charge-offs due to bankruptcy. New customer quality increased again in 2007, reflected in a sustained improvement in average approval scores and a fall in early cycle delinquency rates.

The UK unsecured loans portfolio, which is now managed within UK Retail Banking, saw reduced early and late cycle delinquency resulting from revised underwriting criteria. Improved collections processes helped to reduce impairment in Local Business, while in UK Home Finance, delinquency and possession rates remained at the lows recorded since 2004, and impairment charges were negligible. Barclays delinquency and possession rates remain below industry averages, reflecting the high credit quality of the portfolio.

Lending criteria in Absa's retail portfolios were tightened in response to a more difficult credit environment, signalled by a rise in arrears rates. The change in conditions was primarily driven by a prolonged series of interest rate rises and the implementation of new consumer lending legislation in June 2007.

We increased our investment in credit risk infrastructure in India and Italy to support the launch or expansion of retail banking operations in those countries during 2007. Barclays has also established a credit risk modelling centre in Madrid to support our strategic growth objectives in the Western Europe business.

The US card business continued to grow, and the underwriting and account management criteria were adjusted as the US retail environment weakened during the year.

Looking ahead this year, we expect the retail credit environment to be more challenging in Absa and to some degree in the US portfolio. The UK portfolios' performance, which has improved in the past two years, will be subject to the evolving economic climate anticipated in 2008.

Risk tendency

Risk tendency at 2007 year-end reflected an increase in portfolio size as well as some weakening in credit grades, evidenced by wider spreads in wholesale credit and potentially more difficult conditions in some of the international retail portfolios in 2008.

Country risk

The portfolio is reasonably well diversified, assisted by increases in business levels in a range of European, African and Asian countries.

Market risk

Dislocation in the credit markets had an impact on all major interest rate, equity and foreign exchange markets, which also experienced higher volatility, particularly in the second half. Barclays Capital's market risk exposure, as measured by average total Daily Value at Risk (DVaR), increased 13% to an average of £42m in 2007. Over the same period, average daily market risk revenue increased 19% to £26m, satisfying our objective that trading revenues should grow at or above the rate of increase in risk levels. The average DVaR on interest rate and credit spread exposures was broadly unchanged, with increasing volatility in credit spreads offset by reduced positions held in the credit markets.

This reduction in exposure resulted in a lower level of credit stress loss, which is another important market risk control for Barclays Capital. Average commodity DVaR and equity DVaR increased as those businesses grew. Diversification across risk types remaining significant, reflecting the broad product mix. Higher market volatilities in the fourth quarter led to an increase in DVaR at year end, and will contribute to higher average DVaRs in 2008.

Liquidity risk

Bank funding markets and general liquidity in credit markets came under pressure in 2007. In the second half, some money market participants faced difficulties in obtaining funding beyond one week, and term LIBOR premiums rose despite the helpful provision of liquidity by central banks. The cost of longer-term bank funding and capital also increased, and funding channels such as securitisation and covered bond issuance became significantly constrained. Despite these developments, the Group's liquidity position remained strong due to its deep retail funding base, its diversity of institutional funding sources across tenors, counterparties and geographies and its limited reliance on securitisation as a funding source.

Operational risk

In 2007, Barclays embedded the advanced measurement approach (AMA) to operational risk across the Group, having received AMA approval from the FSA and the SARB. Barclays now allocates operational risk economic capital by business, providing operational insight and greater tangible incentives to the Group's businesses to further improve the management of their operational risk profiles. As a percentage of revenues, operational risk events fell in 2007.

Financial crime

The Group introduced two-factor authentication for online transactions through its PINsentry device and continued to offer all UK personal customers anti-phishing software to combat internet fraud. Combined with improvements in transaction profiling, these changes enabled us to reduce net reported fraud losses. The threat from financial crime constantly evolves, however, and Barclays will continue to build the capacity to respond rapidly to emerging issues as well as to invest in strategic improvements in transaction channel security.

Basel II and capital management

New capital adequacy rules came into force in the UK from 1st January 2008, following the implementation of the Basel II banking accord. Barclays regulatory capital requirement will now more closely reflect the risk profile as measured by its own risk measurement systems (an approach termed the Advanced Internal Ratings Based approach or AIRB).

Permission from the FSA to apply the AIRB approach to capital calculations was the culmination of a lengthy and detailed programme of work across all business areas and covering all risk types. As part of the application process, Barclays assessed over 200 models to ensure that they were consistent with regulators' standards and that they met the 'use' test, which assesses a model's fitness as an input to capital calculations by the extent to which management make use of its output in business decisions.

Our focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with our ambition to remain at the leading edge of risk management. With the most significant portfolios already consistent with the AIRB approach, the focus of our Basel II work will now be to progress the roll-out of the advanced approach for the remaining minority of our portfolios. In line with the schedule agreed with regulators, we will complete this process by 2011.

Table of Contents

Risk management
Barclays approach to risk management

Barclays approach to risk management

Barclays approach to risk management involves a number of fundamental elements that drive our processes across the Group:

The Group's **Risk appetite** sets out the level of risk that the Bank is willing to take in pursuit of its business objectives. This is expressed as the Group's appetite for earnings volatility across all businesses from credit, market, and operational risk. It is calibrated against our broad financial targets, including income and impairment targets, dividend coverage and capital levels. It is prepared each year as part of the Group's Medium Term Planning process, and combines a top-down view of the Bank's risk capacity with a bottom-up view of the risk profile requested and recommended by each business. This entails making business plan adjustments as necessary to ensure that our Medium Term Plan creates a risk profile that meets our Risk Appetite (page 71).

The **Principal risk** policy covers the Group's main risk types, assigning responsibility for the management of specific risks, and setting out the requirements for control frameworks for all of the risk types. The individual control frameworks are reinforced by a robust system of review and challenge, and a governance process of aggregation and broad review by businesses and risk across the Group (page 68).

Barclays **Risk methodologies** include systems that enable the Group to measure, aggregate and report risk for internal and regulatory purposes. As an example, our credit grading models produce Internal Ratings through internally derived estimates of default probabilities. These measurements are used by management in an extensive range of decisions, from credit grading, pricing and approval to portfolio management, economic capital allocation and capital adequacy processes (page 70).

Risk management is a fundamental part of Barclays business activity and an essential component of its planning process. To keep risk management at the centre of the executive agenda, it is embedded in the everyday management of the business.

Barclays ensures that it has the functional capacity to manage the risk in new and existing businesses. At a strategic level, our risk management objectives are:

- To identify the Group's material risks and ensure that business profile and plans are consistent with risk appetite.
- To optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.
- To help executives improve the control and coordination of risk taking across the business.

In pursuit of these objectives, Group Risk breaks down risk management into five discrete processes: direct, assess, control, report, and manage/challenge (see panel below).

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

Table of Contents

Organisation and structure

Responsibility for risk management resides at all levels within the Group, from the Executive down through the organisation to each business manager and risk specialist. Barclays distributes these responsibilities so that risk/return decisions are taken at the most appropriate level; as close as possible to the business, and subject to robust and effective review and challenge.

Every business manager is accountable for managing risk in his or her business area; they must understand and control the key risks inherent in the business undertaken. Each business area also employs risk specialists to provide an independent control function and to support the development of a strong risk management environment. This functional approach to risk management is built on formal control processes that rely on individual responsibility and independent oversight, as well as challenge through peer reviews.

The Board approves Risk Appetite and the Board Risk Committee monitors the Group's risk profile against this agreed appetite.

Business Heads are responsible for the identification and management of risk in their businesses.

The Risk Director, under delegated authority from the Group Chief Executive and Group Finance Director, has responsibility for ensuring effective risk management and control.

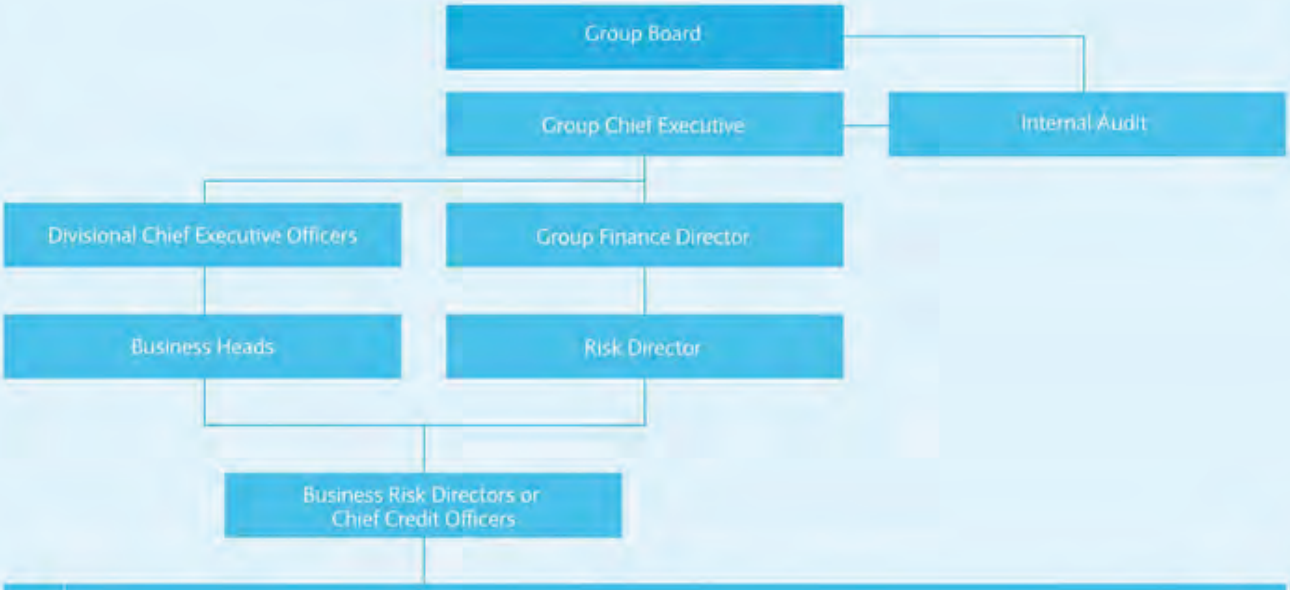
Risk-Type Heads exist at Group-level for the main risk types, and report to the Risk Director. Along with their teams, they are responsible for establishing a risk control framework and risk oversight.

Each business has an embedded risk management team reporting to a Business Risk Director or Chief Credit Officer who reports to the Risk Director. The risk management teams assist Group Risk in the formulation of Group Risk policy and its implementation across the businesses.

Business risk teams, each under the management of a Business Risk Director, are responsible for assisting Business Heads in the identification and management of their business risk profiles and for implementing appropriate controls. The functional coverage of risk responsibilities is illustrated in the diagram below.

Internal Audit is responsible for the independent review of risk management and the control environment.

To support expanded risk taking, Barclays has continued to strengthen the independent and specialised risk teams in each of its businesses, supported by matching teams at Group level, acting in both a consultancy and oversight capacity. As a prerequisite to business growth plans, it has made the recruitment, development and retention of risk professionals a priority.



Business Risk Directors

	Risk-Type Heads				
	Retail Credit risk	Corporate/ Wholesale Credit risk	Market risk	Operational risk	All other risks
UK Banking	✓	✓	✓	✓	✓
Barclays Capital	✓	✓	✓	✓	✓
Barclaycard	✓	✓	✓	✓	✓
International Retail and Commercial Bank	✓	✓	✓	✓	✓
Barclays Wealth	✓	✓	✓	✓	✓
Barclays Global Investors	x	✓	✓	✓	✓

Table of Contents

Risk management

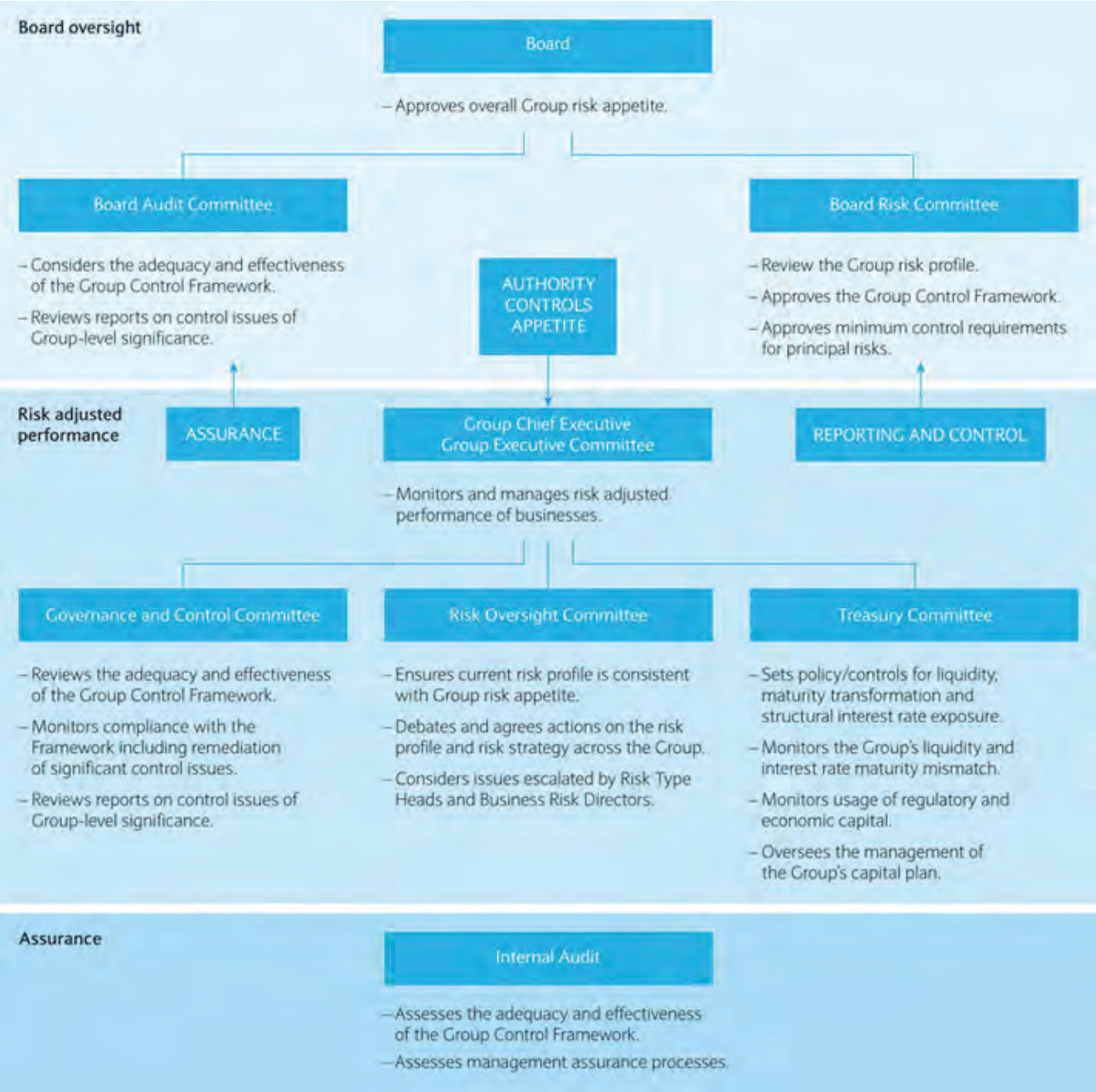
Barclays approach to risk management

The Committees shown below receive regular and comprehensive reports. The Board Risk Committee receives a quarterly report covering all of our principal risks. The Board Audit Committee receives quarterly reports on control issues of significance and half-yearly impairment allowances and regulatory reports. Both Committees also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both Committees are reported to the full Board, which also receives a concise quarterly risk report. Internal Audit supports both Committees by attendance and/or the provision of quarterly reports resulting from its work on governance, risk and control issues of significance. The Board Audit Committee reviews and approves Internal Audit's plans and resources, and evaluates the effectiveness of Internal Audit.

An assessment by external advisers is also carried out periodically.

In addition to the Committees shown in the chart, there is a Brand and Reputation Committee reviewing emerging issues with potentially significant reputational impact.

Governance structure at Group level



Barclays

Table of Contents

Material risks and control framework

As well as overall responsibility for the Group's risk exposure versus appetite, the Board is also responsible for the Group Internal Control and Assurance Framework ('GICAF'). As part of the GICAF, it approves the Principal Risks Policy, which sets out responsibilities for the management of the Group's most significant risk exposures. The Board oversees the operating effectiveness of the Principal Risks Policy through the regular review of reports on the Group's material risk exposures and controls.

The Group's risk categorisation comprises 17 risk categories ('Level 1'), thirteen of which are known as Principal Risks. Each Principal Risk is owned by a senior individual at the Group level, who liaises with Principal Risk owners within Business and Central Support Units. The 17 risk categories are shown in the panel below.

Each Group Principal Risk Owner ('GPRO') is responsible for setting minimum control requirements for their risk and for overseeing the risk and control performance across the Group. Group control requirements (e.g. Group Policies/Processes/Committee oversight) for each of these risks are defined, in consultation with Business Units, and communicated and maintained by the GPRO.

Implementation of the control requirements for each Principal Risk provides each Business or Central Support Unit with the foundation of its system of internal control for that particular risk. This will usually be built upon in more detail, according to the circumstances of each Business Unit, to provide a complete and appropriate system of internal control.

The specific controls for individual Principal Risks are supplemented by generic risk management requirements. These requirements are articulated as the Group's Operational Risk Management Framework (see page 93) and include policies on:

- Internal Risk Event Identification and Reporting
- Detailed Risk and Control Assessment
- Key Indicators
- Key Risk Scenarios

Business Unit and Central Support Unit Heads are responsible for maintaining ongoing assurance that the controls they have put in place to manage the risks to their business objectives are operating effectively. They are required to undertake a formal six-monthly review of assurance information. These reviews support the regulatory requirement for the Group to make a statement about its system of internal control (the 'Turnbull' statement), in the annual report and accounts.

Principal Risks	Other Level 1 Risks
Retail Credit	Strategic
Wholesale Credit	Change
Market	Corporate Responsibility
Capital	Brand Management
Liquidity	
Financial Crime	
Operations	
Technology	
People	
Regulatory	
Financial Reporting	
Legal	
Taxation	

Capital adequacy

In order to maximise shareholder value through optimising both the level and mix of capital resources, Barclays operates a centralised capital management model, considering both regulatory and economic capital. Decisions on the allocation of capital resources, conducted as part of the strategic planning review, are based on a number of factors including returns on economic and regulatory capital.

The Group's capital management objectives are to:

- Support the Group's AA credit rating.
- Maintain sufficient capital resources to support the Group's risk appetite and economic capital requirements.
- Maintain sufficient capital resources to meet the FSA's minimum regulatory capital requirements and the US Federal Reserve Bank's requirements that a financial holding company be well capitalised.
- Ensure locally regulated subsidiaries can meet their minimum capital requirements.

Treasury Committee manages compliance with the Group's capital management objectives. The Committee reviews actual and forecast capital demand and resources on a monthly basis.

The processes in place for delivering the Group's capital management objectives include:

- Establishment of internal targets for capital demand and ratios
- Ensuring local entity regulatory capital adequacy
- Annual Risk Appetite setting
- Review of the Group' strategic medium-term plan
- Economic capital management
- Stress testing
- Managing capital ratio sensitivity to foreign exchange rate movements

Internal targets

To support its capital management objectives, the Group sets internal targets for its key capital ratios. The internal targets exceed minimum capital requirements to take into account:

- Possible volatility in the anticipated demand for capital caused by accessing new business opportunities, including mergers and acquisitions, by unanticipated drawdown of committed facilities or by deterioration in the credit quality of the Group's assets
- Possible volatility of reported profits and other capital resources compared with forecast
- Capital ratio sensitivity to foreign exchange rate movements
- A need for flexibility in debt capital issuance and securitisation plans

Table of Contents

Risk management

Barclays approach to risk management

Local entity regulatory capital adequacy

The Group manages its capital resources to ensure that those Group entities that are subject to local capital adequacy regulation in individual jurisdictions meet their minimum capital requirements. Local management manages compliance with subsidiary entity minimum regulatory capital requirements with reporting to local Asset and Liability Committees and to Treasury Committee, as required.

Injections of capital resources into Group subsidiary entities are controlled under authorities delegated from the Group Executive Committee. The Group's policy is for profits generated in subsidiary entities to be repatriated to Barclays Bank PLC in the form of dividends.

Annual risk appetite setting

Risk Appetite is the level of risk Barclays chooses to take in pursuit of its strategic objectives, recognising a range of possible outcomes as business plans are implemented. Barclays framework, approved by the Board Risk Committee, combines a top-down view of its capacity to take risk with a bottom-up view of the business risk profile requested and recommended by each business area.

To determine this acceptable level of risk, management estimates the potential earnings volatility from different businesses under various scenarios.

This annual setting of Risk Appetite considers the bank's ability to support business growth, desired dividend payout levels and capital ratio targets. If the projections entail too high a level of risk, management will challenge each area to find new ways to rebalance the business mix to incur less risk on a diversified basis. Performance against Risk Appetite is measured and reported to the Executive and Board regularly throughout the year.

Barclays believes that this framework enables it to:

- Improve risk and return characteristics across the business
- Help meet growth targets within an overall risk appetite and protect the Group's performance
- Improve management confidence and debate regarding our risk profile
- Improve executive management control and co-ordination of risk-taking across businesses
- Enable unused risk capacity to be identified and thus profitable opportunities to be highlighted.

The Risk Appetite framework considers credit, market and operational risk and is applied using two perspectives: 'financial volatility' and 'mandate and scale'.

Risk Appetite concepts (diagram not to scale)

Financial Volatility is the level of potential deviation from expected financial performance that Barclays is prepared to sustain at relevant points on the risk profile. It is established with reference to the strategic objectives and to the business plans of the Group, including the achievement of annual financial targets, payment of dividends, funding of capital growth and maintenance of acceptable capital ratios and our credit rating.

The portfolio is analysed in this way at four representative levels:

- Expected performance (including the average credit losses based on measurements over many years)
- A level of loss that corresponds to moderate increases in market, credit or operational risk from expected levels
- A more severe level of loss which is much less likely
- An extreme but highly improbable level of loss which is used to determine the Group's economic capital

These potentially larger but increasingly less likely levels of loss are illustrated in the Risk Appetite concepts chart below.

The **Mandate and Scale** framework is a formal review and control of our business activities to ensure that they are within our mandate (i.e. aligned to the expectations of external stakeholders) and are of an appropriate scale (relative to the risk and reward of the underlying activities). Appropriate assurance is achieved by using limits and triggers to avoid concentrations and operational risks which could lead to unexpected losses of a scale that would result in a disproportionate fall in Barclays market capitalisation.

Taken as a whole, the Risk Appetite framework provides a basis for the allocation of risk capacity to each business. Since the level of loss at any given probability is dependent on the portfolio of exposures in each business, the statistical measurement for each key risk category gives the Group clearer sight and better control of risk-taking throughout the enterprise.

Review of the Group's strategic medium-term plan

Capital adequacy forms a critical part of the Group's annual strategic medium-term planning process. During the planning process, the Group sets limits for business capital demand to ensure the capital management objectives including meeting internal targets will continue to be met over the medium-term period. Treasury Committee reviews the limits on a monthly basis.

Table of Contents

Achieving the planned performance in each business is dependent upon the ability of the business to direct, assess, control, report, and manage and challenge the risks in the business accurately. Group Risk supports the planning process by providing robust review and challenge of the business plans to ensure that:

– The figures relating to risk are internally consistent and accurate

– The plans are achievable given the risk management capabilities of the businesses

– The plans efficiently utilise, but do not exceed, the Group's risk appetite.

This review and challenge is achieved through Risk Executive Dialogues involving among others, the Group Risk Director and the business risk directors.

Economic capital management

Economic capital is an internal measure of the minimum equity and preference capital required for the Group to maintain its credit rating based upon its risk profile.

Barclays assesses economic capital requirements by measuring the Group risk profile using both internally and externally developed models. The Group assigns economic capital primarily within the following risks: Credit Risk, Market Risk, Business Risk, Operational Risk, Insurance Risk, Fixed Assets and Private Equity. Group Risk owns the methodology and policy for economic capital while the businesses are primarily responsible for the calculation.

The Group regularly enhances its economic capital methodology and benchmarks outputs to external reference points. The framework reflects default probabilities during average credit conditions, rather than those prevailing at the balance sheet date, thus removing cyclicality from the economic capital calculation. Economic capital for wholesale credit risk includes counterparty credit risk arising as a result of credit risk on traded market exposures. The framework also adjusts economic capital to reflect time horizon, correlation of risks and risk concentrations.

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

The total average economic capital required by the Group, as determined by risk assessment models and after considering the Group's estimated portfolio effects, is compared with the average supply of capital resources to evaluate economic capital utilisation.

The Group's economic capital calculations form the basis of its Internal Capital Adequacy Assessment Process ('ICAAP') submission to the FSA under Pillar 2 of Basel II.

Stress testing

As part of the annual stress testing process, Barclays estimates the impact of a severe economic downturn on the projected demand and supply of capital. This process enables the Group to assess whether it could meet its minimum regulatory capital requirements throughout a severe recession.

The Risk Appetite numbers are validated by estimating the Group sensitivity to adverse changes in the business environment and to include operational events that impact the Group as a whole using stress testing and scenario analysis. For instance, changes in certain macroeconomic variables represent environmental stresses which may reveal systemic credit and market risk sensitivities in our retail and wholesale portfolios. The recession scenarios considered incorporate changes in macroeconomic variables, including:

– Weaker GDP, employment or property prices

– Higher interest rates

– Lower equity prices

– Interest rate curve shifts

Such Group-wide stress tests allow senior management to gain a better understanding of how portfolios are likely to react to changing economic and geopolitical conditions and how the Group can best prepare for and react to them. The stress test simulates the balance sheet and profit and loss effects of stresses across the Group, investigating the impact on profits and the ability to maintain appropriate capital ratios. Insights gained are fully integrated into the senior management process and the Risk Appetite framework. This process of analysis and senior management oversight also provides the basis for fulfilling the stress testing requirements of Basel II.

Group-wide stress testing is only one of a number of stress test analyses that are performed as part of the wider risk management process. Specific stress test analysis is used across all risk types to gain a better understanding of the risk profile and the potential effects of changes in external factors. These stress tests are performed at a range of different levels, from analysis covering specific stresses on individual sub-portfolios (e.g. high value mortgages in the South East of England), to portfolio level stresses (e.g. the overall commodities portfolio).

Managing capital ratio sensitivity to foreign exchange rate movements

The Group's regulatory capital ratios are sensitive to foreign exchange movements in reserves, goodwill, minority interests and other non Sterling debt capital as well as non Sterling risk weighted assets. For material currencies, the Group seeks to hold capital in currencies to match the risk weighted assets transacted in those currencies, in the same proportion as the Group capital ratio targets, also taking into account the impact of hedging net investments.

Table of Contents

Model governance

Barclays has a large number of models in place across the Group, covering all risk types. To minimise the risk of loss through model failure, a Group Policy for the Control of Model Risk has been developed.

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

To help ensure that sufficient management time is spent on the more material models, each model is provided with a materiality rating. Group Model Risk Policy defines the materiality ranges for all model types. The materiality ranges are based on an assessment of the impact to the Group in the event of a model error. The materiality affects the approval and reporting level for each model, with the most material models being approved by Group Executive Committee (ExCo).

The standards of model build, implementation, monitoring and maintenance do not change with the materiality level.

Documentation must be sufficiently detailed to allow an expert to recreate the model from the original data sources. It must include a description of the data used for model development, the methodology used (and the rationale for choosing such a methodology), a description of any assumptions used in the model, and details of where the model works well and areas that are known model weaknesses.

All models are subject to a validation and independent review process before the model can be signed-off for implementation. The model validation exercise must demonstrate that the model is fit for purpose and provides accurate estimates. The independent review process will also ensure that all aspects of the model development process have been performed in a suitable manner.

The sign-off process ensures that the model is technically fit for purpose as well as ensuring that the model satisfies the business requirements and all the relevant regulatory requirements. The rules for model sign-off are based on materiality, with all of a business unit's models at least initially being approved in business-led committees, and Group involvement increasing as the models become more material. The most material models receive their ultimate sign-off for implementation from Group ExCo.

All models within the Group are subject to an annual review, to ensure that the models are performing as expected, and that assumptions used in model development are still appropriate. In additional to annual review, many models are subject to more frequent performance monitoring. Model performance monitoring ensures that deficiencies in models are identified early, and that remedial action can be taken before the deficiency becomes serious and affects the decision-making process.

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

Table of Contents

Risk management
Credit risk management

Credit risk management

Credit risk is the risk of suffering financial loss should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Group's investment in that entity's financial instruments to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

The granting of credit is one of the Group's major sources of income and as its most significant risk, the Group dedicates considerable resources to controlling it. The importance of credit risk is illustrated by noting that two-thirds of risk-based economic capital is allocated to credit risk. Credit exposures arise principally in loans and advances.

In managing credit risk, the Group applies the five-step risk management process and internal control framework described previously (page 67).

Specific credit risk management objectives are:

- To gain a clear and accurate understanding and assessment of credit risk across the business, from the level of individual facilities up to the total portfolio.
- To control and plan the taking of credit risk, ensuring it is coherently priced across the business and avoiding undesirable concentrations.
- To support strategic growth and decision-making based on sound credit risk management principles and a pro-active approach to identifying and measuring new risks.
- To ensure a robust framework for the creation, use and ongoing monitoring of the Group's credit risk measurement models.
- To ensure that our balance sheet correctly reflects the value of our assets in accordance with accounting principles.

Organisation and structure

Barclays has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring robust review and challenge of performance, risk infrastructure and strategic plans.

The credit risk management teams in each business are accountable to the Business Risk Directors in those businesses who, in turn, report to the heads of their businesses and also to the Risk Director.

These credit risk management teams assist Group Risk in the formulation of Group Risk policy and its implementation across the businesses.

Examples include:

- maximum exposure guidelines to limit the exposures to an individual customer or counterparty
- country risk policies to specify risk appetite by country and avoid excessive concentration of credit risk in individual countries
- policies to limit lending to certain industrial sectors
- underwriting criteria for personal loans and maximum loan-to-value ratios for home loans

Within Group Risk, the Credit Risk function provides Group-wide direction of credit risk-taking. This functional team manages the resolution of all significant credit policy issues and runs the Credit Committee, which approves major credit decisions.

The principal Committees that review credit risk management, formulate overall Group credit policy and resolve all significant credit policy issues are the Group Wholesale Credit Risk Management Committee, the Group Retail Credit Risk Management Committee, the Risk Oversight Committee and the Board Risk Committee (see page 69 for more details of this Committee). The Board Audit Committee also reviews the impairment allowance as part of financial reporting.

Table of Contents

Measurement, reporting and internal ratings

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Group is exposed, from the level of individual facilities up to the total portfolio.

The key building blocks in this quantitative assessment are:

- Probability of default (PD)
- Exposure in the event of default (EAD)
- Severity of loss given default (LGD)

Barclays first began to use internal estimates of PD (internal ratings) in all its main businesses in the 1990s. Internally derived estimates for PD, EAD and LGD have been used since then in all our major risk decision making processes, enabling the application of coherent risk measurement across all credit exposures, retail and wholesale.

With the advent of the Basel II accord on banking, Barclays has been given permission to use internal rating models as an input in its regulatory capital calculations. In preparation, Barclays has spent considerable time developing and upgrading a number of such models across the Group, moving towards compliance with the Basel II advanced internal ratings based approach. As part of this process, all Basel credit risk models are assessed against the Basel II minimum requirements prior to model sign-off to ensure that they are fit to be used for regulatory purposes.

Applications of internal ratings

The three components described above – the probability of default, exposure at default and loss given default – are building blocks used in a variety of applications that measure credit risk across the entire portfolio.

Two examples are Risk Tendency (RT) and Expected Loss (EL) which are statistical estimates of the average loss for the loan portfolio for a 12-month period, taking into account the portfolio's size and risk characteristics under either current credit conditions (RT) or average credit conditions (EL). As such, RT uses a point-in-time PD while EL uses a through-the-cycle PD but the basic calculation is the same for both:

PD x EAD x LGD

Since through-the-cycle PDs provide a measure of risk that is independent of the current credit conditions for a particular customer type, they are more stable than point-in-time ratings. RT and EL provide insight into the credit quality of the portfolio and assist management in tracking risk changes as the Group's stock of credit exposures evolves in size or risk profile in the course of business.

As our understanding and experience have developed, we have extended the use and sophistication of internal ratings. The other main business processes that use internal estimates of PD, LGD and EAD, are as follows:

- Credit Grading – originally introduced in the early 1990s to provide a common measure of risk across the Group using an eight point rating scale; wholesale credit grading now employs a 21 point scale (Barclays Masterscale).
- Credit Approval – a rating scale is used to set differentiated credit sanctioning levels based upon a PD, so that credit risks are reviewed at appropriate levels.
- Risk Appetite – measures of expected loss and the potential volatility of loss are used in the Group's Risk Appetite framework (see page 71).
- Pricing – within the corporate mass market portfolios we first developed and used risk adjusted pricing models in the early 1990s to differentiate risk reward decisions.
- IAS Impairment calculations – many of our collective impairment estimates incorporate the use of our PD and LGD models.
- Economic capital (EC) allocation – most EC calculations use the same through-the-cycle PD and EAD inputs as the regulatory capital (RC) process. The process also uses the same underlying LGD model outputs as the RC calculation, but does not incorporate the economic downturn adjustment used in RC calculations.
- Risk management information – Group and the main business units have for several years received either Key Information Packs or other risk reports focused on EL and EC information to inform senior management on issues such as the business performance, Risk Appetite and consumption of EC.

Calculation of internal ratings

To calculate **probability of default** (PD), Barclays assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating.

Multiple rating methodologies may be used to inform the rating decision on individual large credits, such as internal and external models, rating agency ratings, and for wholesale assets market information such as credit spreads. For smaller credits, a single source may suffice such as the result from an internal rating model.

Barclays recognises the need for two different expressions of PD depending on the purpose for which it is used. For the purposes of calculating regulatory and economic capital, long-run average through-the-cycle PDs are required. However, for the purposes of pricing and risk tendency, PDs should represent the best estimate of probability of default, typically in the next 12 months, dependent on the current position in the credit cycle. Hence, point-in-time PDs are also required.

When each PD model is constructed, its output is specified as one of point-in-time (PIT) or through-the-cycle (TTC) or a hybrid, e.g. a 50:50 blend. Using this distinction between PIT and TTC, the PDs are bucketed into both PIT Default Grades (DGs) and TTC bands, adopting techniques that are relevant to the model's initial output calibration, the industry and location of the counterparty and an understanding of the current and long-term credit conditions. Two grades are therefore recorded for each client, the DG and the TTC band. A customer may therefore be rated DG 6 reflecting sectoral performance and TTC band 8 reflecting long-term credit conditions.

This same PIT/TTC distinction is applied to agency ratings. Within Barclays, an agency alphabet rating is also expressed in terms of PIT DG and TTC band. It is therefore no longer possible to produce a static mapping of agency letter ratings to either DGs or TTC bands because they are considered a hybrid of both PIT and TTC. As such, any mappings would change over time with movements in the credit cycle.

Barclays internal rating system also differentiates between corporate and retail customers.

For corporate portfolios (primarily Barclays Capital, BCB and the commercial areas of IRCB), the rating system is constructed to ensure that each client receives the same rating independent of the part of the business with which they are dealing. To achieve this, a model hierarchy is adopted which requires users to adopt a specific approach to rating each counterparty depending upon the nature of the business and its location. A range of methods is approved for estimating counterparty PDs. These include bespoke grading models developed within the Barclays Group (Internal Models), vendor models such as MKMV Credit Edge and RiskCalc, and a conversion of external alphabet ratings from either S&P, Moody's or Fitch.

Table of Contents

Risk management

Credit risk management

A key element of the Barclays framework is the Masterscale. This has been developed to record differences in the probability of default risk at meaningful levels throughout the risk range (see table below).

In contrast to corporate businesses, retail areas do not bucket exposures into generic grades or bands for account management purposes (although they may be used for reporting purposes). Instead, accounts are managed based on internal, product specific segmentations of accounts, for instance, deriving from the cut-offs of the associated models. The cut-offs may be in the form of a score, a probability of default, a measure of forecast loss or a more sophisticated risk/reward based measure.

Exposure at default (EAD) represents the expected level of usage of the credit facility when default occurs. At default the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure is typically less than the approved loan limit. When the Group evaluates loans, it takes exposure at default into consideration, using its extensive historical experience. It recognises that customers may make heavier than average usage of their facilities as they approach default. For derivative instruments, exposure in the event of default is the estimated cost of replacing contracts with a positive value should counterparties fail to perform their obligations.

When a customer defaults, some part of the amount outstanding on their loans is usually recovered. The part that is not recovered, the actual loss, together with the economic costs associated with the recovery process combine to a figure called the **loss given default** (LGD), which is expressed as a percentage of EAD.

Using historical information, the Group can estimate how much is likely to be lost, on average, for various types of loans. To illustrate, LGD is lower for residential mortgages than for unsecured loans because of the property pledged as collateral.

The level of LGD depends on: the type of collateral (if any); the seniority or subordination of the exposure; the industry in which the customer operates (if a business); and the jurisdiction applicable and work-out expenses. The outcome is also dependent on economic conditions that may determine, for example, the prices that can be realised for assets, whether a businesses can readily be refinanced or the availability of a repayment source for personal customers.

The Barclays Masterscale (Wholesale)

DG/TTC	Default Probability		
Band	>=Min	Mid	<Max
1	0.00%	0.010%	0.02%
2	0.02%	0.025%	0.03%
3	0.03%	0.040%	0.05%
4	0.05%	0.075%	0.10%
5	0.10%	0.125%	0.15%
6	0.15%	0.175%	0.20%
7	0.20%	0.225%	0.25%
8	0.25%	0.275%	0.30%
9	0.30%	0.350%	0.40%
10	0.40%	0.450%	0.50%
11	0.50%	0.550%	0.60%
12	0.60%	0.900%	1.20%
13	1.20%	1.375%	1.55%
14	1.55%	1.850%	2.15%
15	2.15%	2.600%	3.05%
16	3.05%	3.750%	4.45%
17	4.45%	5.400%	6.35%
18	6.35%	7.500%	8.65%
19	8.65%	10.000%	11.35%
20	11.35%	15.000%	18.65%
21	18.65%	30.000%	100.00%

The ratings process

The term 'internal ratings' usually refers to internally calculated estimates of PD. These ratings are combined with EAD and LGD in the range of applications described previously. The 'ratings process' refers to the use of PD, EAD and LGD across the Group. In Barclays, the rating process is defined by each business. For central government and banks, institutions and corporate customers many of the models used in the rating process are shared across businesses as the models are customer specific. For retail exposures, the ratings models are usually unique to the business and product type e.g. mortgages, credit cards, and consumer loans.

A bespoke model has been built for PD and LGD for **Sovereign** ratings. For Sovereigns where there is no externally available rating we use an internally developed PD scorecard. The scorecard has been developed using historic data on Sovereigns from an external data provider covering a wide range of qualitative and quantitative information. Our LGD model is based on resolved recoveries in the public domain, with a significant element of conservatism added to compensate for the small sample size.

To construct ratings for **institutions, corporates, specialised lending and purchased corporate receivables** and **equity** exposures, we use external models, rating agencies and internally constructed models. External models employed include Moody's Credit Edge, rating agency ratings and Moody's RiskCalc. The applicability of each of these approaches to our customers has been validated by us to internal rating standards. The data used in validating these primary indicators are representative of the population of the bank's actual obligors and exposures and its long-term experience.

Internally built PD models are also widely used. We employ a range of methods in the construction of these models. The basic types of PD modelling approaches used are:

– Structural models

– Expert lender

– Statistical

Structural models incorporate in their specification the elements of the industry accepted Merton framework to identify the distance to default for a counterparty. This relies upon the modeller having access to specific time series data or data proxies for the portfolio. Data samples used to build and validate these models are typically constructed by adding together data sets from internal default observations with externally obtained data sets from commercial providers such as rating agencies and industry gathering consortia.

Table of Contents

Expert lender models are used for parts of the portfolio where the risk drivers are specific to a particular counterparty, but where there is insufficient data to support the construction of a statistical model. These models utilise the knowledge of credit experts that have in depth experience of the specific customer type being modelled. Where possible, the characteristics identified by the expert lenders for use in these models are linked during the modelling process to the Merton framework. This linkage ensures that the model is intuitive and that there is some economic rationale for the default process that is being captured by the model.

For any of the portfolios where we have a low number of default observations we adopt specific rules to ensure that the calibration of the model meets the Basel II and FSA criteria for conservatism. We have developed our own internal policy which describes specific criteria for the use of parametric (e.g. Pluto Tasche) and non-parametric low default portfolio calibration techniques.

Statistical models such as behavioural and application scorecards are used for our high volume portfolios such as **SME**. The model builds typically incorporate the use of large amounts of internal data, combined with supplemental data from external data suppliers. Where external data is sourced to validate or enhance internally-held data as part of the risk assessment process or to support model development and BAU operation, a similar approach is adopted towards ensuring data quality to that applied to the management of internal data. This entails adherence to the Group's procurement and supplier management process, including the agreement of specifications and service level agreements.

Typically, modellers do not manipulate external data before using it as input to the model estimation or validation procedure. Changes required in the estimation and validation process are documented in the model build papers.

For all the above asset classes we use the Basel II definition of default, utilising the 90 day past due criteria as the final trigger of default.

Our **retail** banking operations have long and extensive experience of using credit models in assessing and managing risk in their businesses and as a result models play an integral role in retail approval and customer management (e.g. limit setting, cross-sell etc.) processes.

Models used include application and behavioural scorecards and/or PD/LGD and EAD models. These may be used in isolation, in combination to produce measures of forecast loss or as part of a suite of models that underpin risk/reward based decisions. The score cut-offs will be set at the appropriate level depending on the specific objective, such as ensuring all the accepted accounts meet the minimum required return on EC. It is Barclays philosophy to embed the Basel models as extensively as possible in the portfolio management process. This is an ongoing initiative and we expect greater convergence over time.

In line with Basel II requirements, Barclays will use all available relevant data, including data relating to other Barclays accounts and external agency data. Barclays does not use pooled data.

Most retail models within Barclays are built in-house, although occasionally external consultants will be contracted to build models on behalf of the businesses. Whilst most models are statistically derived, some expert lender models are used, particularly where data limitations preclude a more sophisticated approach. For mortgage originations Barclays use a third party scorecard (Omniscore), supported by a series of policy rules, to arrive at a lending decision.

All new models, including third party models, are measured against the required Group minimum standards as detailed in the Barclays Model Risk Policy.

For retail asset classes, Basel II specifies that the definition of default must include a trigger based on days past due, with the number of days being between 90 and 180. All Barclays advanced internal ratings-based models are compliant with this, with the majority using 180 days as the trigger. In all cases LGD models are specified so that they have a definition of default aligned to that used in the corresponding PD model.

The control mechanisms for the rating system

Each of the business risk teams is responsible for the design, oversight and performance of the individual credit rating models – PD, LGD and EAD –that comprise the credit rating system for a particular customer within each asset class. Group-wide standards in each of these areas are set by Group Risk and are governed through a series of committees with responsibility for oversight, modelling and credit measurement methodologies.

Through their day-to-day activities, key senior management in Group Credit Risk, the businesses and the business risk teams have a good understanding of the operation and design of the rating systems used. For example:

– The respective Business Risk Heads or equivalents are responsible for supplying a robust rating system.

– The Group Risk Director, Credit Risk Director and Wholesale and Retail Credit Risk Directors are required to understand the operation and design of the rating system used to assess and manage credit risk in order to carry out their responsibilities effectively. This extends to the Business CEOs, Business Risk Directors and the Commercial/ Managing Directors or equivalent.

In addition, **Group Model Risk Policy** requires that all models be validated as part of the model build (see page 73). This is an iterative process that is carried out by the model owner. Additionally, a formal independent review is carried out after each model is built to check that it is robust, meets all internal and external standards and is documented appropriately. These reviews must be documented and conducted by personnel who are independent of those involved in the model-building process. The results of the review are required to be signed off by an appropriate authority.

In addition to the independent review, post implementation and annual reviews take place for each model. These reviews are designed to ensure compliance with policy requirements such as:

– integration of models into the business process

– compliance with the model risk policy

– continuation of a robust governance process around model data inputs and use of outputs

Model performance is monitored regularly; frequency of monitoring is monthly for those models that are applicable to higher volume or volatile portfolios, and quarterly for lower volume or less volatile portfolios. Model monitoring can include coverage of the following characteristics: utility, stability, efficiency, accuracy, portfolio and data.

Model owners set performance ranges and define appropriate actions for their models. As part of the regular monitoring, the performance of the models is compared with these operational ranges. If breaches occur the model owner reports these to the approval body appropriate for the materiality of the model. The model approver is responsible for ensuring completion of the defined action, which may ultimately be a complete rebuild of the model.

Table of Contents

Risk management

Credit risk management

Risk Tendency

As part of its credit risk management system, the group uses a model-based methodology to assess the point-in-time expected loss of credit portfolios across different customer categories. The approach is termed Risk Tendency and applies to credit exposures not already reported as Credit Risk Loans for both wholesale and retail sectors. Risk tendency models provide statistical estimates of average expected loss levels for a rolling 12-month period based on averages in the ranges of possible losses expected from each of the current portfolios. This contrasts with impairment charges as required under accounting standards, which derive almost entirely from Credit Risk Loans where there is objective evidence of actual impairment as at the balance sheet date.

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

In 2007, Risk Tendency increased 4% (£95m) to £2,355m (2006: £2,260m), significantly less than the 23% growth in the Group's loans and advances balances. This relatively small rise in Risk Tendency reflected, in particular, the improving risk profile of the UK unsecured loan book. Other factors influencing Risk Tendency included: methodology changes in Barclaycard, UK Retail Banking and International Retail and Commercial Banking – Absa; the sale of the Monument portfolio; and a maturing credit risk profile in the international card portfolios.

UK Retail Banking Risk Tendency decreased £30m to £470m (2006: £500m). This reflected an improvement in the credit risk profile in the UK unsecured consumer lending portfolios, partially offset by the impact of methodology changes and asset growth.

Risk Tendency in Barclays Commercial Bank increased £15m to £305m (2006: £290m). This reflected some growth in loan balances offset by improvements in the credit risk profile.

Barclaycard Risk Tendency decreased £190m to £945m (2006: £1,135m). This reflected improvement in the credit risk profile of UK cards, the sale of part of the Monument portfolio and methodology changes in UK cards, partially offset by asset growth in the international portfolios.

Risk Tendency at International Retail and Commercial Banking – excluding Absa increased £145m to £220m (2006: £75m), reflecting an increase to the risk profile and balance sheet growth in Emerging Markets and Western Europe.

In International Retail and Commercial Banking – Absa, the increase of £110m in Risk Tendency to £255m (2006: £145m) included a change to the methodology following the introduction of Basel compliant, PD, EAD and LGD models. Excluding this change, Risk Tendency increased £90m, reflecting a weakening of retail credit conditions in South Africa after a series of interest rate rises in 2006 and 2007 and balance sheet growth.

Risk Tendency in Barclays Capital increased £45m to £140m (2006: £95m) primarily due to drawn leveraged loan positions. The drawn liquidity facilities on ABS CDO Super Senior positions are classified as credit risk loans and therefore no Risk Tendency is calculated on them.

Since Risk Tendency and impairment allowances are calculated for different parts of the portfolio, for different purposes and on different bases, Risk Tendency does not predict loan impairment.

Credit risk mitigation

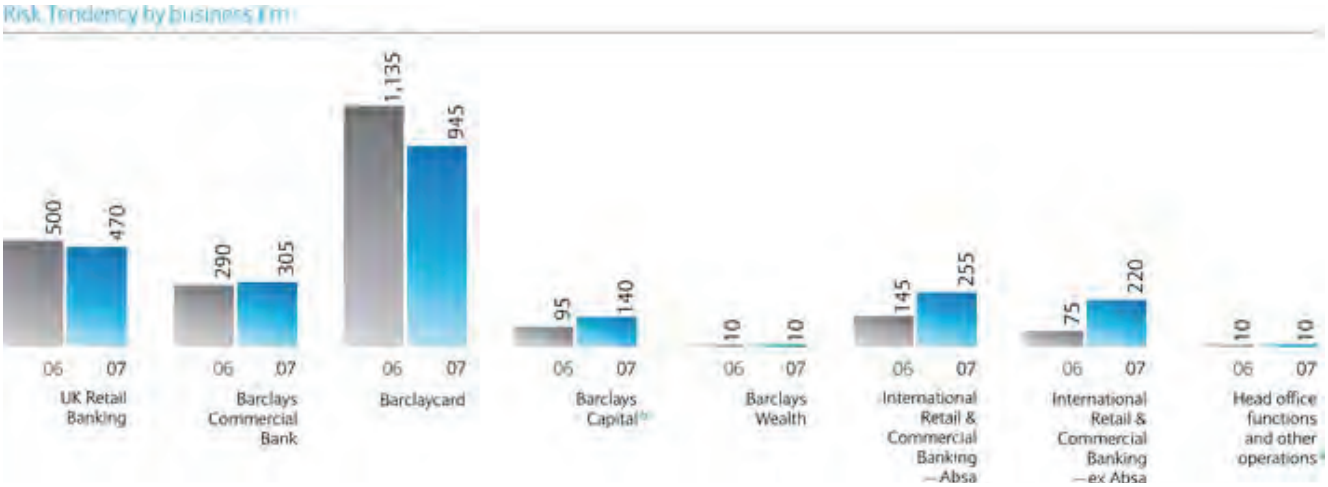
The Group uses a wide variety of techniques to reduce credit risk on its lending. The most basic of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing without distress. In addition, the Group commonly obtains security for the funds advanced, such as in the case of a retail or commercial mortgage, a reverse repurchase agreement, or a commercial loan with a floating charge over book debts and inventories. The Group ensures that the collateral held is sufficiently liquid, legally effective, enforceable and regularly valued. Various forms of collateral are held and commonly include cash in major currencies; fixed income products including government bonds; Letters of Credit; property, including residential and commercial; and other fixed assets. For further discussion concerning credit risk mitigation, see credit risk Note 47.

The Group actively manages its credit exposures and when weaknesses in exposures are detected – either in individual exposures or in groups of exposures – action is taken to mitigate the risks. These include steps to reduce the amounts outstanding (in discussion with the customers, clients or counterparties if appropriate), the use of credit derivatives and, sometimes, the sale of the loan assets. (Credit derivatives may also be traded for profit; details of these activities may be found on page 89 and Note 14 to the accounts).

The Group also uses various forms of specialised legal agreements to reduce risk, including netting agreements which permit it to offset positive and negative balances with customers in certain circumstances to minimise the exposure at default, financial guarantees, and the use of covenants in commercial lending agreements.

Barclays manages the diversification of its portfolio to avoid unwanted credit risk concentrations. A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk mitigation to address concentrations takes several dimensions. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to highly rated borrowers than to lower rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly, and are reported to the Risk Oversight Committee and the Board Risk Committee.



Notes

a Head office functions and other operations comprises discontinued businesses in transition.

b Excludes ABS CDO Super Senior positions as these are classified as credit risk loans and therefore no Risk Tendency is calculated on them.

Table of Contents

The Risk Oversight Committee has delegated and apportioned responsibility for risk management to the Retail and Wholesale Credit Risk Management Committees.

The Retail Credit Risk Management Committee (RCRMC) oversees exposures, which comprise unsecured personal lending (including small businesses), mortgages and credit cards. The RCRMC monitors the risk profile and performance of the retail portfolios by receipt of key risk measures and indicators at an individual portfolio level, ensuring mitigating actions taken to address performance are appropriate and timely. Metrics reviewed will consider portfolio composition at both an overall stock and new flow level.

The Wholesale Credit Risk Management Committee (WCRMC) oversees wholesale exposures, comprising lending to businesses, banks and other financial institutions. The WCRMC monitors exposure by country, industry sector, individual large exposures and exposures to sub-investment grade countries.

Country concentrations are addressed through the **country risk** policy, which specifies Risk Appetite by country and avoids excessive concentrations of credits in individual countries. Country risk grades are assigned to all countries where the Group has, or is likely to have, exposure and are reviewed regularly to ensure they remain appropriate.

Country grades, which are derived from long-term sovereign foreign currency ratings, range from 1 (lowest probability of default) to 21 (highest probability of default). A ceiling is applied where a country is graded 12 or worse so that the counterparty cannot receive a higher risk grading than the country, unless some form of protection is available in the event of a cross-border event, such as a significant portion of a counterparty's assets or income being held or generated in hard currency.

To manage exposure to country risk, the Group uses two country limits: the Prudential Guideline and the Country Guideline. The Prudential Guideline is identified through the strict mapping of a country grade to derive a model-driven acceptable level of loss given default. The Country Guideline for all graded countries is set by the Group Credit Committee (GCC) based on the Prudential Guideline and the internal appetite for country risk. The Country Guideline may therefore be above or below the Prudential Guideline.

Country risk is managed through the application of Country Loss Given Default (CLGD). All cross-border or domestic foreign currency transactions incur CLGD from the Country Guideline agreed at GCC. The level of CLGD incurred by a counterparty transaction will largely depend on three main factors: the country severity, the product severity and counterparty grade.

CLGD is incurred in the country of direct risk, defined as where the majority of operating assets are held. This may differ from the country of incorporation. However, where transactions are secured with collateral, the country risk can be transferred from the country of the borrower to the country of the collateral provider. This is only permitted where the collateral covers the borrowing and is not expected to decrease over time.

Country Managers are in place for all countries where the Group has exposure and they, under the direction of GCC, have responsibility for allocating country risk to individual transactions. The total allocation of country limits is monitored on a daily basis by Group Credit Risk, as headed by the Group Credit Risk Director. Discretions exist to increase the Country Guideline above the level agreed by GCC where the Country Guideline is below the Prudential Guideline. All requests to increase the Country Guideline in line with individual discretions must be submitted to and applied centrally through Group Credit Risk.

A further mitigant against undesirable concentration of risk is the mandate and scale framework described on page 71. Mandate and scale limits, which can also be set at Group level to reflect overall Risk Appetite, can relate either to the stock of current exposures in the relevant portfolio or to the flow of new exposures into that portfolio. Typical limits include the caps on UK commercial investment property lending, the proportion of lending with maturity in excess of seven years and the proportion of new mortgage business that is buy-to-let.

Concentrations of credit exposure described in this credit risk management section and the following statistical section are not proportionally related to credit loss. Some segments of the Group's portfolio have and are expected to have proportionally higher credit charges in relation to the exposure than others. Moreover, the volatility of credit loss is different in different parts of the portfolio. Thus, comparatively large credit impairment charges could arise in parts of the portfolio not mentioned here.

Securitisations

In the course of its business, Barclays undertakes securitisations of its own originated assets as well as the securitisation of third party assets via sponsored conduit vehicles and shelf programmes.

Barclays securitises its own originated assets in order to remove risk from the Group's credit position, to obtain regulatory capital relief, and to obtain term liquidity for the Group balance sheet.

For these transactions Barclays adopts the following roles in the securitisation process:

- Originator of securitised assets
- Executor of securitisation trades including bond marketing and syndication
- Provider of securitisation trade servicing, including data management, investor payments and reporting

Barclays also acts as an administrator and manager of multi-seller conduits through which interests in third-party-originated assets are securitised and funded via the issuance of asset backed commercial paper.

In relation to such conduit activity, Barclays may also provide all or a portion of the backstop liquidity to the commercial paper, programme-wide credit enhancement and, as appropriate, interest rate and foreign currency hedging facilities.

RWAs reported for securitised assets as at December 2007 are calculated in line with rules set out in IPRU (BANK) as well as any individual guidance received from the FSA as at the end of this period.

As of 1st January 2008, Barclays calculates securitisation RWAs using the ratings based approach and/or the supervisory formula method as per the FSA's revised rules, which implement the Basel Accord and Capital Requirements Directive.

Further information about securitisation activities and accounting treatment is in Note 29. The Group's accounting policies, including those relevant to securitisation activities (policies 4 and 10), are on pages 149 and 152.

Barclays employs External Credit Assessment Institutions to provide ratings for its asset backed securities. Their use is dependant on the transaction or asset class involved. For existing transactions, we employ Standard & Poor's, Moody's and Fitch for securitisations of corporate, residential mortgage and other retail exposures and Standard & Poor's and Moody's only for securitisations of small and medium-sized entity and revolving retail exposures.

Table of Contents

Risk management

Credit risk management

Monitoring of loans and advances

As the granting of credit is one of the Group's major sources of income and its most significant risk, the Group dedicates considerable resources to gaining a clear and accurate understanding of credit risk across the business and ensuring that its balance sheet correctly reflects the value of the assets in accordance with accounting principles. This process can be broken down into the following stages:

- Measuring exposures and concentrations
- Monitoring weakness in exposures
- Identifying potential problem loans and credit risk loans (collectively known as potential credit risk loans or PCRLs)
- Raising allowances for impaired loans
- Writing off assets when the whole or part of a debt is considered irrecoverable

Fig. 1: Loans and advances

	2007 £m	2006 £m
Retail businesses		
Banks	**—**	—
Customers	**164,062**	139,350
Total retail businesses	**164,062**	139,350
Wholesale businesses		
Banks	**40,123**	30,930
Customers	**185,105**	146,281
Total wholesale businesses	**225,228**	177,211
Loans and advances	**389,290**	316,561

Measuring exposures and concentrations

Loans and advances to customers provide the principal source of credit risk to the Group although Barclays can also be exposed to other forms of credit risk through loans to banks, loan commitments, contingent liabilities and debt securities; see page 46). The value of outstanding loans and advances balances, their risk profile, and potential concentrations within them can therefore have a considerable influence on the level of credit risk in the Group.

As at 31st December 2007, outstanding loans and advances to customers and banks were valued at £389bn (2006: £317bn), of which £349bn (2006: £286bn) was granted to personal or corporate customers (see figure 1). Loans and advances were well distributed across the retail and wholesale portfolios.

Loans and advances were well spread across industry classifications (figure 2). Excluding Financial Services, Barclays largest sectoral exposures are to home loans, other personal and business and other services. These categories are generally comprised of small loans, have low volatility of credit risk outcomes, and are intrinsically highly diversified.

Balances are also diversified across a number of geographical regions (figure 3, based on location of customers). The majority of Barclays exposure is to the UK, which includes secured home loans exposure, followed by the United States, Africa and the rest of the European Union.

Fig. 2: Loans and advances to customers by industry %

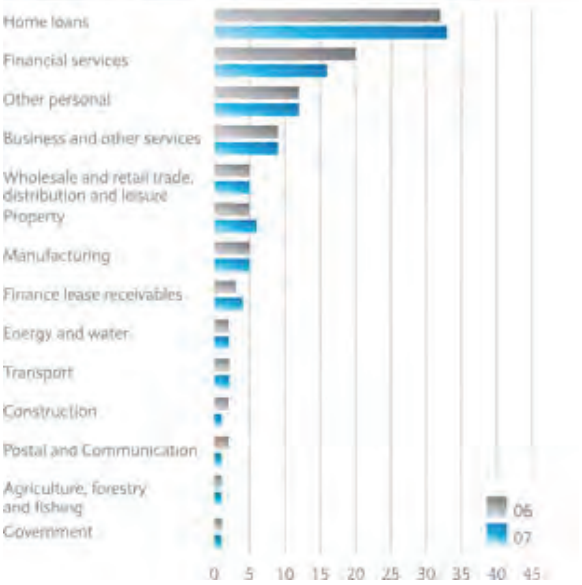


Fig. 3: Geographical analysis of loans and advances to customers %

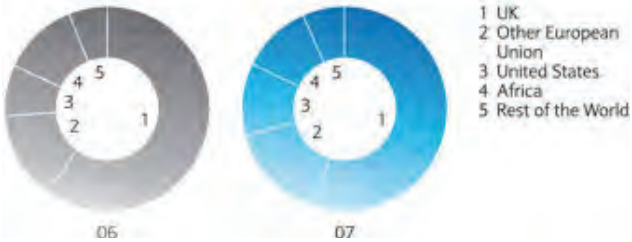


Fig. 4: Analysis of loans-to-value ratios of mortgages in the UK home loan portfolio at 31st December 2007 %

Table of Contents

Barclays risk is therefore spread across a large number of industries and customers and in the case of home loans, for example, well secured. These classifications have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even through the parent's predominant sphere of activity may be in a different industry.

UK exposure to home loans accounts for just over 60 per cent of the Group's total home loans exposure. The loan-to-value ratios (LTV) on the Group's UK home loan portfolio are shown in figure 4. The valuations in the chart are those which applied at the last credit decision on each loan, i.e. when the customer last requested an increase in the limit or, if there has been no increase, at inception of the loan. Business flows (new business versus loans redeemed) have not materially changed the risk profile of the portfolio.

The impact of house price inflation will result in a reduction in LTV ratios within the mortgage book on a current valuation basis. On this basis, LTV on the residential mortgage book averaged 33% at the end of 2007 (2006: 34%). This ratio is a point-in-time analysis of the stock with LTV updated to current house prices by reference to an external price index and as a result may be influenced by external market conditions as well as changes in the stock of loans.

Barclays also actively monitors the risk profile of its loans and advances to customers, with a view to the early detection of any concentrations in higher risk segments. Figure 5 depicts Barclays wholesale loan profile by existing risk grade (see page 67 for a description of the rating system). The majority of Barclays exposure is to the higher quality names with just under 70% of exposure to customers with a DG of 10 or better. It is important to note that Barclays prices loans to risk. Thus, higher risk loans will usually have higher interest rates or fees or both. The profitability of a higher risk portfolio may, therefore, equal or exceed that of a lower-risk portfolio.

Barclays also actively monitors exposure and concentrations to sub-investment grade countries (see country risk policy, page 66). Details of the 15 largest sub-investment grade countries, by limit, are shown in figure 6.

Contractual maturity represents a further area of potential concentration. The analysis shown in figure 7 indicates that just over 40% of loans to customers have a maturity of more than five years; the majority of this segment comprises secured home loans.

Fig. 5: Loans and advances, balances and limits to wholesale customers by internal risk rating %

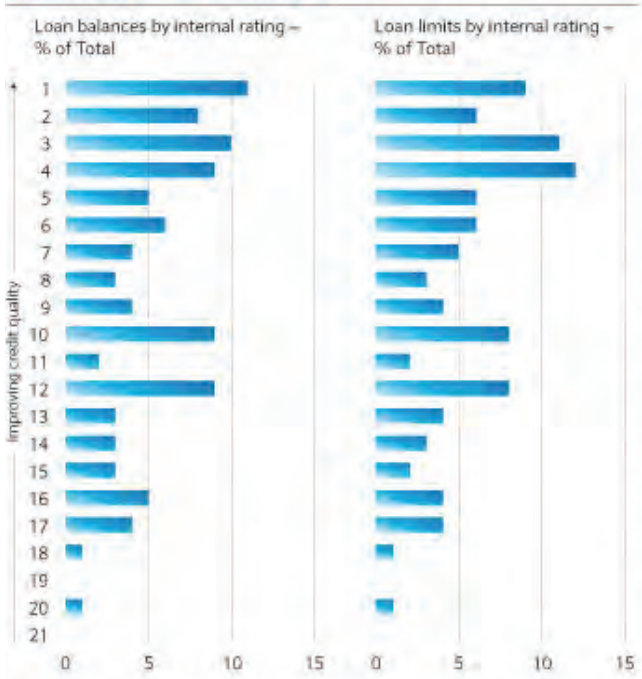


Fig. 6: Credit exposure to sub-investment grade countries £m

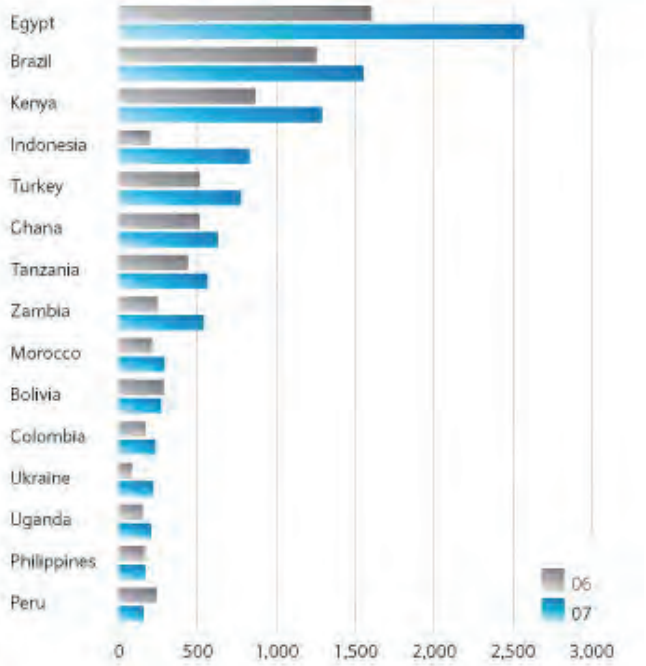


Fig. 7: Maturity analysis of loans and advances to customers %

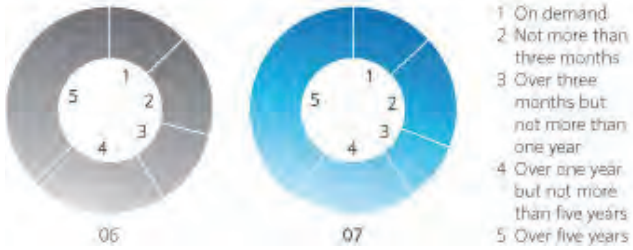


Table of Contents

Risk management
Credit risk management

Monitoring weaknesses in exposures

Barclays actively manages its credit exposures. Corporate accounts that are deemed to contain heightened levels of risk are recorded on graded early warning or watch lists comprising three categories of increasing concern. These are updated monthly and circulated to the relevant risk control points. Once listing has taken place, exposure is very carefully monitored and, where appropriate, exposure reductions are effected. Should an account become impaired, it will normally, but not necessarily, have passed through all three categories, which reflect the need for ever-increasing caution and control.

Where an obligor's financial health gives grounds for concern, it is immediately placed into the appropriate category. All obligors, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis. More frequent interim reviews may be undertaken should circumstances dictate.

Within Local Business, accounts that are deemed to have a heightened level of risk, or that exhibit some unsatisfactory features which could affect viability in the short/medium term, are transferred to a separate 'Caution' stream. Accounts on the Caution stream are reviewed on at least a quarterly basis at which time consideration is given to continuing with the agreed strategy, returning the customer to a lower risk refer stream, or instigating recovery/exit action.

Within the personal portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow potential weaknesses to be monitored on a portfolio basis. This applies in parts of UK Retail Banking, Barclays Wealth, International Retail and Commercial Banking and Barclaycard. The approach is consistent with the Group's policy of raising a collective impairment allowance as soon as objective evidence of impairment is identified.

Potential credit risk loans

If the credit quality of a loan on an early warning or watch list deteriorates to the highest category, consideration is given to including it within the Potential Problem Loan (PPL) list. PPLs are loans where payment of principal and interest is up to date but where serious doubt exists as to the ability of the borrowers to continue to comply with repayment terms in the near future.

Should further evidence of deterioration be observed, a loan may move to the Credit Risk Loan (CRL) category. Events that would trigger the transfer of a loan from the PPL to the CRL category could include a missed payment or a breach of covenant. CRLs comprise three classes of loans:

– 'Impaired loans' comprise loans where individual impairment allowance has been raised and also include loans which are fully collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Fig. 8: CRLs balances by geography £m

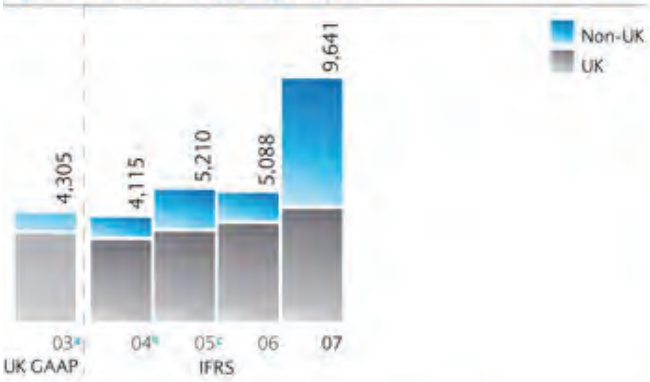
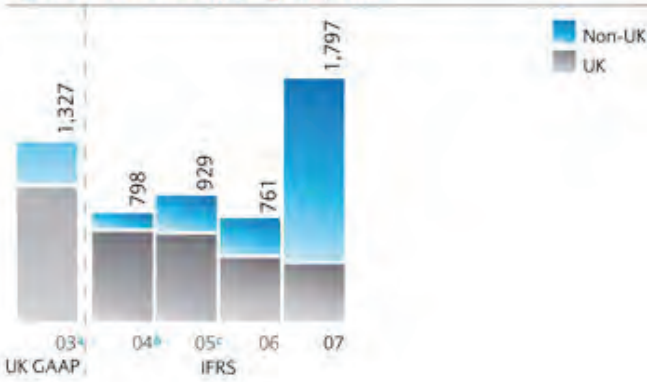


Fig. 9: PPLs balances by geography £m



CRLs and PPLs as a percentage of Loans and Advances

Fig. 10: CRLs/Loans and Advances Ratio %

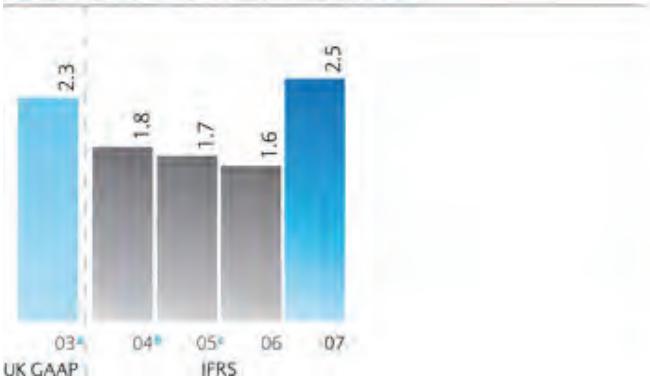
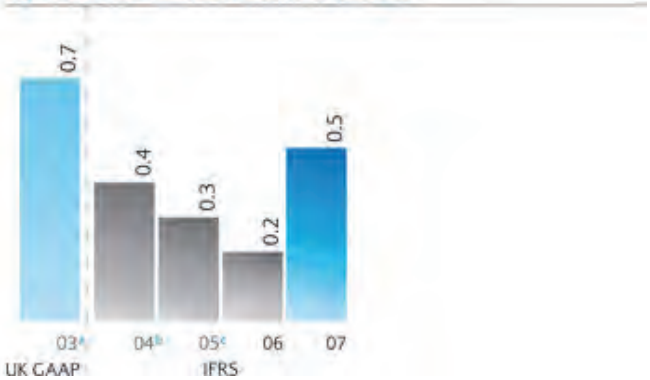


Fig. 11: PPLs/Loans and Advances Ratio %



Notes

a In 2003, credit risk loans and potential problem loans were disclosed based on the location of the booking office. In 2004-2007 they were disclosed by location of customers.

c From 1st January 2005, the application of IAS 39 required interest to be recognised on the remaining balance of an impaired financial asset (or group of financial assets) at the effective interest rate for that asset. As a result, interest is credited to the income statement in relation to impaired loans, therefore these loans technically are not classified as 'non-accrual'.

b Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

In 2005, the Group replaced the 'non-accrual' category with one termed 'impaired loans'. The SEC requires loans to be classified, where applicable, as non-accrual, accruing past due 90 days or more, 'troubled debt restructurings' and potential problem loans.

Table of Contents

– The category 'accruing past due 90 days or more' comprises loans that are 90 days or more past due as to principal or interest where there is no expectation of ultimate write-off (whether in part or full) of the principal owed. Impairment allowance will be raised against these loans if the expected cash flows discounted at the effective interest rate is less than the carrying value.

– The category 'impaired and restructured loans' comprises loans not included above where, for economic or legal reasons related to the debtor's financial difficulties, a concession has been granted to the debtor that it would not otherwise be considered. Where the concession results in the expected cash flows discounted at the effective interest rate being less than the loan's carrying value, an impairment allowance will be raised.

The term Credit Risk Loans has replaced the term Non-Performing Loans (NPLs) as the collective term for the total of these three classes since it recognises the fact that the impaired loan category may include loans, which, while impaired, are still performing. This category includes drawn ABS CDO Super Senior positions.

Potential Credit Risk Loans (PCRLs) comprise potential problem loans (PPLs) and credit risk loans (CRLs). Figures 8 and 9 show CRL and PPL balances by geography. The amounts are shown before deduction of value of security held, impairment allowances (from 2005 onwards) and provisions or interest suspense (2004 and earlier), all of which might reduce the impact of an eventual loss, should it occur. The significant increase to non-UK CRL and PPL balances is principally due to the inclusion of US-located ABS CDO Super Senior positions and other credit market exposures.

Figures 12 and 13 show impairment allowances as a percentage of CRLs and PCRLs. Including the drawn ABS CDO Super Senior positions, allowance coverage of CRLs and PCRLs decreased to 39.1% (31st December 2006: 65.6%) and 33.0% (31st December 2006: 57.0%), respectively. These movements reflect the fact that allowance coverage of ABS CDO Super Senior credit risk loans was low relative to allowance coverage of other credit risk loans since substantial protection against loss is also provided by subordination and hedges. On ABS CDO Super Senior exposures, the combination of subordination, hedges and write-downs provided protection against loss levels to 72% on US sub-prime collateral as at 31st December 2007.

Figures 14 and 15 show allowance coverage of CRLs and PCRLs excluding the drawn ABS CDO Super Senior positions decreased to 55.6% (31st December 2006: 65.6%) and 49.0% (31st December 2006: 57.0%), respectively. The decrease in these ratios reflected a change in the mix of CRLs and PCRLs. Unsecured retail exposures, where the recovery outlook is low, decreased as a proportion of the total as the collections and underwriting processes were improved. Secured retail and wholesale and corporate exposures, where the recovery outlook is relatively high, increased as a proportion of PCRLs.

Fig. 12: Impairment/provisions coverage of CRLs % (including drawn ABS CDO Super Senior positions)

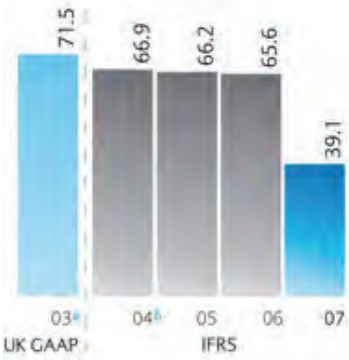


Fig. 13: Impairment/provisions coverage of PCRLs % (including drawn ABS CDO Super Senior positions)

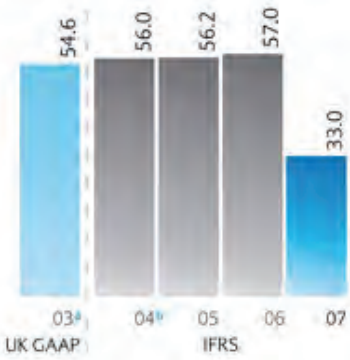


Fig. 14: Impairment/provisions coverage of CRLs % (excluding drawn ABS CDO Super Senior positions)

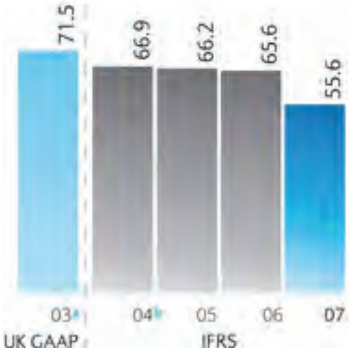
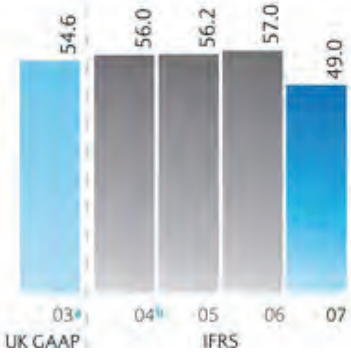


Fig. 15: Impairment/provisions coverage of PCRLs % (excluding drawn ABS CDO Super Senior positions)



Notes

a In 2003, credit risk loans and potential problem loans were disclosed based on the location of the booking office. In 2004-2007 they were disclosed by location of customers.

b

Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

Risk management
Credit risk management

Allowances for impairment and other credit provisions

Barclays establishes, through charges against profit, impairment allowances and other credit provisions for the incurred loss inherent in the lending book.

Under IFRS, impairment allowances are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition, and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets. Impairment of loans and receivables is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the carrying amount is less than the discounted cash flows, then no further allowance is necessary.

Impairment is measured individually for assets that are individually significant, and collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available.

In terms of individual assessment, the trigger point for impairment is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure. Two key inputs to the cash flow calculation are the valuation of all security and collateral and the timing of all asset realisations, after allowing for all attendant costs. This method applies in the corporate portfolios – Barclays Commercial Bank, Barclays Capital and certain areas within International Retail and Commercial Banking and Barclaycard.

For collective assessment, the trigger point for impairment is the missing of a contractual payment. The impairment calculation is based on a roll-rate approach, where the percentage of assets that move from the initial delinquency to default are derived from statistical probabilities based on experience. Recovery amounts and contractual interest rates are calculated using a weighted average for the relevant portfolio. This method applies to parts of International Retail and Commercial Banking, Barclaycard and UK Banking and is consistent with Barclays policy of raising an allowance as soon as impairment is identified.

Unidentified impairment allowances, albeit significantly lower in amount than those reported above, are also raised to cover losses which are judged to be incurred but not yet specifically identified in customer exposures at the balance sheet date, and which, therefore, have not been specifically reported.

The incurred but not yet reported calculation is based on the asset's probability of moving from the performing portfolio to being specifically identified as impaired within the given emergence period and then on to default within a specified period. This is calculated on the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The emergence periods vary across businesses and are based on actual experience and are reviewed on an annual basis. This methodology ensures that the Group only captures the loss incurred at the balance sheet date.

These impairment allowances are reviewed and adjusted at least quarterly by an appropriate charge or release of the stock of impairment allowances based on statistical analysis and management judgement.

Where appropriate, the accuracy of this analysis is periodically assessed against actual losses.

As one of the controls of ensuring that adequate impairment allowances are held, movements in impairment allowances to individual names above £10m are presented to the Group Credit Committee for agreement.

The Group Credit Risk Impairment Committee (GCRIC), on a semi-annual basis, obtains assurance on behalf of the Group that all businesses are recognising impairment in their portfolios accurately and promptly in their recommendations and in accordance with policy, accounting standards and established governance.

GCRIC exercises the authority of the Barclays Risk Director, as delegated by the Chief Executive, and is chaired by Barclays Credit Risk Director.

GCRIC reviews the movements to impairment in the businesses, including those already agreed at Group Credit Committee, Potential Credit Risk Loans and Risk Tendency.

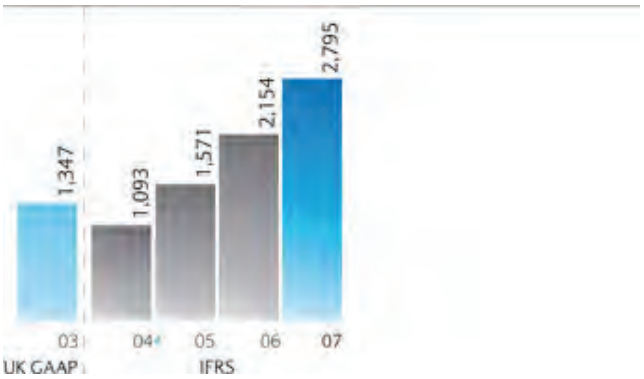
These committees are supported by a number of Group Policies including: Group Retail Impairment and Provisioning Policy; Group Wholesale Impairment and Provisioning Policy; and, Group Model Policy.

GCRIC makes twice-yearly recommendations to the Board Audit Committee on the adequacy of Group impairment allowances. Impairment allowances are reviewed relative to the risk in the portfolio, business and economic trends, current policies and methodologies and our position against peer banks.

Fig. 16: Impairment charges for bad and doubtful debts

	2007 £m	2006 £m	2005 £m
UK Banking	849	887	671
Barclaycard	838	1,067	753
International Retail and Commercial Banking	252	167	33
Barclays Capital	846	42	111
Barclays Global Investors	–	–	–
Barclays Wealth	7	2	2
Head office functions and other operations	3	(11)	1
Total impairment charges	2,795	2,154	1,571

Fig. 17 Impairment/provisions charges over five years £



Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

GCRIC has delegated the detailed review of loan impairment in the businesses to the Retail and Wholesale Credit Risk Management Committees.

In 2007, total impairment charges on loans and advances and other credit provisions increased 30% (£641m) to £2,795m (2006: £2,154m) reflecting charges of £782m against ABS CDO Super Senior and other credit market positions.

Impairment charges on loans and advances and other credit provisions as a percentage of Group total loans and advances rose to 0.71% (2006: 0.65%); total loans and advances grew by 23% to £389,290m (2006: £316,561m).

Retail impairment charges on loans and advances fell 11% (£204m) to £1,605m (2006: £1,809m). Retail impairment charges as a percentage of period-end total loans and advances reduced to 0.98% (2006: 1.30%); total retail loans and advances rose by 18% to £164,062m (2006: £139,350m)

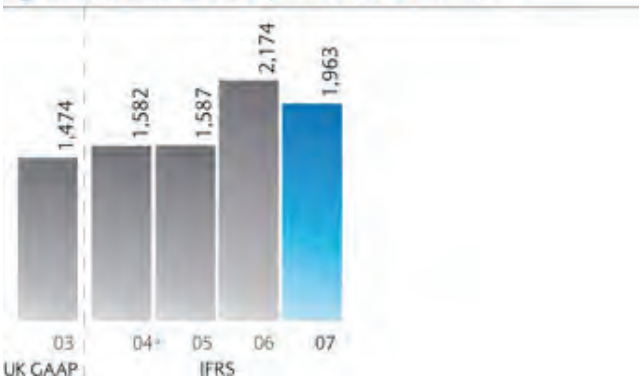
Barclaycard impairment charges improved £229m (21%) to £838m (2006: £1,067m) reflecting reduce flows into delinquency, lower levels of arrears and lower charge-offs in UK Cards. We made changes to our impairment methodologies to standardise our approach and in anticipation of Basel II. The net positive impact of these changes in methodology was offset by the increase in impairment charges in Barclaycard International and secured consumer lending.

Impairment charges in UK Retail Bank decreased by £76m (12%) to £559m (2006: £635m), reflecting lower charges in unsecured Consumer Lending and Local Business driven by improved collection processes, reduced flows into delinquency, lower trends of arrears and stable charge-offs. In UK Home Finance, asset quality remained strong and mortgage charges remained negligible. Mortgage delinquencies as a percentage of outstandings remained stable and amounts charged-off were low.

Impairment charges in International Retail and Commercial Banking –excluding Absa rose by £38m (93%) to £79m (2006: £41m) reflecting very strong balance sheet growth in 2006 and 2007 and the impact of lower releases in 2007.

Arrears in some of International Retail and Commercial Banking – Absa's key retail portfolios deteriorated in 2007, driven by interest rate increases in 2006 and 2007 resulting in pressure on collections.

Fig. 18: Total write-offs of impaired financial assets £m



Note

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Wholesale and corporate impairment charges on loans and advances increased £436m to £701m (2006: £265m). Wholesale and corporate impairment charges as a percentage of period-end total loans and advances increased to 0.31% (2006: 0.15%); total loans and advances grew by 27% to £225,228m (2006: £177,211m).

Barclays Capital impairment charges and other credit provisions of £846m included a charge of £782m against ABS CDO Super Senior and other credit market exposure and £58m relating to drawn leveraged finance positions.

The impairment charge in Barclays Commercial Bank increased by £38m (15%) to £290m (2006: £252m), primarily due to higher gross impairment charges in Larger Business, partially offset by a lower charge in Medium Business due to a tightening of the lending criteria.

Writing-off of assets

After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-off will occur, when, and to the extent that, the whole or part of a debt is considered irrecoverable.

The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery. In any event, the position of impaired loans is reviewed at least quarterly to ensure that irrecoverable advances are being written off in a prompt and orderly manner and in compliance with any local regulations.

Such assets are only written off once all the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are written back and hence decrease the amount of the reported loan impairment charge in the income statement.

Total write-offs of impaired financial assets decreased by £211m to £1,963m (2006: £2,174m).

Table of Contents

Risk management
Market risk management

Market risk management

Market risk is the risk that Barclays earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The main market risk arises from trading activities. Barclays is also exposed to interest rate risk in the banking book and the pension fund.

Barclays market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of position limits.
- Facilitate business growth within a controlled and transparent risk management framework.
- Ensure traded market risk resides primarily in Barclays Capital.
- Minimise non-traded market risk.

Organisation and structure

The Board approves market risk appetite for trading and non-trading activities. The Market Risk Director is responsible for the market risk control framework and, under delegated authority from the Risk Director, sets a limit framework within the context of the approved market risk appetite. A daily market risk report summarises Barclays market risk exposures against agreed limits. This daily report is sent to the Risk Director, the Market Risk Director, the Finance Director and the appropriate Business Risk Directors.

The Head of each business, assisted by the business risk management team, is accountable for all market risks associated with its activities. Each business is responsible for the identification, measurement, management, control and reporting of market risk as outlined in the Barclays Market Risk Control Framework. Oversight and support is provided to the business by the Market Risk Director, assisted by the central market risk team. The Market Risk Committee reviews, approves, and makes recommendations concerning the market risk profile across Barclays including risk appetite, limits and utilisation. The Committee is held monthly and is chaired by the Market Risk Director. Attendees include the Risk Director, respective business risk managers and senior managers from the central market risk team.

In Barclays Capital, the Head of Market Risk is responsible for implementing the market risk control framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Market Risk Management team that operates independently of the trading areas. Daily market risk reports are produced for the main Barclays Capital business areas covering the different risk categories including interest rate, credit spread, commodity, equity and foreign exchange. A more detailed trading market risk presentation is produced fortnightly and discussed at the Barclays Capital Traded Products Risk Review meeting. The attendees at this meeting include senior managers from Barclays Capital and the central market risk team.

Outside Barclays Capital, Global Retail and Commercial Banking is responsible for the non-structural interest rate risk in the banking book and Group Treasury is responsible for structural risk (interest rate and FX). The chart below right gives an overview of the business control structure.

Table of Contents

Traded market risk

Barclays policy is to concentrate trading activities in Barclays Capital. This includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, Barclays manages client and market activities together. In Barclays Capital, trading risk occurs in both the trading book and the banking book as defined for regulatory purposes.

In anticipation of future customer demand, Barclays maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital market and treasury instruments, including a broad range of cash, securities and derivatives. Derivatives entered into for trading purposes include swaps, forward rate agreements, futures, credit derivatives, options and combinations of these instruments. For a description of the nature of derivative instruments, see page 89.

Traded market risk measurement

The measurement techniques used to measure and control traded market risk include Daily Value at Risk and Stress Testing.

Daily Value at Risk (DVaR) is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

DVaR uses the historical simulation method with a historic sample of two years. The credit spread calculation takes into account specific risks associated with different business names.

There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are:

- historical simulation assumes that the past is a good representation of the future which may not always be the case.
- the assumed one day time horizon will not fully capture the market risk of positions that cannot be closed out or hedged within one day.
- DVaR does not indicate the potential loss beyond the 98th percentile.

To complement DVaR, stress testing is performed and there is a large set of non-DVaR limits including foreign exchange concentration limits and interest rate delta limits.

DVaR is an important market risk measurement and control tool and consequently the model is regularly assessed. The main approach employed is the technique known as back-testing which counts the number of days when trading losses exceed the corresponding DVaR estimate.

On the basis of DVaR estimated to a 98% confidence level, on average there would be five days each year when trading losses would be expected to exceed DVaR and would therefore be reflected as back-testing exceptions. For Barclays Capital's trading book, there were seven instances of a daily trading loss exceeding the corresponding 98% back-testing DVaR. These back-testing exceptions in 2007 reflected the increased volatility across a number of markets in which Barclays Capital operates. There were no instances of back-testing exceptions on a similar basis in 2006.

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. The three main types of stress test are:

- risk factor: historical stress moves are applied to each of the risk categories which include interest rate, credit spread, commodity, equity and foreign exchange rate
- emerging market contagion: historical stress moves combined with contagion factors are applied to the emerging markets portfolio
- scenario: stress scenarios are applied to the trading book

Stress results are produced at least fortnightly and are included in the Traded Products Risk Review meeting information pack. If a potential stress loss exceeds the corresponding trigger limit, the positions captured by the stress test are reviewed and discussed by Barclays Capital market risk and the respective Barclays Capital Business Head(s). The minutes of the discussion, including the merits of the position and the appropriate course of action, are then sent to the Market Risk Director for review.

Table of Contents

Risk management
Market risk management

Analysis of traded market risk exposures

The analysis of traded market risk exposures is given in Note 46.

Analysis of trading revenue

The histograms show the distribution of daily trading revenue for Barclays Capital in 2007 and 2006. Revenue includes net trading income, net interest income and net fees and commissions relating to primary trading. The average daily revenue in 2007 was £26.2m (2006: £22.0m) and there were 224 positive revenue days out of 253 (2006: 243 out of 252). The number of negative revenue days increased in 2007 largely as a result of volatile markets in the second half of the year. The number of large positive revenue days also increased but these were spread across the year.

Interest rate risk in the banking book

Interest rate risk arises from the provision of retail and wholesale (non-traded) banking products and services, as well as structural exposures within Barclays balance sheet.

The management approach of Barclays with respect to interest rate risk is to transfer the risk from the businesses either into local treasuries or to Group Treasury using an internal transfer price or interest rate swap. The methodology used to transfer this risk depends on whether the product contains yield curve risk, basis risk or customer optionality. Limits exist to ensure no material risk is retained within any business or product area.

Once each business's risk has been transferred, the treasuries manage any residual yield curve and basis risks subject to modest risk limits and other controls. Market risk is also taken in overseas treasuries, within these limits, to support and facilitate customer activity.

Risk measurement

The techniques used to measure and control interest rate risk in the banking book include Annual Earnings at Risk, Daily Value at Risk and Stress Testing.

Annual Earnings at Risk (AEaR) measures the sensitivity of net interest income (NII) over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 50 basis points increase or decrease in interest rates.

Outside Barclays Capital, Barclays uses a simplified approach to calculate DVaR. It is used as a complementary tool to AEaR. Both AEaR and DVaR are supplemented by stress testing and a range of non-DVaR limits.

Stress testing is carried out by the business centres and is reviewed by senior management and business-level asset and liability committees. The stress testing is tailored to the business and typically incorporates scenario analysis and historical stress movements applied to respective portfolios.

Analysis of interest rate risk in the banking book exposures

The analysis of interest rate risk in the banking book is given in Note 46.

Other market risks

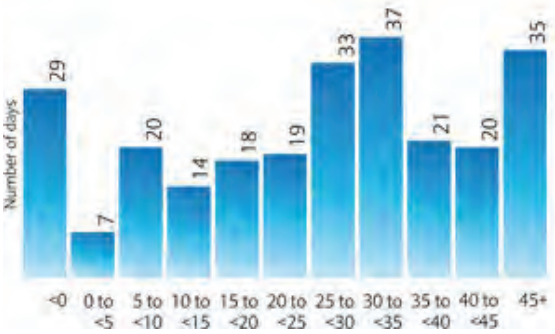
Barclays maintains a number of defined benefit pension schemes for past and current employees. The ability of the Pension Fund to meet the projected pension payments is maintained through investments and regular Bank contributions. Pension risk arises because: the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. In these circumstances, Barclays could be required or might choose to make extra contributions to the pension fund. Financial details of the pension fund are in Note 30.

Investment risk is the risk of financial volatility arising from changes in the market value of investments, principally occurring in Barclays insurance companies. These investments may comprise various liquid instruments, such as cash, bonds and listed equities, to cover future insurance liability flows, and may therefore give rise to a mismatch between the revaluation of assets and liabilities. It is Barclays policy to hedge such exposures in line with a defined risk appetite.

Barclays policy is for foreign exchange trading risk to be concentrated and managed in Barclays Capital. Some transaction foreign exchange risk exposure arises within the local treasury operations in Global Retail and Commercial Banking to support and facilitate client activity. This is minimised in accordance with modest risk limits and was not material as at end 2007. Other non-Barclays Capital foreign exchange exposure is covered in Note 46.

Asset management structural market risk arises where the fee and commission income earned by asset management products and businesses is affected by a change in market levels, primarily through the link between income and the value of assets under management. Where support agreements exist, the Group is exposed to the performance of the underlying asset. This exposure arises mainly within Barclays Global Investors, but also in Global Retail and Commercial Banking, and Barclays Wealth. It is Barclays policy that businesses monitor and report this risk against a defined risk appetite and regularly assess potential hedging strategies.

Barclays Capital's trading revenue 2007 £m



Barclays Capital's trading revenue 2006 £m

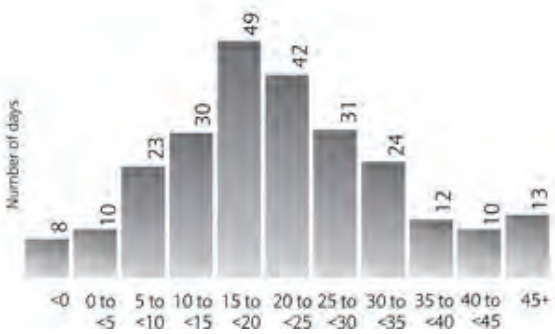


Table of Contents

Risk management
Derivatives

Derivatives

The use of derivatives and their sale to customers as risk management products are an integral part of the Group's trading activities. These instruments are also used to manage the Group's own exposure to fluctuations in interest, exchange rates and commodity and equity prices as part of its asset and liability management activities.

Barclays Capital manages the trading derivatives book as part of the market risk book. This includes foreign exchange, interest rate, equity, commodity and credit derivatives. The policies regarding market risk management are outlined in the market risk management section on pages 86 to 88.

The policies for derivatives that are used to manage the Group's own exposure to interest and exchange rate fluctuations are outlined in the asset and liability market risk section on page 223.

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Group's net interest income, net trading income, net fee and commission income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

The Group participates both in exchange traded and over the counter derivatives markets.

Exchange traded derivatives

The Group buys and sells financial instruments that are traded or cleared on an exchange, including interest rate swaps, futures and options on futures. Holders of exchange traded instruments provide margin daily with cash or other security at the exchange, to which the holders look for ultimate settlement.

Over the counter traded derivatives

The Group also buys and sells financial instruments that are traded over the counter, rather than on a recognised exchange.

These instruments range from commoditised transactions in derivative markets, to trades where the specific terms are tailored to the requirements of the Group's customers. In many cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give the Group protection in situations where a counterparty is in default.

Foreign exchange derivatives

The Group's principal exchange rate related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

Interest rate derivatives

The Group's principal interest rate related contracts are interest rate swaps, forward rate agreements, basis swaps, caps, floors and swaptions. Included in this product category are transactions that include combinations of these features.

An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. A basis swap is a form of interest rate swap, in which both parties exchange interest payments based on floating rates, where the floating rates are based upon different underlying reference indices. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

Credit derivatives

The Group's principal credit derivative-related contracts include credit default swaps and total return swaps. A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection.

A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer upon a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

A total return swap is an instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer in return receives a predetermined amount.

Equity derivatives

The Group's principal equity-related contracts are equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date.

Commodity derivatives

The Group's principal commodity-related derivative contracts are swaps, options, forwards and futures. The main commodities transacted are base metals, precious metals, oil and oil-related products, power and natural gas.

Table of Contents

Risk management
Disclosures about certain trading activities

Disclosures about certain trading activities including non-exchange traded commodity contracts

The Group provides a fully integrated service to clients for base metals, precious metals, oil, power, natural gas, coal, freight, emission credits, structured products and other related commodities. This service offering continues to expand, as market conditions allow, through the addition of new products and markets.

The Group offers both over the counter (OTC) and exchange traded derivatives, including swaps, options, forwards and futures and enters into physically settled contracts in base metals, power and natural gas, with 2007 seeing the addition of oil and related products to this portfolio. Physical commodity positions are held at fair value and reported under the Trading Portfolio in Note 12.

Fair value measurement

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 49.

Credit risk

Credit risk exposures are actively managed by the Group. Refer to Note 47 for more information on the Group's approach to credit risk management and the credit quality of derivative assets.

Fair value of the commodity derivative contracts

The tables below analyse the overall fair value of the commodity derivative contracts by movement over time and maturity. As at 31st December 2007 the fair value of the commodity derivative contracts reflects a gross positive fair value of £23,571m (2006: £17,501m) and a gross negative value of £22,759m (2006: £15,940m).

Movement in fair value of commodity derivative positions

	2007 £m	2006 £m
Fair value of contracts outstanding at the beginning of the period	1,561	527
Contracts realised or otherwise settled during the period	(764)	379
Fair value of new contracts entered into during the period	243	808
Other changes in fair values	(228)	(153)
Fair value of contracts outstanding at the end of the period	812	1,561

Maturity analysis of commodity derivative fair value

	2007 £m	2006 £m
Not more than one year	(279)	902
Over one year but not more than five years	773	327
Over five years	318	332
Total	812	1,561

Table of Contents

Risk management
Liquidity management

Liquidity management

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Liquidity risk management and measurement

Liquidity management within the Group has several components.

Intraday liquidity

The need to monitor, manage and control intraday liquidity in real time is recognised by the Group as a mission critical process: any failure to meet specific intraday commitments would have significant consequences.

The Group policy is that each operation must ensure that it has access to sufficient intraday liquidity to meet any obligations it may have to clearing and settlement systems. Major currency payment flows and payment system collateral are monitored and managed in real time to ensure that at all times there is sufficient collateral to make payments. The Group actively engages in payment system development to help ensure that new payment systems are robust.

Day to day funding

Day to day funding, managed by short term mismatch limits for the next day, week and month which control expected cash flows to ensure that requirements can be met. These requirements include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets and monitors and manages the wholesale money market capacity for the Group's name to enable that to happen.

In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquid assets

The Group maintains a portfolio of highly marketable assets including UK, US and Euro-area government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The Group accesses secured funding markets in these assets on a regular basis to ensure market access. The Group does not rely on committed funding lines for protection against unforeseen interruption to cash flow.

Diversification of liquidity sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. In addition, to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the Group's reputation and relationship with those clients, the strength of earnings and the Group's financial position.

Table of Contents

Risk management
Liquidity management

Structural liquidity

An important source of structural liquidity is provided by our core retail deposits in the UK, Europe and Africa, mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts at short notice, the Group's broad base of customers – numerically and by depositor type – helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group's operations and liquidity needs.

The Group policy is to fund the balance sheet of the retail and commercial bank on a global basis with customer deposits without recourse to the wholesale markets. This provides protection from the liquidity risk of wholesale market funding. The exception to this policy is Absa, which has a large portion of wholesale funding due to the structural nature of the South African financial sector.

Stress tests

Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk.

Treasury develops and monitors a range of stress tests on the Group's projected cash flows. These stress scenarios include Barclays-specific scenarios such an unexpected rating downgrade and operational problems, and external scenarios such as Emerging Market crises, payment system disruption and macro-economic shocks. The output informs both the liquidity mismatch limits and the Group's contingency funding plan. This is maintained by Treasury and is aligned with the Group and country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

The ability to raise funds is in part dependent on maintaining the Bank's credit rating. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered material in Group terms.

For further details see contractual obligations and commercial commitments of the Group on page 46.

Recent market events

The second half of last year saw a sustained period of severe stress in international financial markets characterised by increased volatility and impaired liquidity. Issuance of debt, particularly structured credit and mortgage related, fell sharply. The asset-backed commercial paper market was severely disrupted, resulting in the drawn down of committed liquidity lines from banks, while primary issuance of mortgage-backed securities and covered bonds stopped for a time. The repo markets including tri-party were also disrupted with the repo market for corporate debt closing for a time. Term money market funding became difficult to obtain and spreads over official rates widened.

The Group maintained its strong liquidity profile throughout and saw some benefit from a flight to quality in financial markets. Nevertheless, Barclays, like its peers, was affected by the increased volatility and impaired liquidity in financial markets. During this period the Group's balance sheet expanded due to:

- The disruption of the Asset Backed Commercial Paper (ABCP) market led to liquidity facilities for third party conduits being drawn down.
- Liquidity facilities were provided to three client SIV-lites which were restructured during the period.
- A number of loan syndications were delayed and remained on our balance sheet.
- The demand for ABCP issued by Barclays-sponsored conduits weakened temporarily with the result that a small portion of their funding was provided by Barclays.

These liquidity demands were all successfully managed within overall funding requirements despite occasional disruption of access to some funding markets. Although term funding in interbank markets substantially disappeared, liquidity remained good for Barclays.

Barclays diversified portfolio of highly marketable securities enabled the Group to continue accessing the repo market. Securitisation accounts for a modest proportion of the Group's funding so the disruption to the securitisation market has not significantly impacted the Group's liquidity position.

Assessment of liquidity

Barclays liquidity position remains very strong both for its own paper and paper issued by its sponsored conduits. We have benefited from significant inflows of deposits, increased credit lines from counterparties, increased client flows and continued full funding of our conduits.

The markets in 2008 have substantially improved with the passing of the year end, and a degree of normality has returned to the term interbank markets. However we expect there to continue to be dislocations through 2008, and we remain vigilant to ensure that our liquidity profile remains strong.

The FSA published a discussion paper in December 2007 setting out draft proposals for a new quantitative framework for regulating liquidity of banks in the UK in the light of the experiences of 2007. We welcome the FSA intention to update the liquidity regime.

Table of Contents

Risk management
Operational risk management

Operational risk management

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems.

Operational risks are inherent in Barclays operations and are typical of any large enterprise. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Barclays is committed to the advanced management of operational risks. In particular, it has implemented improved management and measurement approaches for operational risk to strengthen control, improve customer service and minimise operating losses. Barclays was granted a Waiver to operate an Advanced Measurement Approach (AMA) under Basel II, which commenced in January 2008.

The Group's operational risk management framework aims to:

– Understand and report the operational risks being taken by the Group.

– Capture and report operational errors made.

– Understand and minimise the frequency and impact, on a cost benefit basis, of operational risk events.

Barclays works closely with peer banks to benchmark our internal Operational Risk practices and to drive the development of advanced Operational Risk techniques across the industry. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Events of small significance are expected to occur and are accepted as inevitable; events of material significance are rare and the Group seeks to reduce the risk from these in a framework consistent with its agreed Risk Appetite.

Organisation and structure

Barclays has a Group Operational Risk Framework, which is consistent with and part of the Group Internal Control and Assurance Framework. Minimum control requirements have been established for all key areas of identified risk by 'Principal Risk' owners (see page 85). The risk categories relevant to operational risks are Financial Crime, Financial Reporting, Taxation, Legal, Operations, People, Regulatory, Technology and Change. In addition the following risk categories are used for business risk: Brand Management, Corporate Responsibility and Strategic.

Responsibility for implementing and overseeing these policies is positioned throughout the organisation. The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. Frontline risk managers are widely distributed throughout the Group in business units. They service and support these areas, assisting line managers in managing these risks.

Business Risk Directors in each business are responsible for overseeing the implementation of and compliance with Group policies. Governance and Control Committees in each business monitor control effectiveness. The Group Governance and Control Committee receives reports from the committees in the businesses and considers Group-wide control issues and their remediation.

In the corporate centre, each Principal Risk is owned by a senior individual who liaises with Principal Risk owners within the businesses. In addition, the Operational Risk Director oversees the range of operational risks across the Group in accordance with the Group Operational Risk Framework.

Business units are required to report on both a regular and an event- driven basis. The reports include a profile of the key risks to their business objectives, control issues of Group-level significance, and operational risk events. Specific reports are prepared on a regular basis for the Group Risk Oversight Committee, the Board Risk Committee and the Board Audit Committee. In particular, the Group Operational Risk Profile and Group Operating Committee Report is provided quarterly to the Group Risk Oversight Committee. The Internal Audit function provides further assurance for operational risk control across the organisation and reports to the Board and senior management.

Operational risk measurement and capital modelling

Barclays applies a consistent approach to the identification and assessment of key risks and controls across all business units. Managers in the businesses use self-assessment techniques to identify risks, evaluate control effectiveness and monitor capability. Business management determines whether particular risks are effectively managed within business risk appetite and otherwise takes remedial action. The risk assessment process is consistent with the principles in the integrated framework published by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

A standard process is used Group-wide for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are loaded onto a central database and reported monthly to the Operational Risk Executive Committee.

Barclays also uses a database of external public risk events and is a member of the Operational Risk Data Exchange (ORX), an association of international banks that share anonymised loss data information to assist in risk identification, assessment and modelling.

By combining internal data, including internal loss experience, risk and control assessments, key indicators and audit findings, with external loss data and expert management judgement, Barclays is able to generate Key Risk Scenarios (KRSs), which identify the most significant operational risks across the Group. The KRSs are validated at business unit and at Group level to ensure that they appropriately reflect the level of operational risk. It is these that are the main input to our capital model.

Operational risk capital is allocated, on a risk sensitive basis, to business units in the form of economic capital charges, providing an incentive to manage these risks within appetite levels.

Operational Risk Events

A high proportion of Barclays operational risk events have a low financial cost associated with them and a very small proportion of operational risk events have a material impact. Figure 1 shows that in 2007, 79% of reported operational loss events had a value of £50,000 or less. Figure 2 shows that this 79% of risk events by count only amounted to 15% of risk events by value. In contrast, 2% of the operational risk events had a value of £1m or greater but accounted for 50% of the overall loss. This was consistent with 2006 risk events and, from our analysis of external data, is in line with industry experience.

Analysis of Barclays operational risk events in 2007 by Basel II category, as shown in figure 3, highlights that the highest frequency of events occurred in External Fraud (54%) and Execution, Delivery and Process Management (37%). These two areas also accounted for the majority of losses by value (figure 4), with Execution, Delivery and Process Management accounting for 52% of total operational risk losses and External Fraud accounting for 24%. This again was consistent with 2006 internal risk events and, from our analysis of external data, is in line with industry experience.

Barclays has been granted a waiver by the UK FSA to apply an Advanced Measurement Approach (AMA) for Group-wide consolidated and solus regulatory capital reporting. Barclays has applied the AMA Group-wide. The two areas where roll-out of AMA is still continuing are Banco Austral (Mozambique) and National Bank of Commerce Limited (Tanzania), where the Standardised Approach is currently applied. In certain joint ventures and associates, Barclays may not be able to apply the Advanced Operational Risk Framework. Barclays does not currently use insurance or expected losses to offset its regulatory capital requirement.

Table of Contents

Risk management
Operational risk management

Fig. 1: Operational risk events > £10k – % of total risk events by count

Fig. 2: Operational risk events > £10k – % of total by value

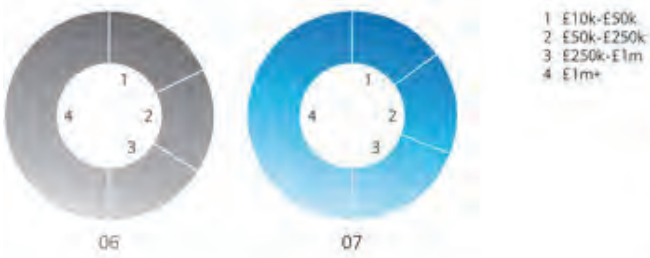


Fig. 4: Operational risk events by category – % of total by value

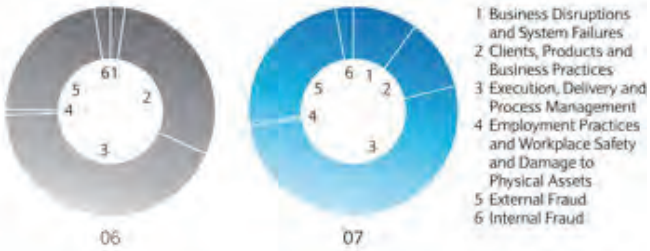


Fig. 3: Operational risk events by risk category – % of total risk events by count

Table of Contents

Risk management

Financial crime risk management

Financial crime risk management

Barclays adopts an integrated approach to financial crime risk management. In line with the five-step risk management model, Group Financial Crime Management (GFCM) has the responsibility to direct, assess, control, report and manage/challenge financial crime risks, which are structured into three strands: anti-money laundering (AML) and sanctions; fraud; and security.

Each business unit within Barclays develops its own capability to tackle financial crime, providing regular reporting on performance, incidents and the latest trends impacting business. This integrated model allows us to:

- Develop a clear profile of financial crime risk across the Group.
- Share intelligence, adopt common standards and respond promptly to emerging issues.
- Drive forward law enforcement and other Government initiatives.
- Benchmark ourselves against other financial institutions facing similar challenges.

Anti-money laundering and sanctions risk

The Group assesses the implications of all emerging legal and regulatory requirements that impact it and establishes policies and procedures in respect of AML, terrorist financing and sanctions, updating these regularly.

It operates an AML assurance programme to ensure a system of effective controls to comply with the overarching policies, providing technical guidance and support to each business unit.

GFCM collates and oversees the preparation of Group-wide management information on AML and sanctions. This information includes risk indicators, such as volumes of suspicious activity reports (SARs) and is supplemented by trend analysis, which highlights high-risk or emerging issues so that prompt action can be taken to address them.

Three committees (the Sanctions Cross Cluster Operational Review Board, the AML Steering Committee and the Policy Review Forum) review business performance, share intelligence, develop and agree controls, and discuss emerging themes and the implementation status of policies and procedures.

All businesses contribute towards the Group Money Laundering Reporting Officers Annual Report, which is provided to Group Senior Executive Management and is available to the FSA. Together with regular management information and conformance testing, this report updates senior management with evidence that the Group's money laundering and terrorist financing risks are being appropriately, proportionally and effectively managed.

During 2007, the Group augmented its AML capability, implementing third EU money laundering directive, with its guiding principle of a risk-based approach. For AML, this must be proportionate to the perceived risks and threats, including terrorist financing.

A new Group AML Policy, launched in December 2007 and encapsulating the risk-based approach, has further improved the Group's customer due diligence procedures and standards, transaction monitoring and staff training and awareness.

The Group also implemented EU Regulation 1781/2006, which aims to ensure thorough and robust audit trails concerning electronic transfers. This assists the Group in monitoring its AML and terrorist financing and improves the information available to law enforcement authorities.

Barclays continues to upgrade its sanctions screening capabilities, in line with best international practice and changing regulatory requirements. The Group has invested substantial resources to further enhance its monitoring capabilities in this area and will continue to do so.

In 2008, the Group will review procedures to ensure compliance with forthcoming legislation concerning the Single European Payments Area (SEPA). Should the US enact current draft legislation outlawing the use of the international payments and clearing systems for perceived illegal US internet gaming transactions, further enhancements to payments activity monitoring will follow.

Table of Contents

Risk management
Financial crime risk management

Fraud risk

The Group establishes and operates a fraud risk control framework which measures overall fraud risk exposure and controls. Together with Group-wide policies, this directs how fraud is managed.

The Group Financial Crime Management team (GFCM) is responsible for delivering the overall fraud strategy and providing oversight to Group and Business Units in order to manage fraud risk. The strategy is designed to:

- Identify emerging threats in order that effective controls are embedded across the Group and build up capability to manage risk.
- Identify and manage fraud incidents, ensuring regulatory and legal conformance, appropriate escalation and control issues are addressed to prevent further loss.
- Work proactively to highlight areas of concern in order that remediation can take place.

GFCM assesses the fraud risk of existing and emerging products, services, processes and jurisdictions to drive down fraud losses as turnover/growth increases. It also represents Barclays at trade, industry and Government bodies providing a conduit to maximise the flow of information and intelligence. GFCM also provides technical expertise to business areas whether to drive through Group solutions or provide assistance with specific incidents and investigations.

Business Units, together with product holders and channels identify their appetite for fraud loss which informs and determines the overall fraud plan. Objectives are then set around these plans.

At a business level, fraud risk/loss committees track fraud (and in some cases operational) loss. The Barclays Group Fraud Risk profile is exercised regularly through the review and challenge of the net losses and key risk metrics; these are then viewed against the overall Fraud Risk Profile (Fraud Oversight Committee).

Fraud is reported monthly to senior management both within the Business Units and to Group who provide a global oversight of fraud loss. Fraud is measured against plan for both net and gross losses and in line with the Principal Risk Policy; Key Risk Indicators (KRIs) are embedded in order that overall exposure can be established.

As a result of this process, fraud performance both at Business Unit and Group level can be measured and appropriate action taken to minimise or track significant issues.

Externally there are 'in country' industry-wide forums to which Barclays contributes and in some cases can benchmark performance, controls and current and emerging issues.

Barclays overall reported fraud losses fell in 2007, with most of the reduction coming from significant falls in internet banking fraud. As part of its efforts to enhance security, Barclays offers all its personal customers complimentary internet security software to reduce phishing attacks. The Group has also rolled out two-factor authentication technology using the new PINsentry device to make online transactions more secure. Enhanced transaction profiling has further improved our ability to identify where customer accounts have been targeted by fraudsters and take preventative action to protect funds.

Following the loss of personal data, including bank details, by both Government agencies and other third parties, data protection and security was a prominent theme in 2007. Barclays treats any incident of this nature with the utmost importance and has worked closely with industry and the Government to take steps to:

- Reassure customers and provide points of contact for help and guidance.
- Protect any customer accounts, whose details may have been compromised.
- Develop a standard approach for dealing with accounts that may be impacted by data security breaches.

Security risk

Group Financial Crime Management (GFCM) also manages security risk. Its fundamental objective is to allow Barclays to operate in a safe and secure manner in all existing and potential future markets.

In pursuit of this objective, the Security Risk team gathers and shares current threat assessments across business areas, using intelligence from Security and Government Agencies and 'in country' teams. It ensures that suitable policies and control systems are in place to protect Group business and that plans to protect high-risk personnel are fit for purpose and in line with accepted best practice.

Barclays has developed and continues to improve a robust people screening process to protect the bank from those people who want to harm the organisation, by either joining as staff members or becoming involved with its operations.

Security Risk is regularly reported by the businesses and reviewed via the Security Risk Management Committee, whose objectives are to:

- Consider the latest management information and security threat assessments.
- Drive forward mitigating action to protect the Group from potential threats.
- Provide guidance to the design and effectiveness of the overall Barclays Security Risk framework.
- Ensure all Security Risk workstreams have been effectively integrated and implemented.
- Monitor corporate security profiles against the agreed plan, tracking issues in order that remedial action can be taken.

Table of Contents

Risk management
Statistical information

Statistical and other risk information

This section of the report contains supplementary information that is more detailed or contains longer histories than the data presented in the discussion. For commentary on this information, please refer to the preceding text (pages 74 to 85).

Barclays applied International Financial Reporting Standards (IFRS) with effect from 1st January 2004, with the exception of IAS 32, IAS 39 and IFRS 4, which were applied from 1st January 2005.

Credit risk management

Table 1: Risk Tendency by business (page 78)

	2007 £m	2006 £m
UK Banking	775	790
UK Retail Banking	470	500
Barclays Commercial Bank	305	290
Barclaycard	945	1,135
International Retail and Commercial Banking	475	220
International Retail and Commercial Banking – excluding Absa	220	75
International Retail and Commercial Banking – Absa	255	145
Barclays Capital	140	95
Barclays Wealth	10	10
Head office functions and other operations [a]	10	10
Risk Tendency by business	2,355	2,260

Table 2: Loans and advances

	2007 £m	2006 £m
Retail businesses		
Banks	–	–
Customers	164,062	139,350
Total retail businesses	164,062	139,350
Wholesale businesses		
Banks	40,123	30,930
Customers	185,105	146,281
Total wholesale businesses	225,228	177,211
Loans and advances	389,290	316,561

Note
a Head office functions and other operations comprises discontinued business in transition.

Table of Contents

Risk management
Statistical information

Table 3: Maturity analysis of loans and advances to banks

At 31st December 2007	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
United Kingdom	796	4,069	56	92	114	20	1	370	5,518
Other European Union	2,977	7,745	74	88	95	116	7	–	11,102
United States	321	5,736	95	1,255	343	98	5,498	97	13,443
Africa	283	1,260	131	114	196	439	158	–	2,581
Rest of the World	1,505	3,336	90	1,640	512	362	15	19	7,479
Loans and advances to banks	5,882	22,146	446	3,189	1,260	1,035	5,679	486	40,123

At 31st December 2006	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
United Kingdom	524	5,211	110	18	43	10	–	313	6,229
Other European Union	619	7,514	90	130	81	78	1	–	8,513
United States	431	2,592	363	2,634	5	809	923	1,299	9,056
Africa	701	1,027	83	91	188	85	44	–	2,219
Rest of the World	612	2,465	154	191	1,278	148	44	21	4,913
Loans and advances to banks	2,887	18,809	800	3,064	1,595	1,130	1,012	1,633	30,930

Table 4: Interest rate sensitivity of loans and advances

	2007			2006		
At 31st December	**Fixed rate £m**	**Variable rate £m**	**Total £m**	Fixed rate £m	Variable rate £m	Total £m
Banks	16,447	23,676	40,123	12,176	18,754	30,930
Customers	77,861	271,306	349,167	66,000	219,631	285,631

Table 5: Loans and advances to customers by industry

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
Financial services	71,160	45,954	43,102	25,132	9,872
Agriculture, forestry and fishing	3,319	3,997	3,785	2,345	2,115
Manufacturing	16,974	15,451	13,779	9,044	7,844
Construction	5,423	4,056	5,020	3,278	2,534
Property	17,018	16,528	16,325	8,992	6,728
Government	2,036	2,426	1,718	–	–
Energy and water	8,632	6,810	6,891	3,709	3,150
Wholesale and retail, distribution and leisure	17,768	15,490	17,760	11,099	9,628
Transport	6,258	5,586	5,960	3,742	3,654
Postal and communication	5,404	2,180	1,313	834	698
Business and other services	30,363	26,999	22,529	23,223	13,913
Home loans [b]	112,087	94,635	87,003	79,164	72,318
Other personal	41,535	35,377	38,069	29,293	23,922
Overseas customers [c]	–	–	–	–	8,666
Finance lease receivables	11,190	10,142	9,088	6,938	5,877
Loans and advances to customers excluding reverse repurchase agreements	349,167	285,631	272,342	206,793	170,919
Reverse repurchase agreements	n/a	n/a	n/a	58,304	n/a
Trading business	n/a	n/a	n/a	n/a	58,961
Loans and advances to customers	349,167	285,631	272,342	265,097	229,880

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Excludes commercial property mortgages.

c Overseas customers are now classified as part of other industry segments.

Table of Contents

Table 6: Loans and advances to customers in the UK

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
Financial services	**21,131**	14,011	11,958	8,774	7,721
Agriculture, forestry and fishing	**2,220**	2,307	2,409	1,963	1,766
Manufacturing	**9,388**	9,047	8,469	5,684	5,967
Construction	**3,542**	2,761	3,090	2,285	1,883
Property	**10,203**	10,010	10,547	7,912	6,341
Government	**201**	6	6	–	–
Energy and water	**2,203**	2,360	2,701	802	1,286
Wholesale and retail distribution and leisure	**13,800**	12,951	12,747	9,356	8,886
Transport	**3,185**	2,745	2,797	1,822	2,579
Postal and communication	**1,416**	899	455	440	476
Business and other services	**20,485**	19,260	15,397	13,439	12,030
Home loans[b]	**71,755**	64,150	58,730	61,348	61,905
Other personal	**26,810**	26,088	29,250	26,872	21,905
Overseas customers[c]	**–**	–	–	–	5,477
Finance lease receivables	**4,008**	3,923	5,203	5,551	5,587
Loans and advances to customers in the UK	**190,347**	170,518	163,759	146,248	143,809

The category 'other personal' now includes credit cards, personal loans, second liens and personal overdrafts.

The industry classifications in Tables 5-9 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent's predominant business may be in a different industry.

Table 7: Loans and advances to customers in other European Union countries

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
Financial services	**7,585**	5,629	3,982	2,419	1,205
Agriculture, forestry and fishing	**141**	786	155	280	147
Manufacturing	**4,175**	3,147	2,254	2,021	1,275
Construction	**1,159**	639	803	716	609
Property	**2,510**	2,162	3,299	344	346
Government	**–**	6	–	–	–
Energy and water	**2,425**	2,050	1,490	940	409
Wholesale and retail distribution and leisure	**1,719**	776	952	810	426
Transport	**1,933**	1,465	1,695	640	566
Postal and communication	**662**	580	432	111	40
Business and other services	**3,801**	2,343	3,594	3,795	1,251
Home loans[b]	**24,115**	18,616	16,488	11,828	10,334
Other personal	**3,905**	3,672	1,909	1,369	1,769
Overseas customers[c]	**–**	–	–	–	438
Finance lease receivables	**2,403**	1,559	1,870	937	212
Loans and advances to customers in other European Union countries	**56,533**	43,430	38,923	26,210	19,027

See note under Table 6.

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements.

b Excludes commercial property mortgages.

c Overseas customers are now classified as part of other industry segments.

Table of Contents

Risk management
Statistical information

Table 8: Loans and advances to customers in the United States

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
Financial services	**29,342**	17,516	16,229	9,942	919
Agriculture, forestry and fishing	**2**	2	1	–	1
Manufacturing	**818**	519	937	388	341
Construction	**18**	13	32	139	2
Property	**568**	1,714	329	394	1
Government	**221**	153	300	–	–
Energy and water	**1,279**	1,078	1,261	891	1,358
Wholesale and retail distribution and leisure	**398**	403	794	466	77
Transport	**137**	128	148	186	468
Postal and communication	**2,446**	36	236	63	153
Business and other services	**1,053**	1,432	885	1,565	220
Home loans[b]	**458**	349	2	5,768	–
Other personal	**3,256**	2,022	1,443	845	–
Finance lease receivables	**304**	312	328	335	33
Loans and advances to customers in the United States	**40,300**	25,677	22,925	20,982	3,573

See note under Table 6.

Table 9: Loans and advances to customers in Africa

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
Financial services	**3,472**	2,821	4,350	186	27
Agriculture, forestry and fishing	**956**	889	1,193	102	201
Manufacturing	**1,351**	1,747	1,501	313	261
Construction	**637**	591	1,068	76	40
Property	**2,433**	1,987	1,673	87	40
Government	**967**	785	625	–	–
Energy and water	**356**	156	193	184	97
Wholesale and retail distribution and leisure	**1,326**	1,050	2,774	165	239
Transport	**116**	354	394	137	41
Postal and communication	**231**	241	27	52	29
Business and other services	**1,285**	2,631	1,258	1,012	412
Home loans[b]	**15,314**	11,223	11,630	214	79
Other personal	**6,366**	2,976	4,955	190	248
Finance lease receivables	**4,357**	4,240	1,580	41	45
Loans and advances to customers in Africa	**39,167**	31,691	33,221	2,759	1,759

See note under Table 6.

Table 10: Loans and advances to customers in the Rest of the World

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
Loans and advances	**22,702**	14,207	13,407	10,520	2,751
Finance lease receivables	**118**	108	107	74	–
Loans and advances to customers in the Rest of the World	**22,820**	14,315	13,514	10,594	2,751

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005. The 2004 analysis excludes reverse repurchase agreements.

b Excludes commercial property mortgages.

Table of Contents

Risk management
Statistical information

Table 11: Maturity analysis of loans and advances to customers

At 31st December 2007	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
United Kingdom									
Corporate lending[a]	26,557	15,737	2,453	3,834	8,474	8,358	10,718	11,643	87,774
Other lending to customers in the United Kingdom	4,384	4,717	2,106	3,597	11,517	8,699	19,325	48,228	102,573
Total United Kingdom	30,941	20,454	4,559	7,431	19,991	17,057	30,043	59,871	190,347
Other European Union	4,016	7,665	2,229	3,284	5,842	4,883	8,842	19,772	56,533
United States	3,053	20,205	3,430	5,938	1,904	2,498	2,658	614	40,300
Africa	6,806	4,243	881	1,969	5,568	4,124	2,285	13,291	39,167
Rest of the World	1,085	9,733	1,695	859	2,223	2,586	3,685	954	22,820
Loans and advances to customers	45,901	62,300	12,794	19,481	35,528	31,148	47,513	94,502	349,167

At 31st December 2006	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
United Kingdom									
Corporate lending [a]	22,923	13,569	2,262	2,850	7,562	8,499	8,349	10,342	76,356
Other lending to customers in the United Kingdom	3,784	4,427	2,110	3,586	11,937	7,459	16,358	44,501	94,162
Total United Kingdom	26,707	17,996	4,372	6,436	19,499	15,958	24,707	54,843	170,518
Other European Union	2,137	6,254	1,744	2,869	4,783	4,397	6,565	14,681	43,430
United States	2,489	11,630	1,689	3,402	1,949	1,871	1,464	1,183	25,677
Africa	2,575	2,471	1,272	2,177	5,212	4,177	3,555	10,252	31,691
Rest of the World	86	6,377	1,015	1,020	1,116	1,465	1,800	1,436	14,315
Loans and advances to customers	33,994	44,728	10,092	15,904	32,559	27,868	38,091	82,395	285,631

Table 12: Loans and advances in currencies other than the local currency of the borrower for countries where this exceeds 1% of total Group assets

	As % of assets	Total £m	Banks and other financial institutions £m	Governments and official institutions £m	Commercial industrial and other private sectors £m
At 31st December 2007					
United States	2.1	26,249	7,151	6	19,092
At 31st December 2006					
United States	1.7	16,579	7,307	89	9,183
At 31st December 2005					
United States	2.6	24,274	15,693	–	8,581

At 31st December 2007, 2006 and 2005, there were no countries where Barclays had cross-currency loans to borrowers between 0.75% and 1% of total Group assets.

Note

a In the UK, finance lease receivables are included in 'Other lending', although some leases are to corporate customers.

Table of Contents

Risk management
Statistical information

Table 13: Off-balance sheet and other credit exposures as at 31st December

	2007 £m	2006 £m	2005 £m
Off-balance sheet exposures			
Contingent liabilities	45,774	39,419	47,143
Commitments	192,639	205,504	203,785
On-balance sheet exposures			
Trading portfolio assets	193,691	177,867	155,723
Financial assets designated at fair value held on own account	56,629	31,799	12,904
Derivative financial instruments	248,088	138,353	136,823
Available for sale financial investments	43,072	51,703	53,497

Table 14: Notional principal amounts of credit derivatives as at 31st December

	2007 £m	2006 £m	2005 £m
Credit derivatives held or issued for trading purposes[a]	2,472,249	1,224,548	609,381
Total	2,472,249	1,224,548	609,381

Table 15: Credit risk loans summary

	IFRS				UK GAAP
At 31st December	2007 £m	2006 £m	2005 £m	2004[b] £m	2003 £m
Impaired loans[c]	8,574	4,444	4,550	n/a	n/a
Non-accruing loans	n/a	n/a	n/a	2,115	2,261
Accruing loans where interest is being suspended with or without provisions	n/a	n/a	n/a	492	629
Other accruing loans against which provisions have been made	n/a	n/a	n/a	943	821
Subtotal	8,574	4,444	4,550	3,550	3,711
Accruing loans which are contractually overdue 90 days or more as to principal or interest	794	598	609	550	590
Impaired and restructured loans	273	46	51	15	4
Credit risk loans	9,641	5,088	5,210	4,115	4,305

Notes

a Includes credit derivatives held as economic hedges which are not designated as hedges for accounting purposes.

b 2004 does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

c Includes £3,344m of ABS CDO Super Senior exposures.

Table of Contents

Table 16: Credit risk loans

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
Impaired loans: [b]					
United Kingdom	**3,605**	3,340	2,965	n/a	n/a
Other European Union	**472**	410	345	n/a	n/a
United States	**3,703**	129	230	n/a	n/a
Africa	**757**	535	831	n/a	n/a
Rest of the World	**37**	30	179	n/a	n/a
Total	**8,574**	4,444	4,550	n/a	n/a
Non-accrual loans:					
United Kingdom	**n/a**	n/a	n/a	1,509	1,572
Other European Union	**n/a**	n/a	n/a	243	143
United States	**n/a**	n/a	n/a	258	383
Africa	**n/a**	n/a	n/a	74	86
Rest of the World	**n/a**	n/a	n/a	31	77
Total	**n/a**	n/a	n/a	2,115	2,261
Accruing loans where interest is being suspended with or without provisions:					
United Kingdom	**n/a**	n/a	n/a	323	559
Other European Union	**n/a**	n/a	n/a	31	29
Africa	**n/a**	n/a	n/a	21	37
Rest of the World	**n/a**	n/a	n/a	117	4
Total	**n/a**	n/a	n/a	492	629
Other accruing loans against which provisions have been made:					
United Kingdom	**n/a**	n/a	n/a	865	760
Other European Union	**n/a**	n/a	n/a	27	35
United States	**n/a**	n/a	n/a	26	–
Africa	**n/a**	n/a	n/a	21	22
Rest of the World	**n/a**	n/a	n/a	4	4
Total	**n/a**	n/a	n/a	943	821
Accruing loans which are contractually overdue 90 days or more as to principal or interest:					
United Kingdom	**676**	516	539	513	566
Other European Union	**79**	58	53	34	24
United States	**10**	3	–	1	–
Africa	**29**	21	17	1	–
Rest of the World	**–**	–	–	1	–
Total	**794**	598	609	550	590
Impaired and restructured loans:					
United Kingdom	**179**	–	5	2	4
Other European Union	**14**	10	7	–	–
United States	**38**	22	16	13	–
Africa	**42**	14	23	–	–
Total	**273**	46	51	15	4
Total credit risk loans:					
United Kingdom	**4,460**	3,856	3,509	3,212	3,461
Other European Union	**565**	478	405	335	231
United States	**3,751**	154	246	298	383
Africa	**828**	570	871	117	145
Rest of the World	**37**	30	179	153	85
Credit risk loans	**9,641**	5,088	5,210	4,115	4,305

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Includes £3,344m of ABS CDO Super Senior Exposures.

Table of Contents

Risk management
Statistical information

Table 17: Potential problem loans

	IFRS				UK GAAP
At 31st December	**2007 £m**	2006 £m	2005 £m	2004[a] £m	2003 £m
United Kingdom	**419**	465	640	658	989
Other European Union	**59**	32	26	32	23
United States	**964**	21	12	27	259
Africa	**355**	240	248	67	53
Rest of the World	**–**	3	3	14	3
Potential problem loans[b]	**1,797**	761	929	798	1,327

Table 18: Interest foregone on credit risk loans

	2007 £m	2006 £m	2005 £m
Interest income that would have been recognised under the original contractual terms			
United Kingdom	**340**	357	304
Rest of the World	**91**	70	52
Total	**431**	427	356

Interest income of approximately £48m (2006: £72m, 2005: £29m) from such loans was included in profit, of which £26m (2006: £49m, 2005: £20m) related to domestic lending and the remainder related to foreign lending.

In addition, a further £113m (2006: £98m, 2005: £76m) was recognised arising from impaired loans. Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the expected future cash flows for the purpose of measuring the impairment loss. £93m (2006: £88m, 2005: £70m) of this related to domestic impaired loans and the remainder related to foreign impaired loans.

Table 19: Analysis of impairment/provision charges

	IFRS				UK GAAP
At 31st December	**2007 £m**	**2006 £m**	2005 £m	2004[a] £m	2003 £m
Impairment charge/net specific provisions charge					
United Kingdom	**1,593**	1,880	1,382	1,021	1,132
Other European Union	**123**	92	75	102	37
United States	**374**	12	76	57	84
Africa	**214**	143	37	27	21
Rest of the World	**2**	(53)	4	103	46
Impairment on loans and advances	**2,306**	2,074	1,574	n/a	n/a
Impairment on available for sale assets	**13**	86	4	n/a	n/a
Impairment charge	**2,319**	2,160	1,578	n/a	n/a
Total net specific provisions charge	**n/a**	n/a	n/a	1,310	1,320
General provisions (release)/charge	**n/a**	n/a	n/a	(206)	27
Other credit provisions charge/(release)	**476**	(6)	(7)	(11)	–
Impairment/provision charges	**2,795**	2,154	1,571	1,093	1,347

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Includes £951m of ABS CDO Super Senior and SIV-lites exposures.

Table of Contents

Table 20: Impairment/provisions charges ratios ('Loan loss ratios')

	IFRS				UK GAAP
	2007 %	2006 %	2005 %	2004 [a] %	2003 %
Impairment/provisions charges as a percentage of average loans and advances for the year:					
Specific provisions charge	n/a	n/a	n/a	0.40	0.46
General provisions charge	n/a	n/a	n/a	(0.07)	0.01
Impairment charge	0.64	0.66	0.58	n/a	n/a
Total	0.64	0.66	0.58	0.33	0.47
Amounts written off (net of recoveries)	0.49	0.61	0.50	0.40	0.48

Table 21: Analysis of allowance for impairment/provision for bad and doubtful debts

	IFRS				UK GAAP
	2007 £m	2006 £m	2005 £m	2004 [a] £m	2003 £m
Impairment allowance/Specific provisions					
United Kingdom	2,526	2,477	2,266	1,683	1,856
Other European Union	344	311	284	149	97
United States	356	100	130	155	121
Africa	514	417	647	70	79
Rest of the World	32	30	123	90	80
Specific provision balances	n/a	n/a	n/a	2,147	2,233
General provision balances	n/a	n/a	n/a	564	795
Allowance for impairment provision balances	3,772	3,335	3,450	2,711	3,028
Average loans and advances for the year	357,853	313,614	271,421	328,134	285,963

Table 22: Allowance for impairment/provision balance ratios

	IFRS				UK GAAP
	2007 %	2006 %	2005 %	2004 [a] %	2003 %
Allowance for impairment/provision balance at end of year as a percentage of loans and advances at end of year:					
Specific provision balances	n/a	n/a	n/a	0.62	0.77
General provision balances	n/a	n/a	n/a	0.16	0.27
Impairment balance	0.97	1.05	1.14	n/a	n/a
Total	0.97	1.05	1.14	0.78	1.04

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

Risk management
Statistical information

Table 23: Movements in allowance for impairment/provisions charge for bad and doubtful debts

	IFRS				UK GAAP
	2007 £m	2006 £m	2005 £m	2004 [a] £m	2003 £m
Allowance for impairment/provision balance at beginning of year	3,335	3,450	2,637	2,946	2,998
Acquisitions and disposals	(73)	(23)	555	21	62
Unwind of discount	(113)	(98)	(76)	n/a	n/a
Exchange and other adjustments	53	(153)	125	(33)	(18)
Amounts written off	(1,963)	(2,174)	(1,587)	(1,582)	(1,474)
Recoveries	227	259	222	255	113
Impairment/provision charged against profit [b]	2,306	2,074	1,574	1,104	1,347
Allowance for impairment/provision balance at end of year	3,772	3,335	3,450	2,711	3,028

Table 24: Amounts written off

	IFRS				UK GAAP
	2007 £m	2006 £m	2005 £m	2004 [a] £m	2003 £m
United Kingdom	(1,530)	(1,746)	(1,302)	(1,280)	(1,175)
Other European Union	(143)	(74)	(56)	(63)	(54)
United States	(145)	(46)	(143)	(50)	(215)
Africa	(145)	(264)	(81)	(15)	(13)
Rest of the World	–	(44)	(5)	(174)	(17)
Amounts written off	(1,963)	(2,174)	(1,587)	(1,582)	(1,474)

Table 25: Recoveries

	IFRS				UK GAAP
	2007 £m	2006 £m	2005 £m	2004 [a] £m	2003 £m
United Kingdom	154	178	160	217	95
Other European Union	32	18	13	9	7
United States	7	22	15	14	10
Africa	34	33	16	4	1
Rest of the World	–	8	18	11	–
Recoveries	227	259	222	255	113

Notes
a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Does not reflect the impairment of available for sale assets or other credit risk provisions.

Table of Contents

Table 26: Impairment allowances/provision charged against profit

	IFRS				UK GAAP
	2007 £m	2006 £m	2005 £m	2004 [a] £m	2003 £m
New and increased impairment allowance/specific provision charge:					
United Kingdom	1,960	2,253	1,763	1,358	1,373
Other European Union	192	182	113	131	57
United States	431	60	105	85	118
Africa	268	209	109	47	33
Rest of the World	20	18	39	134	47
	2,871	2,722	2,129	1,755	1,628
Reversals of impairment allowance/specific provision charge:					
United Kingdom	(213)	(195)	(221)	(120)	(146)
Other European Union	(37)	(72)	(25)	(20)	(13)
United States	(50)	(26)	(14)	(14)	(24)
Africa	(20)	(33)	(56)	(16)	(10)
Rest of the World	(18)	(63)	(17)	(20)	(2)
	(338)	(389)	(333)	(190)	(195)
Recoveries	(227)	(259)	(222)	(255)	(113)
Net impairment allowance/specific provision charge [b]	2,306	2,074	1,574	1,310	1,320
General provision (release)/charge	n/a	n/a	n/a	(206)	27
Net charge to profit	2,306	2,074	1,574	1,104	1,347

Table 27: Total impairment/specific provision charges for bad and doubtful debts by industry

	IFRS				UK GAAP
	2007 £m	2006 £m	2005 £m	2004 [a] £m	2003 £m
United Kingdom:					
Financial services	32	64	22	(1)	13
Agriculture, forestry and fishing	–	5	9	–	(3)
Manufacturing	72	1	120	28	79
Construction	14	17	14	10	(23)
Property	36	15	18	(42)	(3)
Energy and water	1	(7)	1	3	13
Wholesale and retail distribution and leisure	118	88	39	66	38
Transport	3	19	(27)	(19)	100
Postal and communication	15	15	3	(1)	1
Business and other services	81	133	45	64	76
Home loans	1	4	(7)	17	9
Other personal	1,187	1,526	1,142	894	757
Overseas customers [c]	–	–	–	–	66
Finance lease receivables	33	–	3	2	9
	1,593	1,880	1,382	1,021	1,132
Overseas	713	194	192	289	188
Impairment/specific provision charges [c]	2,306	2,074	1,574	1,310	1,320

The category 'other personal' now includes credit cards, personal loans, second liens and personal overdrafts.

The industry classifications in Tables 27, 28 and 29 have been prepared at the level of the borrowing entity. This means that a loan to the subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the parent's predominant business may be in a different industry.

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Does not reflect the impairment of available for sale assets or other credit risk provisions.

c Overseas customers are now classified as part of other industry segments.

Table of Contents

Risk management
Statistical information

Table 28: Allowance for impairment/specific provision for bad and doubtful debts by industry

	IFRS								UK GAAP	
	2007		2006		2005		2004[a]		2003	
	£m	%	£m	%	£m	%	£m	%	£m	%
United Kingdom:										
Financial services	103	2.7	67	2.0	26	0.8	7	0.3	12	0.5
Agriculture, forestry and fishing	5	0.1	17	0.5	12	0.3	4	0.2	5	0.2
Manufacturing	65	1.7	85	2.5	181	5.2	37	1.7	58	2.6
Construction	16	0.4	16	0.5	13	0.4	6	0.3	7	0.3
Property	54	1.4	26	0.8	24	0.7	26	1.2	3	0.1
Energy and water	1	–	–	–	18	0.5	23	1.0	27	1.2
Wholesale and retail distribution and leisure	102	2.7	81	2.4	99	2.9	70	3.3	52	2.3
Transport	11	0.3	24	0.7	32	0.9	55	2.6	103	4.6
Postal and communication	25	0.7	12	0.4	2	0.1	13	0.6	15	0.7
Business and other services	158	4.2	186	5.6	102	3.0	105	4.9	121	5.4
Home loans	15	0.4	10	0.3	50	1.4	58	2.7	55	2.5
Other personal [b]	1,915	50.8	1,953	58.6	1,696	49.2	1,265	58.9	1,359	60.9
Overseas customers [c]	–	–	–	–	–	–	–	–	24	1.1
Finance lease receivables	56	1.5	–	–	11	0.3	14	0.7	15	0.7
	2,526	67.0	2,477	74.3	2,266	65.7	1,683	78.4	1,856	83.1
Overseas	1,246	33.0	858	25.7	1,184	34.3	464	21.6	377	16.9
Total	3,772	100.0	3,335	100.0	3,450	100.0	2,147	100.0	2,233	100.0

See note under Table 27.

Table 29: Analysis of amounts written off and recovered by industry

	Amounts written off for the year					Recoveries of amounts previously written off				
	IFRS				UK GAAP	IFRS				UK GAAP
	2007 £m	2006 £m	2005 £m	2004[a] £m	2003 £m	2007 £m	2006 £m	2005 £m	2004[a] £m	2003 £m
United Kingdom:										
Financial services	6	13	2	7	14	1	–	1	3	12
Agriculture, forestry and fishing	5	8	3	2	–	2	1	–	1	1
Manufacturing	83	73	47	79	126	7	21	11	30	8
Construction	23	17	15	13	19	3	2	1	2	14
Property	16	23	4	2	5	10	6	1	69	1
Energy and water	–	1	22	9	15	–	2	–	2	–
Wholesale and retail distribution and leisure	109	120	85	55	45	12	14	25	7	5
Transport	13	11	29	44	5		1	10	15	1
Postal and communication	3	5	15	2	1	–	–	–	1	–
Business and other services	83	124	83	96	58	22	17	14	16	11
Home loans	1	–	2	19	11	1	7	4	5	3
Other personal	1,164	1,351	992	948	790	96	107	92	65	38
Overseas customers [b]	–	–	–	–	82	–	–	–	–	–
Finance lease receivables	24	–	3	4	4	–	–	1	1	1
	1,530	1,746	1,302	1,280	1,175	154	178	160	217	95
Overseas	433	428	285	302	299	73	81	62	38	18
Total	1,963	2,174	1,587	1,582	1,474	227	259	222	255	113

See note under Table 27.

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

b Overseas customers are now classified as part of other industry segments.

Table of Contents

Table 30: Total impairment allowance/(provision) coverage of credit risk loans

	IFRS				UK GAAP
	2007	2006	2005	2004[a]	2003
	%	%	%	%	%
United Kingdom	56.6	64.2	64.6	68.1	74.2
Other European Union	60.9	65.1	70.1	60.9	71.4
United States	9.5	64.9	52.8	57.0	39.2
Africa	62.1	73.2	74.3	68.4	54.5
Rest of the World	86.5	100.0	68.7	71.9	94.1
Total coverage of credit risk loans	39.1	65.6	66.2	66.9	71.5
Total coverage of credit risk loans excluding ABS CDO Super Senior exposure	55.6	65.6	66.2	66.9	71.5

Table 31: Total impairment allowance/(provision) coverage of potential credit risk lending (CRLs and PPLs)

	IFRS				UK GAAP
	2007	2006	2005	2004[a]	2003
	%	%	%	%	%
United Kingdom	51.8	57.3	54.6	56.5	57.7
Other European Union	55.1	61.0	65.9	55.6	65.0
United States	7.6	57.1	50.4	52.3	23.4
Africa	43.4	51.5	57.8	43.5	39.9
Rest of the World	86.5	91.0	67.6	65.9	90.9
Total coverage of potential credit risk lending	33.0	57.0	56.2	56.0	54.6
Total coverage of potential credit risk lenders excluding ABS CDO Super Senior exposure	49.0	57.0	56.2	56.0	54.6

Allowance coverage of credit risk loans and potential credit risk loans excluding the drawn ABS CDO Super Senior exposure decreased to 55.6% (31st December 2006: 65.6%) and 49.0% (31st December 2006: 57.0%), respectively. The decrease in these ratios reflected a change in the mix of credit risk loans and potential credit risk loans: unsecured retail exposures, where the recovery outlook is relatively low, decreased as a proportion of the total as the collections and underwriting processes were improved. Secured retail and wholesale and corporate exposures, where the recovery outlook is relatively high, increased as a proportion of credit risk loans and potential credit risk loans.

Allowance coverage of ABS CDO Super Senior credit risk loans was low relative to allowance coverage of other credit risk loans since substantial protection against loss is also provided by subordination and hedges. On ABS CDO Super Senior exposures, the combination of subordination, hedging and writedowns provide protection against loss levels to 72% on US sub-prime collateral as at 31st December 2007.

Note
a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

Risk management
Supervision and regulation

Supervision and regulation

The Group's operations, including its overseas offices, subsidiaries and associates, are subject to rules and regulations, including reserve and reporting requirements and conduct of business requirements, imposed by the relevant central banks and regulatory authorities.

In the UK, the FSA is the independent body responsible for the regulation of deposit taking, life insurance, home mortgages, general insurance and investment business. The FSA was established by the Government and it exercises statutory powers under the Financial Services and Markets Act 2000.

Barclays Bank PLC is authorised by the FSA to carry on a range of regulated activities within the UK and is subject to consolidated supervision. In its role as supervisor, the FSA seeks to ensure the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers. The FSA's continuing supervision of financial institutions authorised by it is conducted through a variety of regulatory tools, including the collection of information from statistical and prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The FSA adopts a risk-based approach to supervision. The starting point for supervision of all financial institutions is a systematic analysis of the risk profile for each authorised firm. The FSA has adopted a homogeneous risk, processes and resourcing model in its approach to its supervisory responsibilities (known as the ARROW model) and the results of the risk assessment are used by the FSA to develop a risk mitigation programme for a firm. 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. Certain of these requirements derive from EU directives as described below.

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme) where an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Different levels of compensation are available to eligible claimants depending upon whether the protected claim is in relation to a deposit, a contract of insurance or protected investment business and certain types of claims are subject to maximum levels of compensation. Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in Sterling or other EEA currencies (including the euro) are covered by the Scheme. Most claims made in respect of designated 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 arrangements for compensating depositors and for dealing with failed banks are currently subject to consultation by the UK Tripartite Authorities – HM Treasury, the FSA and the Bank of England. The Government has committed to presenting proposals for legislation to Parliament on these matters in the course of 2008.

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

In Europe, the UK regulatory agenda is considerably shaped and influenced by the directives emanating from the EU. A number of EU directives have recently been implemented, for example the Capital Requirements Directive and the Markets in Financial Instruments Directive ('MiFID'). These form part of the European Single Market programme, an important feature of which is the framework for the regulation of authorised firms. This framework, which continues to evolve, is designed to enable a credit

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

In the United States, Barclays PLC, Barclays Bank PLC, and certain US subsidiaries and branches of the Bank are subject to a comprehensive regulatory structure involving numerous statutes, rules and regulations. Barclays branch operations in New York and Florida are licensed by, and subject to regulation and examination by, their respective licensing authorities, the New York State Banking Department and the Florida Office of Financial Regulation. Barclays Global Investors, NA is a federally-chartered trust company subject to regulation and examination by the OCC. Barclays Bank Delaware is subject to regulation and examination by the Federal Deposit Insurance Corporation and the Delaware State Banking Commissioner. In addition, the FRB is the primary US federal regulator for the New York and Florida branch operations and also exercises regulatory authority over Barclays other US operations. The regulation of Barclays US branches and subsidiaries imposes restrictions on the activities of those branches and subsidiaries.

In addition to the direct regulation of Barclays US banking offices, Barclays US operations subject Barclays to regulation by the FRB under various laws, including the International Banking Act of 1978 and the Bank Holding Company Act of 1956 (BHC Act). Barclays PLC, Barclays Bank PLC and Barclays Group US Inc. are bank holding companies registered with the FRB as well as financial holding companies under the BHC Act. Financial holding companies may engage in a broader range of financial and related activities than are permitted to banking organizations that do not maintain financial holding company status, including underwriting and dealing in all types of securities. To maintain the financial holding company status of each of Barclays PLC, Barclays Bank PLC and Barclays Group US Inc., Barclays Bank PLC is required to meet or exceed certain capital ratios and to be deemed to be "well managed". Barclays Bank Delaware must also meet certain capital requirements, be deemed to be "well managed" and must have at least a "satisfactory" rating under the Community Reinvestment Act of 1977.

A major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. Regulations applicable to US operations of Barclays Bank PLC and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution. See Financial Statement Note 36 for further discussion of competition and regulatory matters.

Another recent focus of US governmental policy relating to the financial services sector generally has been on disclosure and sales practices relating to the sector's subprime mortgage and other lending.

Barclays investment banking operations are subject to regulations that cover all aspects of the securities business, including:

–Trade practices among broker-dealers

–Capital structure

–Record-keeping

–The financing of customers' purchases

–Procedures for compliance with US securities law

Barclays Capital Inc. and the other subsidiaries that conduct these operations are regulated by a number of different government agencies and self-regulatory organizations, including the Securities and Exchange Commission and the Financial Institution Regulatory Authority or FINRA. These regulators have available a variety of sanctions, including the authority to conduct administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of the entity or its directors, officers or employees.

institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays operations in Europe are authorised and regulated by a combination of both home (the FSA) and host regulators.

Barclays subsidiaries in the US are also subject to regulation by applicable federal and state regulators of their activities in the asset management, investment advisory, mutual fund and mortgage lending businesses.

Table of Contents

Governance

Board and Executive committee 112
Directors' report 114
Corporate governance report 117
Remuneration report 128
Accountability and audit 143

Table of Contents

Board and Executive Committee

1.Marcus Agius
Group Chairman (*Age 61*)
Marcus joined the Board on 1st September 2006 and succeeded Matthew Barrett as Chairman from 1st January 2007. Marcus is the senior non-executive Director of the BBC and was Chairman of Lazard in London and a Deputy Chairman of Lazard LLC until 31st December 2006. He was formerly Chairman of BAA PLC, a position he held from 2002 until December 2006. Marcus is Trustee to the Board of the Royal Botanic Gardens, Kew and Chairman of The Foundation and Friends of the Royal Botanic Gardens, Kew. Marcus is Chairman of the Board Corporate Governance and Nominations Committee and a member of the Board HR and Remuneration Committee.

2.David Booth
Non-executive Director (*Age 53*)
David joined the Board on 1st May 2007. He became a member of the Board Risk Committee on 1st January 2008. He currently manages his own venture capital investments, having retired from the Management Committee of Morgan Stanley in 1997. David was employed by Morgan Stanley from 1982 to 1992 and again from 1995 to 1997. He held various positions there, including Head of Government Bond Trading, Head of Mortgage Trading, Sales and Finance and Head of Global Operations and Technology. In 1992-93, he was President and a Director of Discount Corporation of New York. In 1994-95, he was a consultant to Morgan Stanley regarding the relocation of its New York City headquarters. David is also a Trustee of the Brooklyn Botanic Garden and Chair of its Investment Committee.

3.Sir Richard Broadbent
Senior Independent Director (*Age 54*)
Sir Richard joined the Board in September 2003. He was appointed Senior Independent Director on 1st September 2004. Sir Richard is Chairman of Arriva PLC and was previously the Executive Chairman of HM Customs and Excise from 2000 to 2003. He was formerly a member of the Group Executive Committee of Schroders PLC and a non-executive Director of the Securities Institute. Sir Richard is Chairman of the Board Risk Committee and the Board HR and Remuneration Committee. He is also a member of the Board Corporate Governance and Nominations Committee.

4.Leigh Clifford, AO
Non-executive Director (*Age 60*)
Leigh joined the Board on 1st October 2004. He joined Rio Tinto in 1970 and was a Director of Rio Tinto PLC from 1994 and Rio Tinto Limited from 1995 and was Chief Executive of the Rio Tinto Group from 2000 until May 2007. Leigh was appointed to the Bechtel Board of Counsellors in May 2007 and as a non-executive Director of Qantas Airways in September 2007. He became Chairman of Qantas in November 2007. He is a member of the Board HR and Remuneration Committee and a member of the Barclays Asia Pacific Advisory Committee.

5.Fulvio Conti
Non-executive Director (*Age 60*)
Fulvio joined the Board on 1st April 2006. Fulvio is Chief Executive Officer and General Manager of Enel SpA, the Italian energy group, a position he has held since May 2005. He became Chief Financial Officer of Enel SpA in 1999. Fulvio was formerly Chief Financial Officer and General Manager of Telecom Italia and between 1996 and 1998 was General Manager and Chief Financial Officer of Ferrovie dello Stato, the Italian national railway. From 1991 to 1993 he was head of the accounting, finance, and control department of Montecatini and was subsequently in charge of finance at Montedison-Compart, overseeing the financial restructuring of the group. He has been a non-executive Director of AON Corporation since January 2008. Fulvio is a member of the Board Audit Committee.

6.Dr Daniël Cronjé
Non-executive Director (*Age 61*)
Daniël joined the Board on 1st September 2005 following the acquisition by Barclays of a majority stake in Absa, where he was Chairman. Daniël joined Absa in 1987 and was formerly Deputy Chief Executive and Group Chief Executive until 1997. He joined Volkskas in 1975 and held various positions in Volkskas Merchant Bank and Volkskas Group. Daniël retired as Chairman of Absa on 1st July 2007 and from the Absa Board on 31st July 2007. He is currently a Director of TSB Sugar RSA Limited and Sappi Limited. He is a member of the Board Risk Committee. Daniël does not intend to seek re-election at the 2008 Annual General Meeting and will therefore leave the Board at the conclusion of the Annual General Meeting in April 2008.

7.Professor Dame Sandra Dawson
Non-executive Director (*Age 61*)
Sandra joined the Board in March 2003. She is currently KPMG Professor of Management Studies at the University of Cambridge and has been Master of Sidney Sussex College, Cambridge since1999. She is also a Trustee and Director of Oxfam, and is a member of the UK-India Round Table, the Advisory Board of UK India Business Council and Chair of the Executive Steering Committee of the Advanced Institute of Management. Until September 2006, Sandra was Director of the Judge Business School at Cambridge, a position she had held since 1995. Sandra has held a range of non-executive posts in organisations including Rand Europe (UK), JP Morgan Fleming Claverhouse Investment Trust, and Riverside Mental Health Trust. She was also a member of the Senior Salaries Review Board. She is a member of the Board Audit Committee.

8.Sir Andrew Likierman
Non-executive Director (*Age 64*)
Sir Andrew joined the Board on 1st September 2004. He was previously Managing Director, Financial Management, Reporting and Audit and Head of the Government Accountancy Service at HM Treasury. He is Professor of Management Practice in Accounting at the London Business School and a non-executive Director of the Bank of England. Sir Andrew was formerly a non-executive Director and Chairman of MORI Group Limited. He is also a non-executive Director and Vice-Chairman of the Tavistock and Portman NHS Trust and non-executive Chairman of Applied Intellectual Capital PLC. Sir Andrew is a member of the Board Audit and Board Risk Committees.

9.Sir Michael Rake
Non-executive Director (*Age 60*)
Sir Michael was appointed to the Board with effect from 1st January 2008. He also became a member of the Board Audit Committee. Sir Michael is a former Chairman of KPMG International and is currently Chairman of BT Group plc and Chairman of the UK Commission for Employment and Skills. He is also a Director of The McGraw-Hill Companies and the Financial Reporting Council. Sir Michael was Chairman of Business in the Community from 2004 to 2007.

1
2
3
4
5
6
7
8
9
10

Table of Contents

10.Sir Nigel Rudd, DL
Deputy Chairman
Non-executive Director *(Age 61)*
Sir Nigel joined the Board in February 1996 and was appointed Deputy Chairman on 1st September 2004. He is non-executive Chairman of Pendragon PLC and BAA Limited. He is also a non-executive Director of BAE Systems PLC and Sappi Limited. He was formerly Chairman of Alliance Boots PLC, a position he held until June 2007. He is a member of the Board Corporate Governance and Nominations Committee and also chairs the Group's Brand and Reputation Committee.

11.Stephen Russell
Non-executive Director *(Age 62)*
Stephen joined the Board in October 2000 on completion of the acquisition of Woolwich PLC. He was Chief Executive of Boots Group PLC from 2000 until 2003, having worked for Boots since 1967. Stephen is a trustee of St. John's Ambulance and Tommy's the Baby Charity and is on the Council of Nottingham University. He joined the Board of Network Rail as a non-executive Director in September 2007 and became Chairman of Business Control Solutions Group in October 2007. Stephen is Chairman of the Board Audit Committee and is a member of the Board Risk and Board Corporate Governance and Nominations Committees.

12.Sir John Sunderland
Non-executive Director *(Age 62)*
Sir John joined the Board on 1st June 2005. He has been Chairman of Cadbury Schweppes PLC since May 2003. Sir John joined Cadbury Schweppes in 1968 and was appointed Chief Executive in September 1996. He is President of the Chartered Management Institute and Deputy President of the CBI, having retired as President on 31st December 2006. He is a former President of both ISBA (the Incorporated Society of British Advertisers) and the Food and Drink Federation. Sir John is a Director of the Financial Reporting Council, an Adviser to CVC Capital Partners, an Advisory Board Member of Trinsum Group and an Association Member of BUPA. He is a member of the Board HR and Remuneration and Board Corporate Governance and Nominations Committees.

13.Patience Wheatcroft
Non-executive Director *(Age 56)*
Patience was appointed to the Board on 1st January 2008. An established financial journalist and national newspaper editor, Patience is a former Editor of *The Sunday Telegraph* and was Business and City Editor of *The Times* between 1997 and 2006. She is a non-executive Director of Shaftesbury PLC, a member of the UK/India Round Table and a member of the British Olympic Association Advisory Board.

14.John Varley
Group Chief Executive
Executive Director and Chairman of Executive Committee *(Age 51)*
John was appointed as Group Chief Executive on 1st September 2004, prior to which he had been Group Deputy Chief Executive from 1st January 2004. He held the position of Group Finance Director from 2000 until the end of 2003. John joined the Executive Committee in September 1996 and was appointed to the Board in June 1998. He was Chief Executive of Retail Financial Services from 1998 to 2000 and Chairman of the Asset Management Division from 1995 to 1998. He is Chairman of Business Action on Homelessness, President of the Employer's Forum on Disability and a member of the International Advisory Panel of the Monetary Authority of Singapore. John is also a non-executive Director of AstraZeneca PLC.

15.Robert E Diamond Jr
President, Barclays PLC and CEO, Investment Banking and Investment Management
Executive Director and member of Executive Committee *(Age 56)*
Bob was appointed President of Barclays and became an executive Director on 1st June 2005. He is responsible for the Investment Banking and Investment Management business of the Barclays Group. He has been a member of the Executive Committee since September 1997. He joined Barclays in July 1996 from CSFB, where he was Vice-Chairman and Head of Global Fixed Income and Foreign Exchange. Bob is Chairman of Old Vic Productions PLC.

16.Gary Hoffman
Group Vice-Chairman
Executive Director *(Age 47)*
Gary was appointed as Group Vice-Chairman in July 2006. He was formerly Chairman of UK Banking and of Barclaycard and prior to that was Chief Executive of Barclaycard. He joined the Board on 1st January 2004. As Group Vice-Chairman, Gary is accountable on the Board for a range of responsibilities including Corporate Sustainability, Public Policy, Equality and Diversity, leading the Group's response to the FSA's Treating Customers Fairly initiative, chairing the Group's Governance and Control Committee and franchise health with customers, employees and communities. Gary joined the Group in 1982. Gary is also a non-executive Director of Trinity Mirror PLC.

17.Christopher Lucas
Group Finance Director
Executive Director and member of Executive Committee *(Age 47)*
Chris joined the Board on 1st April 2007. Chris came from PricewaterhouseCoopers LLP, where he was UK Head of Financial Services and Global Head of Banking and Capital Markets. He was Global Relationship Partner for Barclays for the 1999-2004 financial years and subsequently held similar roles for other global financial services organisations. Chris has worked across financial services for most of his career, including three years in New York as Head of the US Banking Audit Practice of PricewaterhouseCoopers LLP.

18.Frederik (Frits) Seegers
Chief Executive, Global Retail and Commercial Banking
Executive Director and member of Executive Committee *(Age 49)*
Frits was appointed as Chief Executive of Global Retail and Commercial Banking and became an executive Director on 10th July 2006. He is responsible for all Barclays retail and commercial banking operations globally, including UK Retail Banking, Barclays Commercial Bank, International Retail and Commercial Banking and Barclaycard. He is also a non-executive Director of Absa Group Limited. Frits joined the Board from Citigroup, where he previously held a number of senior positions, latterly CEO Global Consumer Group with a remit covering all retail operations in Europe, Middle East and Africa. He was also a member of the Citigroup Operating Committee and the Citigroup Management Committee.

19.Paul Idzik
Chief Operating Officer
Member of Executive Committee *(Age 47)*
Paul joined the Executive Committee and became Chief Operating Officer in November 2004. He is also Chairman of the Group Operating Committee. Paul was formerly Chief Operating Officer of Barclays Capital. He joined Barclays Capital in August 1999 following a career with Booz Allen & Hamilton, where he was a partner and senior member of the Financial Institutions Practice.

11
12
13
14
15
16
17
18
19

Table of Contents

Directors' report

Directors' report

Profit Attributable

The profit attributable to equity shareholders of Barclays PLC for the year amounted to £4,417m, compared with £4,571m in 2006.

Dividends

The final dividends for the year ended 31st December 2007 of 22.5p per ordinary share of 25p each and 10p per staff share of £1 each have been agreed by the Directors. The final dividends will be paid on 25th April 2008 in respect of the ordinary shares registered at the close of business on 7th March 2008 and in respect of the staff shares so registered on 31st December 2007. With the interim dividends of 11.5p per ordinary share and of 10p per staff share that were paid on 1st October 2007, the total distribution for 2007 is 34.0p (2006: 31.0p) per ordinary share and 20p (2006: 20p) per staff share. The dividends for the year absorb a total of £2,253m (2006: £1,973m).

Dividend Reinvestment Plan

Ordinary shareholders may have their dividends reinvested in Barclays PLC ordinary shares by participating in the Dividend Reinvestment Plan. The plan is available to all ordinary shareholders provided that they do not live in, and are not subject to the jurisdiction of, any country where their participation in the plan would require Barclays or The Plan Administrator to take action to comply with local government or regulatory procedures or any similar formalities. Any shareholder wishing to obtain details of the plan and a mandate form should contact The Plan Administrator to Barclays at Aspect House, Spencer Road, Lancing BN99 6DA. Those wishing to participate for the first time in the plan should send their completed mandate form to The Plan Administrator so as to be received by 4th April 2008 for it to be applicable to the payment of the final dividend on 25th April 2008. Existing participants should take no action unless they wish to alter their current mandate instructions, in which case they should contact The Plan Administrator.

Share Capital

During the year Barclays PLC purchased in the market for cancellation 299,547,510 of its ordinary shares of 25p each, at a total cost of £1,802,173,355, in order to minimise the dilutive effect on existing shareholders of the issuance of a total of 336,805,556 Barclays ordinary shares to Temasek Holdings and China Development Bank. These transactions represent 4.5% of the issued share capital at 31st December 2007. As at 27th February 2008 (the latest practicable date for inclusion in this report), the Company had an unexpired authority to repurchase shares up to a maximum of 645.1 million ordinary shares.

The issued ordinary share capital was increased by 65.5m ordinary shares during the year as a result of the exercise of options under the Sharesave and Executive Share Option Schemes. At 31st December 2007 the issued ordinary share capital totalled 6,600,181,801 shares. Ordinary shares represent 99.99% of the total issued share capital and Staff shares represent the remaining 0.01% as at 31st December 2007.

The Barclays PLC Memorandum and Articles of Association, a summary of which can be found in the Shareholder Information section on pages 269-270, contain the following details, which are incorporated into this report by reference:

- The structure of the Company's capital, including the rights and obligations attaching to each class of shares.
- Restrictions on the transfer of securities in the Company, including limitations on the holding of securities and requirements to obtain approvals for a transfer of securities.
- Restrictions on voting rights.
- The powers of the Directors, including in relation to issuing or buying back shares in accordance with the Companies Act 1985. It will be proposed at the 2008 AGM that the Directors be granted new authority to allot under the Companies Act 1985.
- Rules that the Company has about the appointment and removal of Directors or amendments to the Company's Articles of Association.

Employee Benefit Trusts ('EBTs') operate in connection with certain of the Group's Employee Share Plans ('Plans'). The Trustees of the EBTs may exercise all rights attached to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. Further information on the EBTs' voting policy can be found on page 132.

Substantial Shareholdings

As at 27th February 2008, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the FSA of the following holdings of voting rights in its shares:

China Development Bank (via its subsidiary Upper Chance Group Ltd)	3.02%
Legal & General Group plc	4.02%
Lloyds TSB Group Plc	5.01%

Substantial shareholders do not have different voting rights from those of other shareholders. As at 27th February 2008, the Company had been notified that Lloyds TSB Group Plc held voting rights over 329,648,746 of its ordinary shares, amounting to 5.01% of the Company's total voting rights, as shown above.

Board Membership

The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical and biographical details of the Board members are set out on pages 112 and 113.

Chris Lucas joined the Board as Group Finance Director on 1st April 2007 and Naguib Kheraj left the Board on 31st March 2007.

David Booth joined the Board as a non-executive Director on 1st May 2007 and Patience Wheatcroft and Sir Michael Rake were appointed as non-executive Directors with effect from 1st January 2008.

Retirement and Re-election of Directors

In accordance with its Articles of Association, one-third (rounded down) of the Directors of Barclays PLC are required to retire by rotation at each Annual General Meeting (AGM), together with Directors appointed by the Board since the last AGM. The retiring Directors are eligible to stand for re-election. In addition, the UK Combined Code on Corporate Governance (the Code), recommends that every Director should seek re-election by shareholders at least every three years.

Table of Contents

The Directors retiring by rotation at the 2008 AGM and offering themselves for re-election are Fulvio Conti, Gary Hoffman and Sir John Sunderland. Sir Nigel Rudd retires annually as recommended by the Code and is offering himself for re-election. In addition, David Booth, Sir Michael Rake and Patience Wheatcroft, who were appointed as Directors since the last AGM, will be offering themselves for re-election at the 2008 AGM. Danie Cronjé is retiring at the AGM and is not offering himself for re-election.

Directors' Interests

Directors' interests in the shares of the Group on 31st December 2007 are shown on page 142.

Directors' Emoluments

Information on emoluments of Directors of Barclays PLC, in accordance with the Companies Act 1985 and the Listing Rules of the United Kingdom Listing Authority, is given in the Remuneration report on pages 128 to 142 and in Note 42 to the accounts.

Directors' Indemnities

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31st December 2007 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Activities

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

Community Involvement

Barclays has an extensive community programme covering many countries around the world. The Group provides funding and support to over 7,140 charities and voluntary organisations, ranging from small, local charities, like Passage (UK), to international organisations like the Red Cross. We also have a very successful employee programme which in 2007 saw more than 43,700 employees and pensioners worldwide taking part in Barclays-supported volunteering, giving and fundraising activities. Further information on our community involvement is given on pages 58 and 60.

The total commitment for 2007 was £52.4m (2006: £46.5m). The Group committed £38.9m in support of the community in the UK (2006: £39.6m) and £13.5m was committed in international support (2006: £6.9m). The UK commitment includes £30.4m of charitable donations (2006: £35.2m).

Political Donations

The Group did not give any money for political purposes in the UK nor did it make any donations to EU political organisations or incur any EU political expenditure during the year. Absa Group Limited, in which the Group acquired a majority stake in 2005, made donations totalling £170,142 in 2007 (2006: £212,729) in accordance with its policy of making political donations to the major South African political parties to support the development of democracy in South Africa. The Group made no other political donations in 2007.

At the AGM in 2007, shareholders gave a limited authority for Barclays Bank PLC to make political donations and incur political expenditure, within an agreed limit, as a precautionary measure in light of the wide definitions in The Political Parties, Elections and Referendums Act 2000. This was similar to an authority given by shareholders in 2006. This authority, which has not been used, expires at the conclusion of the AGM held this year, or, if earlier, 26th July 2008. The Companies Act 2006 largely restates the provisions of The Political Parties, Elections and Referendums Act 2000. The risk of inadvertently breaching the Companies Act 2006 remains and the Directors consider it prudent to seek a similar authority from shareholders. A resolution to authorise Barclays PLC and its subsidiaries to make EU political donations and incur EU political expenditure up to a maximum aggregate sum of £125,000 is therefore being proposed at the Barclays PLC 2008 AGM.

Employee Involvement

Barclays is committed to ensuring that employees share in the success of the Group. Staff are encouraged to participate in share option and share purchase schemes and have a substantial sum invested in Barclays shares.

Employees are kept informed of matters of concern to them in a variety of ways, including the corporate news magazines, intranets, briefings and mobile phone SMS messaging. These communications help achieve a common awareness among employees of the financial and economic factors affecting the performance of Barclays.

Barclays is also committed to providing employees with opportunities to share their views and provide feedback on issues that are important to them. An annual Employee Opinion Survey is undertaken with results being reported to the Board HR and Remuneration Committee, all employees and to Unite (Amicus section), our recognised union in the UK. Roadshows and employee forums also take place.

In addition, Barclays undertakes regular and formal Group, business unit and project specific consultations with Unite (Amicus section).

Diversity and Inclusion

The diversity agenda at Barclays seeks to include customers, colleagues and suppliers. Our objective is to recruit and retain the best people, regardless of (but not limited to) race, religion, age, gender, sexual orientation or disability. We strive to ensure our workforce reflects the communities in which we operate and the international nature of the organisation. We recognise that diversity is a key part of responsible business strategy in support of our increasingly global business.

Barclays is committed to providing additional support to employees with disabilities and making it easier for them to inform us of their specific requirements, including the introduction of a dedicated intranet site and disability helpline. Through our Reasonable Adjustments Scheme, appropriate assistance can be given, including both physical workplace adjustments, and relevant training and access to trained mentors is also provided for disabled employees. A wide range of recruitment initiatives have been taken to increase the number of people with disabilities working in Barclays.

Health and Safety

Barclays is committed to ensuring the health, safety and welfare of our employees and to providing and maintaining safe working conditions. Barclays regards legislative compliance as a minimum and, where appropriate, we seek to implement higher standards. Barclays also recognises its responsibilities towards all persons on its premises, such as contractors, visitors and members of the public, and ensures, so far as is reasonably practicable, that they are not exposed to significant risks to their health and safety.

Barclays regularly reviews its Statement of Health and Safety Commitment, issued with the authority of the Board and which applies to all business areas in which Barclays has operational control. In this statement Barclays commits to:

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

Table of Contents

Directors' report

Barclays monitors its health and safety performance using a variety of measurements on a monthly basis and the Board HR and Remuneration Committee receives annual reports on health and safety performance from the Human Resource Director. As part of its Partnership Agreement with Unite (Amicus section), Barclays currently funds full time Health and Safety Representatives.

Creditors' Payment Policy

Barclays values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses, in a timely manner. It is the Group's practice to agree terms with suppliers when entering into contracts. We negotiate with suppliers on an individual basis and meet our obligations accordingly. The Group does not follow any specific published code or standard on payment practice.

Paragraph 12(3) of Schedule 7 of the Companies Act 1985 requires disclosure of trade creditor payment days. Disclosure is required by the Company, rather than the Group. The Group's principal trading subsidiary in the UK is Barclays Bank PLC, the accounts for which are prepared in accordance with International Financial Reporting Standards. The components for the trade creditor calculation are not easily identified. However, by identifying as closely as possible the components that would be required if Schedule 4 of the Companies Act 1985 applied, the trade creditor payment days for Barclays Bank PLC for 2007 were 27 days (2006: 28 days). This is an arithmetical calculation and does not necessarily reflect our practice, which is described above, nor the experience of any individual creditor.

Financial Instruments

The Group's financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out in pages 61 to 92 under the headings, 'Barclays approach to risk management', 'Credit Risk Management', 'Market risk management', 'Liquidity Management' and 'Derivatives' and in Note 14 and Notes 45 to 48 to the accounts.

Events after the Balance Sheet Date

On 3rd March 2008, Barclays entered into an agreement with Petropavlovsk Finance (Limited Liability Society) to acquire 100% of the Russian bank, Expobank, for a consideration of approximately $745m (£373m). The transaction is expected to close in summer 2008 after the receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994, it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors. More details on this can be found on pages 122 and 123 and Note 9 to the accounts. Having reviewed the independence and effectiveness of the external auditors, the Committee has recommended to the Board that the existing auditors, PricewaterhouseCoopers LLP, be reappointed. PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2008 AGM.

So far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. For these purposes, 'relevant audit information' means information needed by the Company's auditors in connection with preparing their report.

The Annual General Meeting and Class Meeting of Ordinary Shareholders

The Barclays PLC AGM will be held at The Queen Elizabeth II Conference Centre on Thursday 24th April 2008. The Notice of AGM is included in a separate document sent to shareholders with this report. A summary of the resolutions being proposed at the 2008 AGM is set out below:

Ordinary Resolutions

- To receive the Directors' and Auditors' Reports and the audited accounts for the year ended 31st December 2007.
- To approve the Directors' Remuneration Report for the year ended 31st December 2007.
- To re-elect the following Directors:
  - David Booth;
  - Sir Michael Rake;
  - Patience Wheatcroft;
  - Fulvio Conti;
  - Gary Hoffman;
  - Sir John Sunderland; and
  - Sir Nigel Rudd.
- To reappoint PricewaterhouseCoopers LLP as auditors of the Company.
- To authorise the Directors to set the remuneration of the Auditors.
- To authorise Barclays PLC and its subsidiaries to make EU political donations and incur EU political expenditure.
- To renew the authority given to the Directors to allot securities.

Special Resolutions

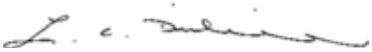
- To renew the authority given to the Directors to allot securities for cash other than on a pro-rata basis to shareholders and to sell treasury shares.
- To renew the Company's authority to purchase its own shares.

- To authorise the purchase of staff shares.
- To create preference shares.
- To adopt new Articles of Association.

A Class Meeting of ordinary shareholders will be held at the conclusion of the AGM to consider an extraordinary resolution approving the creation of preference shares.

This is only a summary of the business to be transacted at the meetings and you should refer to the Notice of Shareholder Meetings for full details.

By order of the Board



Lawrence Dickinson
Company Secretary
7th March 2008

Table of Contents

Corporate governance

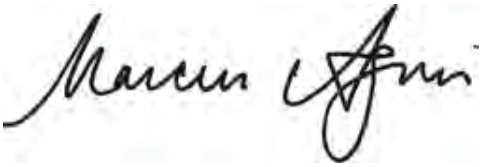
Corporate governance report

Group Chairman's Introduction

I am pleased to report to you on the activities of the Board and its Committees over the past 12 months, my first year as Group Chairman. It has been an eventful and busy year but we have continued to apply the high standards of corporate governance that we set both for ourselves as a Board and for our Company.

Since I last reported to you, there have been a number of changes to the Board. Chris Lucas succeeded Naguib Kheraj as Group Finance Director in April 2007 and we have significantly strengthened the independent non-executive presence on the Board with the appointments of David Booth, Sir Michael Rake and Patience Wheatcroft.

We report below on how we have complied in 2007 with the UK Combined Code on Corporate Governance (the Code). We are committed to promoting good corporate governance. We seek to be at the forefront of global best practice and to respond, in a timely fashion, to corporate governance developments. To gain a greater understanding of the corporate governance framework within Barclays I encourage you to read 'Corporate Governance in Barclays', which is available from our website.



Marcus Agius
Group Chairman
7th March 2008

Statements of Compliance

UK Combined Code on Corporate Governance

As Barclays is listed on the London Stock Exchange we comply with the UK Combined Code on Corporate Governance (the Code). The Code was revised in June 2006 and the revised Code applied to Barclays with effect from 1st January 2007. For the year ended 31st December 2007, we have complied with the relevant provisions set out in section 1 of the Code and applied the principles of the Code as described in this report.

NYSE Corporate Governance Rules

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

Table of Contents

Corporate governance

Corporate governance report

Corporate Governance Framework

The overall governance framework within which the Group operates is set out above. Details of the Group's risk management framework can be found on pages 65 to 96.

The Board manages the Company on behalf of the shareholders. In order to run the business effectively, the Board delegates responsibility for the day-to-day management of the Company to the Group Chief Executive, who is supported by the Executive Committee, which he chairs. The Executive Committee is supported by various management committees, including the Disclosure Committee. Details of the Disclosure Committee are set out on page 125. The rest of this report describes the way in which the Board and its Committees operate within the governance framework.

The terms of reference for each of the principal Board Committees are available from the Corporate Governance section at: *http://www.aboutbarclays.com*

There are eight scheduled Board meetings each year. One of these meetings is a day and a half off-site meeting for the purposes of considering and approving the Group's strategy. The Group Chairman meets privately with the non-executive Directors before each scheduled Board meeting in order to brief them on the business of the meeting and identify any shared areas of concern. In addition to the scheduled Board meetings in 2007, there were a further 13 Board meetings held in relation to the proposed merger with ABN AMRO and ten meetings of a specially appointed Committee of the Board (the 'Transaction Committee'), comprising the Group Chairman, Group Chief Executive, Deputy Chairman and Senior Independent Director, which was established for the purpose of overseeing the proposed merger with ABN AMRO and considering various aspects of the proposed transaction. Attendance at the additional Board meetings, which were often called at short notice, was 88.1%. Attendance at the Transaction Committee was 100%.

Scheduled Board and Committee meetings are arranged well in advance to ensure, as far as possible, that Directors can manage their time commitments. All Directors are provided with supporting papers and relevant information for each meeting and are expected to attend, unless there are exceptional circumstances that prevent them from doing so. Attendance at the scheduled Board meetings is set out on page 121. Reasons for non-attendance are generally prior business or personal commitments. In the event that a Director is unable to attend a meeting, they will still receive the papers for the meeting and will normally discuss any matters they wish to raise with the Chairman of the meeting to ensure their views are taken into account. In addition, all Directors are able to discuss any issues with the Group Chairman and Group Chief Executive at any time. In the case of Leigh Clifford, who was unable to attend two meetings of the Board HR and Remuneration Committee in 2007 because of other commitments, including his relocation to Australia following his retirement as Chief Executive of Rio Tinto, he received the papers for the meetings he was unable to attend and provided comments to the Committee Chairman ahead of both meetings. In 2007, all Directors contributed the time necessary to discharge their responsibilities to the Board.

The Group Chairman works closely with the Company Secretary to ensure that accurate, timely and clear information flows to the Board. Supporting papers for scheduled meetings are distributed the week before each meeting. Directors may also access electronic copies of meeting papers and other key documents quickly and securely via a dedicated Directors' Intranet. Examples include past and current Board and Committee papers, reports, minutes, press coverage, analyst reports and material from training sessions. All Directors have access to the services of the Company Secretary and his team, and can take independent professional advice on request, at the Company's expense.

Table of Contents

The Board

Role of the Board

Under UK company law, Directors must act in a way they consider, in good faith, would be most likely to promote the success of Barclays for the benefit of the shareholders as a whole. In doing so, the Directors must have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of Barclays employees;
- the need to foster Barclays business relationships with suppliers, customers and others;
- the impact of Barclays operations on the community and the environment;
- the desirability of Barclays maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of Barclays.

The role and responsibilities of the Barclays Board, which encompass the duties of Directors described above, are set out in Corporate Governance in Barclays. The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Group's businesses. It therefore determines the goals and policies of the Group to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board aims to ensure that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives.

The Board is also responsible for ensuring that management maintains a system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In carrying out this responsibility, the Board has regard to what is appropriate for the Group's business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is also the decision-making body for all other matters of such importance as to be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences. There is a formal schedule of matters reserved for the Board's decision, which is summarised in the panel above right.

The chart below left illustrates how the Board allocated its time at its eight scheduled meetings during 2007. If the additional meetings relating to the proposed merger with ABN AMRO are taken into account, 49% of the Board's time in 2007 was spent on M&A. A typical Board meeting receives reports from the Group Chief Executive and Group Finance Director and will also be presented with an update on the execution of strategy in one or two of the main businesses and functions. It will also receive reports from each of the principal Board Committees and may also receive a report from the Company Secretary on any relevant corporate governance matters.

Summary of matters reserved for the Board

- Approval of interim and final financial statements, dividends and any significant change in accounting policies or practices.
- Approval of strategy.
- Major acquisitions, mergers or disposals.
- Major capital investments and projects.
- Board appointments and removals.
- Role profiles of key positions on the Board.
- Terms of reference and membership of Board Committees.
- Remuneration of auditors and recommendations for appointment or removal of auditors.
- Changes relating to capital structure or status as a PLC.
- Approval of all circulars, prospectuses and significant press releases.
- Principal regulatory filings with stock exchanges.
- Rules and procedures for dealing in Barclays securities.
- Any share dividend alternative.
- Major changes in employee share schemes.
- Appointment (or removal) of company secretary.

Board structure and composition

The roles of the Group Chairman and Group Chief Executive are separate. The Group Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Board has delegated the responsibility for the day-to-day management of the Group to the Group Chief Executive, who is responsible for recommending strategy to the Board, leading the executive Directors and for making and implementing operational decisions.

The Board of Directors has collective responsibility for the success of the Group. However, executive Directors have direct responsibility for business operations, whereas non-executive Directors are responsible for bringing independent judgement and scrutiny to decisions taken by the Board, providing objective challenge to management. The Board can draw on the wide range of skills, knowledge and experience they have built up as Directors of other companies, as business leaders, in government or in academia. It is the intention to have a broad spread of geographical experience represented on the Board. The chart below right illustrates the geographical experience of the current non-executive Directors.

Barclays has adopted a Charter of Expectations, which sets out, in detail, the roles of each of the main positions on the Board including that of the Group Chairman, Deputy Chairman, Senior Independent Director and both non-executive and executive Directors. Sir Richard Broadbent continued in the role of Senior Independent Director in 2007. The Senior Independent Director is an additional contact point for shareholders and also monitors the performance of the Group Chairman on behalf of the Board. Sir Nigel Rudd continued in the role of Deputy Chairman during 2007.

The Charter of Expectations, including role profiles for key Board positions, is available from: *http://www.aboutbarclays.com*

Board allocation of time

1 Strategy Formulation and Implementation Monitoring 39%
2 Operational and Financial Performance 27%
3 Governance and Risk 9%
4 M&A 16%
5 Other 9%

Geographical mix (main experience) of non-executive Directors

1 UK 8
2 Continental Europe 1
3 US 1
4 Other 2

Table of Contents

Corporate governance

Corporate governance report

There is a strong independent element on the Board and, in line with the recommendations of the Code, at least half the Board are independent non-executive Directors. At the date of this report, the Board is comprised of the Group Chairman, five executive Directors and 12 non-executive Directors. The balance of the Board is illustrated by the chart below left.

The Board Corporate Governance and Nominations Committee is responsible for reviewing the composition and balance of the Board and its principal Committees and for recommending to the Board the appointment of new Directors. These regular reviews aim to ensure that there is an appropriate mix of skills and experience on the Board, taking into account the need to progressively refresh the Board. Details of the experience and skills of each of the current Directors are set out in their biographies on pages 111 to 113. The length of tenure of the current non-executive Directors is illustrated by the chart below right.

All Directors are required to seek re-election every three years and any Directors appointed during the year seek re-election at the next annual general meeting (AGM). Sir Nigel Rudd, who has served on the Board since 1996, seeks re-election annually. These periods are in line with the recommendations of the Code. Details of Directors proposed for re-election are given in the Notice of Shareholder Meetings, which is enclosed separately with this Report.

Executive Directors are allowed to serve on one other listed company board, in addition to their role at Barclays.

Independence of non-executive Directors

The Code sets out circumstances which the Board may find relevant when determining the independence of a non-executive Director. The Board considers that the following behaviours, as set out in our Charter of Expectations, are essential for the Board to conclude an individual is independent:

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

The Board considers non-executive Director independence on an annual basis, as part of each Director's performance review.

The Corporate Governance and Nominations Committee and subsequently the Board reviewed the independence of non-executive Directors in early 2008 and concluded that each of them continues to demonstrate these essential behaviours. In determining that each of the non-executive Directors remains independent, the Board considered in particular the following:

- Sir Nigel Rudd has served as a non-executive Director since 1996. The Code suggests that length of tenure is a factor to consider when determining independence. As recommended by the Code, it is our policy that any Director who serves for more than nine years should seek annual re-election by shareholders and that all Directors subject to re-election should undergo a rigorous performance evaluation.
- At the time of his appointment to the Board, Dr Danie Cronjé was Chairman of Absa. The Code suggests that such a business relationship is a factor to be considered by the Board when determining independence. The Code further suggests that cross-directorships may affect independence. Sir Nigel Rudd and Dr Cronjé are both non-executive Directors of Sappi Limited. Dr Cronjé retired as Chairman of Absa and left the Absa Board in 2007 and will not submit himself for re-election as a Director of Barclays when he retires at the 2008 AGM.

As a result of the annual performance review, the Board concluded that Sir Nigel Rudd and Dr Cronjé both continue to demonstrate the essential characteristics of independence expected by the Board. Sir Nigel's length of service, and his resulting experience and knowledge of Barclays, is viewed by the Board as being especially valuable, particularly as only one other non-executive Director has served for more than six years and the Board continues to be regularly refreshed.

All Directors must report any changes in their circumstances to the Board and the Board reserves the right to terminate the appointment of a non-executive Director if there are any material changes in their circumstances that may conflict with their commitments as a Barclays Director or that may impact on their independence.

Balance of non-executive and executive Directors

1 Chairman 1
2 Executive Directors 5
3 Independent non-executive Directors 12

Length of tenure of non-executive Directors

1 0-3 years 6
2 3-6 years 4
3 6-9 years 1
4 Over 9 years 1

Table of Contents

Board and Committee Membership and Attendance

The table below sets out attendance of Directors at scheduled Board and Committee meetings in 2007.

	Independent	Board	Board Audit Committee	Board HR & Remuneration Committee	Board Corporate Governance & Nominations Committee	Board Risk Committee
Number of scheduled meetings		8	8	4	2	4
Group Chairman						
Marcus Agius	OA	8	–	4	2	–
Executive Directors						
John Varley (Group Chief Executive)	ED	8	–	–	–	–
Robert E Diamond Jr	ED	8	–	–	–	–
Gary Hoffman	ED	8	–	–	–	–
Chris Lucas (joined the Board 1st April 2007)	ED	6	–	–	–	–
Frits Seegers	ED	8	–	–	–	–
Naguib Kheraj (left the Board 31st March 2007)	ED	2	–	–	–	–
Non-executive Directors						
David Booth (joined the Board 1st May 2007)	I	5	–	–	–	–
Sir Richard Broadbent (Senior Independent Director)	I	8	–	4	2	4
Leigh Clifford	I	7	–	2	–	–
Fulvio Conti	I	7	6	–	–	–
Dr Danie Cronjé	I	8	–	–	–	4
Professor Dame Sandra Dawson	I	8	8	–	–	–
Sir Andrew Likierman	I	8	8	–	–	4
Sir Nigel Rudd (Deputy Chairman)	I	8	–	–	2	–
Stephen Russell	I	8	8	–	2	4
Sir John Sunderland	I	8	–	4	2	–

Key
OA Independent on appointment

ED Executive Director

I Independent non-executive Director

Board Committees

In order for the Board to carry out its functions, and to ensure independent oversight of internal control and risk management, certain aspects of its role are delegated to Board Committees, whose members are non-executive Directors. The specific matters for which delegated authority has been given are set out in each Board Committee's terms of reference, which are reviewed annually.

The Board has delegated authority to four principal Board Committees:

– Board Audit Committee

– Board Risk Committee

– Board Corporate Governance and Nominations Committee

– Board HR and Remuneration Committee

The Board appoints Committee members on the recommendation of the Board Corporate Governance and Nominations Committee, which regularly reviews Committee composition and balance and the need for refreshment. The number of scheduled meetings held and attendance at the Committee meetings is set out above in 'Board and Committee Membership and Attendance'. The Board Committees report on their activities on the following pages.

Table of Contents

Corporate governance

Corporate governance report

Board Audit Committee

Stephen Russell (Chairman)
Fulvio Conti
Professor Dame Sandra Dawson
Sir Andrew Likierman
Sir Michael Rake (from 1st January 2008)

Secretary: Lawrence Dickinson

The Board Audit Committee terms of reference are available from the Corporate Governance section at: *http://www.aboutbarclays.com*

There are a number of regular attendees at each meeting, including the Group Chief Executive, Group Finance Director, Barclays Internal Audit Director, Barclays Risk Director, Barclays General Counsel and the lead external audit partner. The Board Audit Committee members meet with the external auditors and the Barclays Internal Audit Director, without management present, as part of most Committee meetings. Sir Andrew Likierman continued in his role as 'financial expert' as defined by the US Sarbanes-Oxley Act of 2002 and has 'recent and relevant financial experience' as recommended by the Code, as a result of his accountancy background and his career with HM Treasury. Since the year end, Sir Michael Rake, a former Chairman of KPMG International, has been appointed a member of the Committee.

Activities in 2007

The chart below illustrates how the Committee spent its time in 2007. During 2007, the Committee:

- considered control issues of Group level significance for different areas of the business;
- received reports on the control environment in each of the following areas: Barclaycard, BGI, Barclays Commercial Bank, Western Europe, Emerging Markets, GRCB IT, UK Retail Banking and Barclays Capital;
- reviewed the effectiveness and independence of the Group statutory auditor;
- monitored the performance of the Internal Audit function;
- reviewed internal control and risk management systems;
- considered the provision of non-audit services by the Group statutory auditor – more details can be found in the panel opposite;
- approved the re-appointment, remuneration and engagement letter of the Group statutory auditor;
- reviewed the Annual Report and Accounts and Preliminary and Interim Results;
- considered the effectiveness of internal controls over financial reporting;
- received reports from the external and internal auditors;
- reviewed the Global Internal Audit Plan;
- received regular reports on concerns raised by employees (whistleblowing – more details can be found on page 123); and
- considered the Fraud Risk Control Framework.

Board Audit Committee allocation of time

1 Internal control issues 9%
2 Financial results 33%
3 Internal audit matters 9%
4 External audit matters 9%
5 Business control environment 25%
6 Governance and compliance 14%
7 Other 1%

The Committee also received regular updates during 2007 on:

- Basel II;
- MiFID;
- Sarbanes-Oxley compliance; and
- Sanctions compliance.

In February 2008, the Committee reviewed its activities in 2007 against its terms of reference and concluded that it had discharged the responsibilities delegated to it under those terms of reference.

Non-audit services policy

The Committee takes seriously its responsibility to put in place safeguards to auditor objectivity and independence. It has therefore established a policy on the provision of services by the Group's statutory auditor. The Policy describes the circumstances in which the Auditor may be permitted to undertake non-audit work for the Group. The Committee oversees compliance with the Policy and considers and approves requests to use the Auditor for non-audit work. Allowable non-audit services require pre-approval before they can be carried out. For allowable services, the Committee has pre-approved all assignments where the expected fee does not exceed £100,000, or £10,000 in the case of certain taxation services. Any assignment where the expected fee is above the relevant threshold requires specific approval from the Committee or a member of the Committee. The Company Secretary and his team deal with day-to-day administration of the Policy, facilitating requests for approval by the Committee. The Committee receives a report at each meeting on the non-audit services provided by the Auditor and the Policy is reviewed by the Committee annually. Details of the services that are prohibited and allowed are set out below.

Services that are prohibited include:

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

Allowable services that may be approved include:

- statutory and regulatory audit services and regulatory non-audit services
- other attest and assurance services
- accountancy advice and training
- risk management and controls advice
- transaction support
- taxation services
- business support and recoveries
- translation services

Table of Contents

Approval of financial statements

Barclays has in place a strong governance process to support its framework of disclosure controls and procedures. That process, in which the Board Audit Committee plays a key role, is illustrated below.

The membership of the Disclosure Committee and its role is set out on page 125. The Legal and Technical Review Committee is an accounting, legal and regulatory compliance committee, which is responsible for reviewing the Group's financial reports and disclosures and for ensuring they have been subject to adequate verification. Meetings are attended by the Group's external US lawyers and auditors. This governance process ensures that there is sufficient opportunity for both management and the Board to review and challenge the Group's financial statements and other significant disclosures before publication. It also provides assurance for the certifications made by the Group Chief Executive and Group Finance Director as required under the Sarbanes-Oxley Act 2002 and recommended by the Turnbull Guidance on Internal Control. Further details of the Group's system of internal control and an assessment of its effectiveness may be found on page 143.

Whistleblowing

Barclays takes any concerns of employees about the integrity and honesty of other employees very seriously and will investigate where appropriate. Information leaflets are distributed encouraging employees to report any behaviours or actions that they reasonably believe might be against accounting or regulatory requirements, as well as our internal policies. Dedicated whistleblowing hotlines and email addresses are in place so employees can talk about what has happened, or is happening, directly and in confidence. The Board Audit Committee receives reports of instances of whistleblowing and any resulting investigations.

Board Audit Committee Chairman's Statement

We had eight scheduled meetings in 2007 and the report set out above describes in some detail how we used our meetings. Our reviews of the control environment in each of our businesses in 2007 had a particular focus on those areas where the Group's business is expanding or which are deemed to be higher risk. We also continued to review the controls around our key regulatory programmes, in particular, Sarbanes-Oxley and Basel II. The second half of the year saw significant disruption to the credit markets and we held two additional meetings to review and consider the statements made by the Group on its exposures to the sub-prime market. The Committee discussed the timing and content of the statements and the process that had been followed to prepare the statements, including the internal reviews conducted. We also reviewed Barclays Capital's control environment and how effectively it had operated during the difficult market conditions.

In light of market events in 2007, in February 2008 we held a separate session for Committee members on accounting for and valuation of derivatives and complex investment banking instruments and subsequently considered a report reviewing the loan impairment and mark-to-market valuations ahead of the Group's 2007 preliminary results.

Stephen Russell
Chairman of the Board Audit Committee
7th March 2008

Table of Contents

Corporate governance

Corporate governance report

Board Risk Committee

Sir Richard Broadbent (Chairman)
David Booth (from 1st January 2008)
Dr Danie Cronjé
Sir Andrew Likierman
Stephen Russell

Secretary: Lawrence Dickinson

Risk is a key parameter of Barclays business. Accordingly, the Board has established a Board Risk Committee to provide Board level monitoring and oversight of all Barclays risk activities.

The Board Risk Committee's terms of reference are available from the Corporate Governance section at: *http://www.aboutbarclays.com*. In addition to its members, all meetings are attended by the Group Finance Director and the Barclays Risk Director. Attendees at meetings may also include Barclays Internal Audit Director, Barclays General Counsel and the Barclays external auditor, as well as other senior executives, who join for specific topics.

Approach

The Committee approaches its task primarily by:

- receiving from the Barclays Risk Director and discussing a detailed risk report at every meeting;
- reviewing in depth specific topics or areas of risk that the Committee identifies as meriting detailed analysis;
- reviewing stress scenarios;
- reviewing historic risk tendencies and experiences;
- monitoring risk appetite and the Group's risk profile. The Committee recommends to the Board each year an appropriate level and composition of risk for the coming year.

In addition, the Committee:

- reviews the internal control framework;
- examines the risk control framework, and approves Group policies including the trading book policy, liquidity policy, credit impairment policy and principal risks policy; and
- receives updates on risk measurement methodologies.

Activities in 2007

The Committee requested at the end of 2006 that the US mortgage business be reviewed early in the year as one of the key risk issues. This was presented in March 2007 and included an analysis of stress loss scenarios under adverse market conditions. Management took decisions during the first half of 2007 to reduce limits in this business and, given the volatility in the credit markets during 2007, the Committee subsequently received regular reports on market conditions.

During 2007, the Committee also reviewed, in depth, leveraged credit and asset backed securities markets, including the Group's counterparty exposures. It considered whether there were any signs of material contagion in other markets in which the Group operates. The Committee examined how the Group's risk controls and stress limits had operated in the prevailing market conditions and was satisfied that risk controls had operated as anticipated. The Committee reviewed the impact on impairment and mark-to-market positions and the impact on the Group's balance sheet of the market conditions. The Committee also monitored progress in meeting the new capital regime introduced under Basel II and continued to review the retail credit experience.

The chart below left shows how the Committee allocated its time at its meetings in 2007.

In March 2008, the Committee will review its activities in 2007 against its terms of reference.

More information on risk management and the internal control framework can be found in the Risk management report on pages 65 to 73.

Board Corporate Governance and Nominations Committee

Marcus Agius (Chairman)
Sir Richard Broadbent
Sir Nigel Rudd
Stephen Russell
Sir John Sunderland

Secretary: Lawrence Dickinson

The Board Corporate Governance and Nominations Committee terms of reference are available from the Corporate Governance section at: *http://www.aboutbarclays.com*

The meetings are also attended by the Group Chief Executive.

Activities in 2007

The chart below right shows how the Committee allocated its time at its meetings in 2007. During 2007, the Committee:

- regularly reviewed Board and Board Committee composition to ensure the right mix of skills and experience are present;
- recommended the appointment of David Booth, Sir Michael Rake and Patience Wheatcroft as non-executive Directors;
- monitored the progress of the action plan arising from the 2006 Board Effectiveness Review and oversaw the conduct of the 2007 Board Effectiveness Review;
- reviewed the corporate governance disclosures for the 2006 Annual Report and considered the proposed disclosures for 2007;
- reviewed and updated Corporate Governance in Barclays and the Charter of Expectations; and
- reviewed succession plans for the Executive Committee and the position of Group Chief Executive.

Board Risk Committee allocation of time

1 Risk profile/Risk appetite 40%
2 Key Risk issues 40%
3 Internal control/Risk policies 3%
4 Regulatory frameworks 12%
5 Other 5%

Board Corporate Governance and Nominations Committee allocation of time

1 Corporate Governance matters 23%
2 Board and Committee composition (including succession planning) 46%
3 Board effectiveness 20%
4 Other 11%

Table of Contents

The Committee received updates on:

– the status of the Companies Act 2006 and, in particular, the new statutory statement of Directors' Duties; and

– the FRC's review of the Combined Code.

During 2007, the Committee reviewed the composition of the Board and its principal Committees at each of its meetings. Following those deliberations the Committee recommended to the Board the appointments of David Booth (May 2007), Sir Michael Rake and Patience Wheatcroft (January 2008) as non-executive Directors. In the case of David Booth, the Committee had concluded that a non-executive Director with US banking experience would bring the skills and experience to the Board that had been lost on the retirement of Robert Steel as a non-executive Director in late 2006. In the case of Sir Michael Rake, the Committee sought a non-executive Director with a financial and auditing background. Patience Wheatcroft has extensive experience of the highest levels of business and politics, which will bring additional valuable skills and a wider perspective to the Board. When considering appointments, the Committee typically engages external search consultants, who are provided with a specification of the skills and experience required, to assist with identifying potential candidates, although candidates may be recommended to the Committee from other sources. Each of David Booth, Sir Michael Rake and Patience Wheatcroft met with members of the Committee prior to the Committee considering their appointments and recommendations being made to the Board.

In January 2008, the Committee reviewed its activities in 2007 against its terms of reference and concluded that it had discharged the responsibilities delegated to it under those terms of reference.

Board HR and Remuneration Committee

Sir Richard Broadbent (Chairman)
Marcus Agius
Leigh Clifford
Sir John Sunderland

Secretary: Patrick Gonsalves

The Board HR and Remuneration Committee terms of reference are available from the Corporate Governance section at: *http://www.aboutbarclays.com*

The Committee's independent advisers, from Towers Perrin MGMC and Kepler Associates, attended 2 meetings and 1 meeting of the Committee respectively in 2007.

Board HR and Remuneration Committee allocation of time

1 Talent 6%
2 Remuneration (incentive) 61%
3 Remuneration (other – including pensions) 17%
4 Other 16%

Activities in 2007

The chart below shows how the Committee allocated its time at its meetings in 2007. During 2007, the Committee:

– held discussions with external advisers to the Committee;

– reviewed executive compensation;

– considered resourcing, compensation and incentives for staff;

– considered pensions, mobility and relocation matters; and

– reviewed the compensation frameworks and overall level of bonus pools for each of the Group's principal businesses.

The Committee received updates on:

– revised ABI Guidelines on Executive Remuneration;

– talent;

– health and safety; and

– equality and diversity.

In February 2008, the Committee reviewed its activities in 2007 against its terms of reference and concluded that it had discharged the responsibilities delegated to it under those terms of reference.

Detailed information on the role and activities of the Committee can be found in the Remuneration Report on pages 128 to 142.

Management

Executive Committee

The executive Directors bear the responsibility (under the leadership of the Group Chief Executive) for making and implementing operational decisions and running the Group's business. The Executive Committee supports the Group Chief Executive. It meets fortnightly to develop strategies and policies to recommend to the Board and to implement approved strategy. The Executive Committee is supported by other Committees, including the Disclosure Committee.

Executive Committee

– John Varley (Chairman)

– Bob Diamond

– Chris Lucas

– Frits Seegers

– Paul Idzik

Disclosure Committee

The Disclosure Committee is chaired by Chris Lucas, the Group Finance Director. Members include the Company Secretary, Barclays General Counsel, Head of Investor Relations, Barclays Risk Director, Head of Corporate Affairs, Financial Controller and Treasurer. The Committee:

– considers and reviews the preliminary and interim results, Annual Report/Annual Report on Form 20F and the Annual Review;

– considers Interim Management Statements released to the Stock Exchange; and

– considers the content, accuracy and tone of any other announcement that is proposed to be made in accordance with the FSA's Disclosure and Transparency Rules.

The Committee reports to the Executive Committee and the Board Audit Committee.

Table of Contents

Corporate governance

Corporate governance report

Board Effectiveness

Performance Review

An annual evaluation of Board and Committee effectiveness is conducted, as recommended by the Code. The evaluation in 2006 was independently facilitated by Egon Zehnder International and comprised a questionnaire, supplemented by individual interviews and peer reviews. The following actions were set for 2007:

– provision of additional training on risk issues for non-executive Directors, including specific awareness of risk management and measurement methodologies for Board Risk Committee members; and

– continued work on Board meeting agenda management to ensure there is time for rigorous debate and exchange of ideas.

Training on risk issues was provided in April 2007 and feedback sought from the participants. The time allocated to Board meetings has been increased to allow for extended debate and discussion. The Board Corporate Governance and Nominations Committee monitored the progress of the action plan during 2007 and are satisfied with the steps taken to tackle the issues highlighted by the evaluation.

The 2007 evaluation was again independently facilitated by Egon Zehnder International. The evaluation took the form of detailed questionnaires completed by each Director, individual interviews and peer evaluation of fellow Directors. The results of the evaluation were presented to the Board in February 2008 and continued to demonstrate the improving trend since the current process of evaluation was adopted in 2004. The Board concluded that the Board and the principal Board Committees continue to operate effectively. Minor enhancements were recommended around:

– the form and content of Board papers and presentations; and

– refinement to the Board calendar of business, particularly in respect of the timing and content of presentations on stakeholder management.

The Board Corporate Governance and Nominations Committee will recommend an action plan to the Board to deliver these improvements in 2008.

The Group Chairman will hold private meetings with each Director to discuss the results and to agree areas for development relating to their own individual performance. Feedback on the Group Chairman's performance was provided to the Senior Independent Director, who discussed the results privately with the other non-executive Directors and the Group Chief Executive before meeting with the Group Chairman.

Training and Business Awareness

A three part training programme is in place for Directors. This comprises:

– induction training, when they join the Board;

– training and awareness of the business of Barclays; and

– training and awareness of external technical matters.

Induction

All new Directors receive an information pack that explains those disclosures they are obliged to make to the Company to comply with various laws and regulations. A presentation is given to all new Directors, which outlines their responsibilities as a Director of a global, listed company and provides an overview of the Group and its businesses. Each new Director then has a tailored induction programme to further familiarise themselves with the Group and its businesses. This takes the form of sessions with each of the executive Directors and the heads of the main Group functions and includes opportunities to visit operational sites to meet with senior management and employees. Once they have completed the first part of their induction, and have a good overview of the Group, they then have further sessions with the executive Directors and senior managers from each of the principal business units to gain a detailed and in depth understanding of their business, which includes the challenges, opportunities and risks that are faced by each. Marcus Agius and David Booth undertook their induction training in 2007. A report on the Group Chairman's induction programme is set out in the panel above.

Group Chairman's Induction

Since joining the Barclays Board in September 2006 and becoming Group Chairman in January 2007, I have been involved in a wide-ranging programme of meetings and familiarisation visits to help me get to know Barclays, our colleagues and customers.

The programme began in 2006, when I met with each member of the Executive Committee and senior management across each of the business areas and head office functions of Barclays. To broaden my understanding of the Barclays businesses, I have this year visited Retail Banking branches in the UK and Africa, Barclays Commercial Bank services in Stratford and Gadbrook Park, Barclaycard in Northampton, Barclays Capital in New York, Barclays Global Investors in San Francisco, Barclays France, Barclays Spain and the Barclays operations in Tokyo and Singapore.

As well as the induction meetings with senior management, I have met with shareholders and analysts and other stakeholders to gauge their views of Barclays and assess market opinion.

I am also Chairman of the Board Corporate Governance and Nominations Committee, a member of the Board HR and Remuneration Committee and I have attended meetings of both the Board Audit and Board Risk Committees during the year to observe at first hand how these Committees operate and the key issues they examine.

Marcus Agius

Barclays businesses and operations

During 2007, two off-site Board meetings were held. In March, the Board met at the New York offices of Barclays Capital, where Directors were given a tour of the site, including the trading floor, and had the opportunity to meet with staff, senior management and major clients. In September, the Board met at the London office of Barclays Wealth.

National Branch Week was held in September, where over 300 senior executives from the Group went back to the floor to find out what successes and challenges employees in the branches are facing at the sharp end of the business. A number of Directors participated and worked alongside cashiers, personal bankers and co-ordinators for the day. To keep them informed of issues relevant to front line employees and up to date with news around the Group, Directors receive copies of The Globe, the magazine for employees.

External matters

Directors are regularly briefed on market opinion and receive copies of analyst research and press commentary. Attendance at results presentations, analyst rehearsals and corporate governance receptions enables Directors to meet with analysts and investors to enhance their awareness of market sentiment and the views of major shareholders.

External speakers were invited to brief the Board in 2007 on the global economic outlook. All Directors were made aware in 2007 of their responsibilities under the FSA's Prospectus Rules in connection with the proposed merger with ABN AMRO. A number of briefings were given to the Board on the changes being introduced by the Companies Act 2006 and, in particular, the new statutory statement of Directors' Duties, to ensure that Directors are aware of their responsibilities. Guidance was provided to management and to the Board on the desired content of supporting Board and Committee papers, to ensure that Directors are provided with sufficient information to allow them to have regard to (amongst others) the stakeholders of the Group and the long term consequences of any decisions they make.

Table of Contents

Statement on US Corporate Governance Standards

The statement required by NYSE is set out below.

Director independence

Under the NYSE Rules the majority of the Board should be independent. Under the Code, at least half of the Board (excluding the Chairman) is required to be independent. The NYSE Rules contain detailed tests for determining Director independence, whereas the Code requires the Board to determine whether each Director is independent in character and judgement and sets out criteria that may be relevant to that determination. We follow the Code's recommendations as well as developing best practices among other UK public companies. Our Board annually reviews the independence of our non-executive Directors, taking into account the guidance in the Code and the criteria we have established for determining independence, which are described on page 120.

Board Committees

We have a Board Corporate Governance and Nominations Committee and a Board HR and Remuneration (rather than Compensation) Committee, both of which are broadly comparable in purpose and constitution to those required by the NYSE Rules and whose terms of reference comply with the Code's requirements. Beyond the fact that the Board Corporate Governance and Nominations Committee is chaired by the Chairman of the Board and that the Chairman is a member of the Board HR and Remuneration Committee, both of which are permitted by the Code, both Committees are composed solely of non-executive Directors whom the Board has determined to be independent. We follow the Code recommendation that a majority of the Nominations Committee should be independent non-executive Directors, whereas the NYSE Rules state that the Committee must be composed entirely of independent Directors. We comply with the NYSE Rules regarding the obligation to have a Board Audit Committee that meets the requirements of Rule 10A-3 of the US Securities Exchange Act, including the requirements relating to the independence of Committee members. In April 2007, we made an Annual Written Affirmation of our compliance with these requirements to the NYSE. The Code also requires us to have a Board Audit Committee comprised solely of independent non-executive Directors. We follow the Code recommendations, rather than the NYSE Rules, however, regarding the responsibilities of the Board Audit Committee, although both are broadly comparable. We also have a Board Risk Committee, comprised of independent non-executive Directors, which considers and discusses policies with respect to risk assessment and risk management.

Corporate Governance Guidelines

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

Code of Ethics

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

Shareholder approval of equity-compensation plans

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

Relations with Shareholders

Institutional investors

The Board's priorities include communicating with shareholders, to keep them well informed about the Company's prospects and strategy, and staying abreast of the views of major shareholders. To achieve this, executive Directors and senior executives hold group and one to one meetings with major investors. Analyst research notes are distributed to Directors and our corporate brokers provide annual feedback to the Board. The Investor Relations team organise roadshows, seminars, conferences, presentations and other activities that enable the Directors to interact with investors. Prior to each AGM, the Group Chairman, Senior Independent Director and Company Secretary have a series of meetings with the corporate governance representatives of our major institutional shareholders.

Private shareholders

A change in the law now allows us to communicate electronically with our shareholders, unless they advise us that they prefer to receive paper. We have given shareholders a choice of how to receive shareholder communications going forward and those that receive documents electronically will have access to shareholder documents as soon as they are published. These new arrangements will enable us to use less paper, which benefits the environment and lowers distribution costs for the Group. This year we will continue to post the Annual Review, Notice of Shareholder Meetings and proxy forms to all shareholders.

We encourage shareholders to hold their shares in Barclays Sharestore, where shares are held electronically in a cost-effective environment. Our e-view service enables shareholders to receive their shareholder documents electronically. It also gives shareholders immediate access to information relating to their personal shareholding and dividend history. Participants can also change their details and dividend mandates online and receive dividend tax vouchers electronically.

Shareholder Meetings

The 2007 AGM was held on 26th April 2007 at the Queen Elizabeth II Conference Centre in London. In accordance with best practice, all resolutions were considered on a poll and the results were made available on our website the same day. 54 percent of the shares in issue were voted and all resolutions were approved. All Directors are encouraged to attend the AGM and are available to answer shareholder questions. All Directors attended the 2007 AGM, with the exception of Leigh Clifford, who, as Chief Executive of Rio Tinto, was attending that company's AGM and Board meeting in Australia on that day.

An extraordinary general meeting (EGM) was held on 14th September 2007, at our head office in London, where shareholders were asked to approve resolutions in connection with the proposed merger with ABN AMRO. 58 percent of the shares in issue were voted on a poll and all resolutions were approved. The Group Chairman, Senior Independent Director and a majority of the executive Directors attended the EGM. The EGM was followed by a Class Meeting of ordinary shareholders, at which 57 percent of the ordinary shares in issue were voted on a poll and the resolution was approved.

The 2008 AGM will be held on 24th April 2008 at the Queen Elizabeth II Conference Centre in London. The AGM will be followed by a Class Meeting of ordinary shareholders. The Notice of Shareholder Meetings is enclosed with this Annual Report as a separate document. The resolutions will be considered on a poll and the results will be available on our website on 24th April 2008.

Signed on behalf of the Board

Marcus Agius
Group Chairman
7th March 2008

Table of Contents

Corporate governance

Remuneration report

Statement from the Chairman of the Board HR and Remuneration Committee (the Committee)

The Committee provides governance and strategic oversight of remuneration, Barclays Human Resource activities and senior management development. The Committee's terms of reference are available in the Corporate Governance section of the Barclays Investor Relations website (www.aboutbarclays.com).

The Committee meets a minimum of four times a year. Marcus Agius became a member of the Committee on 1st January 2007. Marcus Agius was considered independent (for the purposes of the Combined Code) on his appointment as Chairman of the Board. All other Committee members are independent non-executive Directors.

The Committee's objective in relation to remuneration is to ensure that it incentivises excellence in business and personal performance and enables the Group to attract and retain employees of ability and experience.

The Committee aims to achieve this by:

- ensuring clear and quantified individual and Group performance goals are in place supported by rigorous performance appraisal systems;
- creating externally benchmarked remuneration frameworks for each major business that provide an evidence based approach to decisions;
- reviewing past remuneration decisions against objectives; and
- approving the specific remuneration packages of executive Directors and other senior executives.

The Committee's work is supported by independent professional advice from Kepler Associates, who were re-appointed in 2007, and Towers Perrin MGMC who were appointed in 2007.

In relation to HR and senior management development, the Committee's objective is to ensure that the Group's people resources are managed to maximise business performance, support the long-term success and growth of the business and protect the welfare of all employees.

The Committee aims to achieve this by:

- ensuring there are appropriate succession and talent management plans in place;
- providing oversight of Group level policy on HR matters including those related to the mobility of employees within the Group; and
- monitoring health and safety and equality and diversity issues across the Group.

Barclays employee remuneration is performance based. Important context to this report and the disclosures that follow is provided below:

- Group profit before tax was £7.1bn, broadly in line with the prior year;
- Group profit before business disposals increased by 3%; and
- careful management of performance related remuneration has resulted in a reduction in key remuneration ratios relative to 2006, including the absorption of 2007 headcount investment.

The Committee takes seriously its commitment to clear and comprehensive disclosure. This report details the remuneration of the individual Directors who served Barclays in 2007. Barclays Remuneration Policy remains unchanged, including the commitment to transparency and to policies and programmes that serve well the interests of shareholders.

The Committee unanimously recommends that you vote to approve the report at the 2008 AGM.

Signed on behalf of the Board

Sir Richard Broadbent
Chairman, Board HR and Remuneration Committee
7th March 2008

Table of Contents

Board HR and Remuneration Committee Members

During 2007, the Committee comprised both independent non-executive Directors and the Chairman of the Board. Membership of the Committee was as follows:

Sir Richard Broadbent (Chairman)
Marcus Agius
Leigh Clifford
Sir John Sunderland

The non-executive Directors who were Committee members were considered by the Board to be independent of management and free from any business or other relationship that could materially affect the exercise of their independent judgement. The constitution and operation of the Committee complies with the Provisions on the Design of Performance Related Remuneration in the Combined Code adopted by the Financial Reporting Council.

Marcus Agius was appointed as a member of the Committee with effect from 1st January 2007.

The Chairman of the Committee presents a report of each meeting to the full Board.

Advisers to the Committee

The Committee has access to independent consultants to ensure that it receives independent advice. Advisers are appointed by the Committee for specific work, as necessary, and are required to disclose to the Committee any potential conflict of interest.

In 2007, Kepler Associates [a] were re-appointed by the Committee to provide independent advice to Committee members on remuneration matters.

Towers Perrin MGMC [a] were appointed to provide advice to the Committee in 2007, primarily in relation to the provision of remuneration for employees below Board level and in the global financial services industry.

The Group Chief Executive, the Human Resources Director and, as necessary, members of the Executive Committee, also advise the Committee, supported by their teams. They are not permitted to participate in discussions or decisions relating to their own remuneration. The Human Resources Director is responsible for providing professional support to line management in HR policy and operations and for monitoring compliance with prescribed policy and programmes across Barclays. The Human Resources Director is not a Board Director and is not appointed by the Committee.

Notes

a Kepler Associates and Towers Perrin MGMC have given and not withdrawn their written consent to the inclusion of references to their name in the form and context in which it appears. Towers Perrin MGMC also provided remuneration benchmarking data to Barclays Group companies during the year.

b Barclays Guiding Principles were introduced during 2005 and provide all parts of the Group with a unifying set of values. They are: Winning Together, Best People, Client/Customer Focused, Pioneering and Trusted.

Remuneration Policy

Barclays policy is to use remuneration to drive a high-performance culture. Executive Directors can expect outstanding remuneration if performance is outstanding and below median remuneration for below median performance. This philosophy applies to remuneration policies and practices for all employees in the Group. The Committee considers remuneration levels across the Group when determining remuneration for executive Directors.

The aims of the Barclays Remuneration Policy are to:

- incentivise excellence in and balance between both short-term (one year) and longer-term (three years plus) performance such that Group financial goals and the goal of achieving top quartile total shareholder return (TSR) are met and sustained;
- enable the Group to attract and retain people of proven ability, experience and skills in the pools in which it competes for talent;
- encourage behaviour consistent with Barclays Guiding Principles [b] which leads to excellence and the appropriate balance in financial performance, governance, controls, risk management, customer service, people management, brand and reputation management;
- promote attention to maximising personal contribution, contribution to the business in which the individual works and contribution to the Group overall; and
- ensure, both internally and externally, that remuneration policies and programmes are transparent, well communicated, easily understood and aligned with the interests of shareholders.

The graph below shows the value, at 31st December 2007, of £100 invested in Barclays on 31st December 2002 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 the index of the 100 largest UK quoted companies by market capitalisation. It is a widely recognised performance comparison for large UK companies such as Barclays and this is why it has been chosen as a comparator to illustrate Barclays TSR. The graph shows that, at the end of 2007, a hypothetical £100 invested in Barclays on 31st December 2002 would have generated a total return of £63, compared with a gain of £95 if invested in the FTSE 100 Index.

Remuneration for executive Directors

Remuneration for the executive Directors comprises:

- base salary;
- annual bonus including mandatory deferral into Barclays shares through the Executive Share Award Scheme (ESAS);
- long-term incentives through the Performance Share Plan (PSP); and
- pension and other benefits.

Schedule 7A of the Companies Act 1985 requires that the graph shows TSR for the five years ending with the relevant financial year.

Table of Contents

Corporate governance

Remuneration report

The Committee reviews the elements of remuneration relative to the policies stated in this report and to the practice of other comparable organisations. Remuneration is benchmarked against the markets in which we compete for talent. This includes benchmarking against other leading international banks and financial services organisations, and other companies of similar size to Barclays in the FTSE 100 Index.

The component parts for each executive Director are detailed in the tables accompanying this report.

The Committee guideline that executive Directors should hold, as a minimum, the equivalent of one times their base salary in Barclays shares, including shares held under award through ESAS, was met by all executive Directors.

Each element of remuneration is important and has a specific role in achieving the aims of the remuneration policy. The combined potential remuneration from bonus and PSP outweighs the other elements, and is subject to personal and Group performance, thereby placing the majority of total remuneration at risk.

Of the key elements of remuneration (salary, annual performance bonus, ESAS and PSP), salary made up a maximum of 30% of the 2007 remuneration for executive Directors and 1.4% in respect of Robert E Diamond Jr's arrangements, which reflects general practice in the investment banking and investment management industry. The remaining proportion of the key compensation elements for executive Directors is at risk. The relative weighting summarised in this paragraph does not include pension and benefits.

The purpose of each element of remuneration for executive Directors is summarised in the table below and discussed in greater detail in the sections that follow.

Remuneration element	Purpose	Delivery	Programme detail
Base salary	To reflect the market value of the individual and their role	– Cash – Monthly – Pensionable	– Reviewed annually, with changes typically effective on 1st April
Annual performance bonus and ESAS	To incentivise the delivery of annual goals at the Group, business division and individual levels	– Typically 75% cash [a] – Typically 25% deferred Barclays shares under ESAS – Annual – Non-pensionable	– Based on annual business unit performance, performance of the Group as a whole and leadership contribution
PSP [b]	To reward the creation of above median, sustained growth in shareholder value	– Free shares subject to a performance condition – Annual awards that vest after three years – Non-pensionable	– Discretionary awards – Participation reviewed annually – Barclays performance over three years determines the number of performance shares eligible for release to each individual – For awards made in 2007, and awards to be made in 2008, EP threshold, thereafter 50% under a TSR performance condition and 50% under an EP performance condition
Pension [c]	To provide market competitive post-retirement benefit	– Deferred cash or cash allowance – Monthly	– Non-contributory, defined benefit scheme and/or defined contribution scheme, or cash allowance in lieu of pension contributions

Changes to Group Chairman and executive Directors

Marcus Agius was appointed Group Chairman with effect from 1st January 2007.

Marcus Agius receives a fee of £750,000 (inclusive of Director's fees). He is also eligible for private health insurance. The minimum time commitment is equivalent to 60% of a full time role. Marcus Agius is not eligible to participate in Barclays bonus and share incentive plans, nor will he participate in Barclays pension plans or receive any pension contributions. The letter of appointment provides for a notice period of 12 months from Barclays and six months from Marcus Agius.

Naguib Kheraj ceased to be an executive Director on 31st March 2007. Naguib Kheraj was succeeded by Chris Lucas, who was appointed to the position of Group Finance Director with effect from 1st April 2007. The key terms of executive Directors' service contracts are on page 133.

Base Salary

The annual base salaries for the current executive Directors are shown in the table below:

	As at 31st Dec 2007	As at 1st April 2008	Date of previous increase
John Varley	£1,000,000	£1,100,000	1st Apr 2007
Robert E Diamond Jr	£250,000	£250,000	1st Mar 1999
Gary Hoffman	£625,000	£625,000	1st Apr 2006
Frits Seegers	£700,000	£700,000	n/a
Chris Lucas	£600,000	£650,000	n/a

In respect of John Varley and Chris Lucas, having regard to the levels of salary and total compensation in comparable organisations, the Committee approved an increase to base salary effective from 1st April 2008.

Notes

a Eligible executives may request that all or part of the cash bonus to which they would otherwise become entitled, be granted in the form of an additional award under ESAS or as a pension contribution by way of Special Company Contribution (Bonus Sacrifice). For 2007 Robert E Diamond Jr received 43% of his annual bonus in cash and 57% as a recommendation for an award of Barclays shares under Mandatory ESAS.

b Please refer to Note 44 to the accounts for further information on PSP.

c Please refer to Note 30 to the accounts for further information on the Group's pension plans.

Table of Contents

Annual Bonus and ESAS

The maximum bonus opportunity for executive Directors is tailored to the relevant market; this is typically 250% of base salary. The annual bonus is based on a qualitative and quantitative assessment of performance (including EP and PBT results) with the quantitative assessment comprising the majority. EP and PBT are considered to be good measures of value creation for shareholders.

ESAS is a deferred share award plan which operates in conjunction with the annual Barclays Group cash bonus plans (and various other cash long-term incentive plans operated by Barclays Group companies). Currently, for executive Directors, typically 75% of the annual bonus is delivered as cash. A recommendation may be made to the ESAS trustee that the remaining 25% is delivered as an award under ESAS ('Mandatory ESAS award').

In addition, executive Directors may request that any cash bonus, to which they may have otherwise become entitled, be granted as an additional award under ESAS ('Voluntary ESAS award').

Both Mandatory and Voluntary ESAS awards will normally include additional shares called bonus shares with a value of up to 30% of the bonus amount awarded in shares. The ESAS trustee may apply dividends it receives on shares held in trust in purchasing additional Barclays shares which may also be released to participants.

A Mandatory ESAS award is a provisional allocation of Barclays shares which does not give rise to any right or interest in those shares. Normally, under a Mandatory ESAS award, the ESAS trustee grants participants the right to call for the shares plus two-thirds of any bonus shares, in the form of a nil-cost option following the third anniversary of the award date. If this right is not exercised, the ESAS trustee may, following the fifth anniversary, release all the Barclays shares including all bonus shares and dividend shares to the participant.

Awards under Voluntary ESAS are granted in the form of a nil-cost option which is a right to acquire Barclays shares which will become fully exercisable after five years.

Neither the exercise of nil-cost options granted under Mandatory or Voluntary ESAS nor the release of Barclays shares under award is subject to performance conditions. As ESAS is a deferred share award plan, it would not be appropriate to attach a performance condition to options or awards.

If an executive ceases to be employed he may forfeit his award depending on why he leaves.

PSP

The PSP was approved by shareholders at the 2005 AGM and replaced the ISOP as the main performance linked share incentive plan. PSP awards to date have been granted in the form of provisional allocations of Barclays shares which do not give a participant any right to acquire, or an interest in, shares until such time as the PSP trustee decides to release the shares to the participant (i.e. when the PSP awards vest). Participants do not pay to receive an award or to receive a release of shares. Performance share awards are communicated to participants as an initial allocation. Normally, the maximum expected value of an award at the date of grant will be the higher of 150% of base salary or 75% of base salary and target bonus. 'Expected value' is a single value for the award at grant which takes account of the various possible performance and vesting outcomes, although it is Barclays performance over a three-year period which determines the final number of shares that may be released to participants. Dividend shares may also be released in respect of the vested shares.

Awards normally vest on the third anniversary of the date of grant, if and to the extent that the performance conditions are satisfied. Note that:

- relative TSR and EP are both considered to be good measures of value creation to shareholders;
- before any shares are released, Barclays cumulative EP over the performance period must normally be greater than the total for the previous three-year period;
- for PSP awards made in 2005, the award depended on Barclays TSR relative to a peer group of 11 other international banks. These awards are due to lapse in 2008 as the TSR performance condition was not satisfied;
- the performance conditions for PSP awards made in 2006 and 2007 will be measured over the three-year performance period (2006 to 2008 and 2007 to 2009 respectively);
- for PSP awards made in 2006 and 2007, 50% of the award depends on Barclays EP and 50% of the award depends on Barclays TSR relative to a peer group of 11 other international banks;
- for awards made in 2005, 2006 and 2007 in relation to the TSR element of the award, there is no vesting unless Barclays is ranked above median on relative TSR.

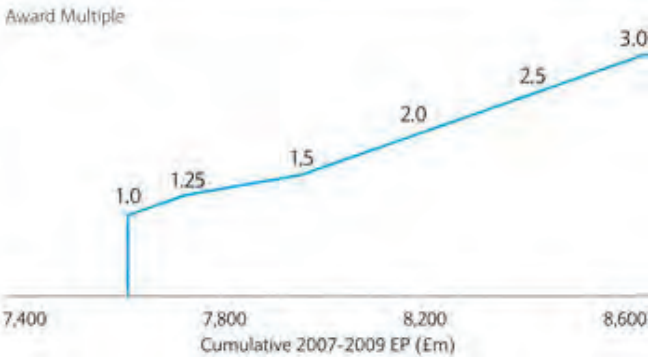
The peer group for the TSR element of the 2007 award, as for the 2006 award, is [a]:

UK	Mainland Europe	US
HBOS	Banco Santander [b]	Citigroup
HSBC	BBVA	JP Morgan Chase
Lloyds TSB	BNP Paribas	
Royal Bank of Scotland	Deutsche Bank	
	UBS	

The performance scales for the TSR and EP elements of the 2007 award are as shown in the two charts below:

PSP 2007: Total Shareholder Return Performance Scale

PSP 2007: EP Performance Scale



Notes
a

accordance with the Committee's agreed peer group adjustment principles. This adjustment was made in anticipation of the takeover of

The reserve companies for the 2006 and 2007 awards are UniCredit, Morgan Stanley, Bank of America and Wachovia.

b The Committee has approved the substitution of Banco Santander for ABN AMRO in the TSR peer group for awards granted under the PSP in 2005, 2006 and 2007, in ABN AMRO. Following a review of the peer group reserve banks, it was decided that Banco Santander was the most suitable substitute based on both competitive position relative to Barclays and similarity to ABN AMRO.

Table of Contents

Corporate governance

Remuneration report

EP comprises profit after tax and minority interests less a capital charge.

Independent confirmation is provided to the Committee as to whether a performance condition has been met.

Each year a review of the Group's share-based long-term incentives (currently the PSP) is undertaken to check that the structure and performance conditions remain appropriate in respect of the Group's business objectives and best market practice. The 2007 review included consideration of eligibility criteria. The outcome of the review was that participation in the PSP should be restricted to executive Directors, members of the Executive Committee, Executive Committee direct reports and other key senior positions. Developing a link to Barclays share price is important and therefore, as individuals below these levels become more highly remunerated, some of their remuneration may be delivered as an award of Barclays shares (to be known as Incentive Shares). Participants would not be eligible for a release of shares until the third anniversary and the release of Incentive Shares would not be subject to performance conditions. It is intended that a new employee share plan will be established under which Incentive Shares will be granted. No Board Directors will be eligible to participate in this plan and awards will be settled using only existing Barclays shares.

ISOP

ISOP (Incentive Share Option Plan) has not been used for awards to executive Directors since 2004. Details of ISOP awards held by executive Directors can be found on page 141. Awards in 2003 and 2004 under ISOP include financial metrics or thresholds which were adjusted where necessary to neutralise the effect of the introduction of IFRS.

The main performance condition was TSR relative to a peer group of 11 other major international banks, combined with an EP threshold. Awards have now vested, as set out in the table on page 141.

Retained Incentive Opportunity

Robert E Diamond Jr received an award in February 2008 under the Retained Incentive Opportunity. This award was subject to performance criteria based on the delivery of EP at Barclays Capital over the period 2005 to 2007. The performance measure applied was cumulative EP performance of Barclays Capital during the period 1st January 2005 to 31st December 2007. In order to achieve the maximum value award under the Retained Incentive Opportunity, Barclays Capital had to successfully generate a cumulative EP of £2bn over the performance period. EP was chosen as this is an appropriate measure to align the interests of the participant with those of shareholders and is a good measure of value creation for shareholders.

Details of the award which was made to Robert E Diamond Jr are on page 139.

Sharesave

All eligible employees including executive Directors may participate in Sharesave. Sharesave is an HMRC (Her Majesty's Revenue and Customs) approved all-employee share option plan. HMRC does not permit performance conditions to be attached to the exercise of Sharesave options. Under Sharesave, participants are granted options over Barclays shares. Each participant may save up to £250 per month to purchase Barclays shares at a discount. For the 2007 grant, the discount was 20% of the market value of a share at the time the option was granted. Sharesave is also offered to employees in Spain and Ireland. Following the 2007 invitation, a total of 40,621 employees in the UK, Spain and Ireland were participants in Sharesave with 72.4 million shares under option. Details of options held by executive Directors are on page 140.

Sharepurchase

Sharepurchase was introduced in January 2002. It is an HMRC approved all-employee share plan. Sharepurchase is open to all eligible employees including executive Directors. Under Sharepurchase, participants are able to purchase up to £1,500 worth of Barclays shares each year, which, if kept in trust for five years, can be withdrawn from Sharepurchase tax-free. Any shares in Sharepurchase will earn dividends in the form of additional shares, which must normally be held by the trustee on behalf of the participant for no less than three years.

To encourage employee ownership of Barclays shares, Barclays matches, share for share, up to the first £600 each participant invests in Sharepurchase in each tax year. Matching shares must normally be held by the trustee on behalf of the participant for no less than three years.

At 31st December 2007, 23,097 employees were participants in Sharepurchase, with a total of 12.9 million shares held on their behalf by the Sharepurchase trustee.

Dilution Limits

The outstanding awards under ISOP and Sharesave are intended to be satisfied by the issue of new Barclays shares or through treasury shares within the limits agreed by shareholders when these plans were approved. These limits comply with the Association of British Insurers' guidelines restricting dilution from employee share plans. The overall limits under the guidelines are that no more than 10% of a company's issued share capital may be used in any ten-year period. Up to 5% may be used for executive share plans. Shares in Barclays Global Investors UK Holdings Limited issued as a result of option exercises under the BGI EOP also count towards these limits. As at 31st December 2007, Barclays headroom under these limits, i.e. the amount remaining available for issue, was 4.2% and 1.5% respectively.

Employees' Benefit Trusts (EBTs)

The trustees of the Barclays EBTs grant awards under ESAS and PSP over existing Barclays shares which they have purchased in the market. The trustees of the Barclays EBTs have informed the Bank that their normal policy is to abstain from voting in respect of the Barclays shares held in trust.

The trustees of the Sharepurchase EBT may vote in respect of Barclays shares held in the Sharepurchase EBT, but only at the direction of the participants. The trustees will not otherwise vote in respect of shares held in the Sharepurchase EBT.

Pensions

All Group pension arrangements are managed in accordance with the Global Retirement Fund Governance Framework to ensure best practice in respect of regulatory compliance, governance, investment and administration. The framework is overseen by the Committee.

Pension benefits for executive Directors are provided through defined benefit plans, defined contribution plans, unfunded unapproved retirement benefit arrangements, cash or a combination of these. The pension benefit applicable will depend on the date an executive Director was appointed and their individual situation. Annual performance related bonuses are not included in pensionable salary.

The Group's closed UK defined benefit pension arrangement, of which John Varley and Gary Hoffman are members, is a non-contributory scheme. Benefits are provided on leaving service at normal pension age (60) by reference to the executive Director's length of service, normally by reference to 1/60th of pensionable salary for each year of pensionable service (John Varley's pension accrual is provided through the scheme in accordance with his service contract as set out in the notes to the pensions table on page 136).

The Group's closed UK defined benefit pension arrangement also provides that, in the event of death before retirement, a cash lump sum of up to four times salary is paid together with a dependant's pension of 50% of the pension that would have been payable had the member remained in active service until their normal pension age. For death in retirement, a dependant's pension is payable of approximately 50% of the member's pension at the date of death, not taking into account commutation of any cash lump sum at the time of the member's retirement. If a member is granted a deferred pension that has not yet come into payment, the widow/widower receives a pension of 50% of the deferred pension payable. Where applicable, children's pensions are payable, usually up to the age of 18. Enhanced benefits may be payable if it is determined that a member is unable to work as a result of serious ill-health.

The Group's US non-contributory defined benefit arrangement, of which Robert E Diamond Jr is a member, provides a benefit at age 65 of 1/60th of final average pensionable pay plus 0.3% of final average pensionable pay in excess of the US Internal Revenue Service's covered compensation limit

Table of Contents

for each year of pensionable service (up to a maximum of 30 years). In line with current market practice, final average pay in the US includes an element of bonus subject to overall plan limits. In the event of a member's death before retirement, a spouse's pension of approximately 50% of the member's pension had the member taken early retirement on the date of death, is payable. On death after retirement, a spouse's pension of 50% of the pension in payment is payable. In addition, enhanced benefits are payable if the member qualifies for disability benefits.

The US Restoration Plan, of which Robert E Diamond Jr is also a member, is an unfunded unapproved arrangement which restores reductions in the benefits provided through the approved US plan resulting from the application of relevant compensation and benefit limitations under the US Internal Revenue Code. Robert E Diamond Jr participates in this plan on similar terms to other Barclays senior executives participating in US benefit plans.

Robert E Diamond Jr also participates in the Barclays Bank PLC 401K Thrift Savings Plan and Thrift Restoration Plan on similar terms to other Barclays senior executives in the US.

Where appropriate, cash allowances are provided to executive Directors in lieu of being able to join a Group pension arrangement. Chris Lucas, Naguib Kheraj and Frits Seegers received such cash allowances in 2007.

In the event that an executive Director builds up pension benefits close to, or in excess of, the HMRC Lifetime Allowance, the executive Director is eligible to opt for a cash allowance instead of continued pension accrual. The allowance given is no more than the cost of funding the existing pension benefit.

Service Contracts

The Group has service contracts with its executive Directors. The effective dates of the contracts for the executive Directors who served during 2007 are shown in the table below. The service contracts do not have a fixed term but provide for a notice period from the Group of one year and normally for retirement at age 65, except for Naguib Kheraj who has left the Group. The Committee's policy is that executive Directors' contracts should allow for termination with contractual notice from the Group or, in the alternative, termination by way of payment in lieu of notice (in phased instalments). In the event of gross misconduct, neither notice nor a payment in lieu of notice will be given. Payments in lieu of notice are subject to contractual mitigation.

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

Directors [a]	Effective date of contract	Notice period [b]	Potential compensation for loss of office
John Varley	1st Sept 2004	1 year	1 year's contractual remuneration [c]
Robert E Diamond Jr	1st Jun 2005	1 year	"
Gary Hoffman	1st Jan 2004	1 year	"
Naguib Kheraj [d]	1st Jan 2004	1 year	"
Chris Lucas [e]	1st Apr 2007	1 year	"
Frits Seegers	7th Jun 2006	1 year	"

Notes

a Details of executive Directors standing for re-election at the 2008 AGM are set out on page 114.

b Notice period from Barclays to executive Director.

c One year's contractual remuneration is calculated as follows: 12 months' base salary, bonus, if eligible (being the average of the previous three years' bonus awards, in some cases (Gary Hoffman, Chris Lucas and Naguib Kheraj) capped at 100% of base salary), medical benefit (while an employee) and continuation of pension benefits. Payments in lieu of notice are subject to mitigation if alternative employment is found during any period in which pay in lieu of notice is paid.

d Naguib Kheraj ceased to be an executive Director on 31st March 2007.

e Chris Lucas was appointed as an executive Director with effect from 1st April 2007.

Barclays Capital, BGI, Barclays Wealth and GRCB

The Committee has established frameworks for the governance of remuneration in these businesses. Ranges have been set for key financial and remuneration ratios. The Committee approves aggregate bonus and long-term incentive expenditure, and strategic investment for new hires. The Committee also approves individual remuneration for the members of the management teams, and any employee with total remuneration in excess of £750,000.

The BGI EOP

BGI is Barclays asset management business headquartered in San Francisco. The BGI EOP (BGI Equity Ownership Plan) was approved by shareholders at Barclays 2000 AGM to provide the employee share incentive arrangements required to recruit and retain the quality of senior management and investment talent appropriate for building a global investment management business. The BGI EOP was designed to provide participants with a long-term equity interest in BGI to meet the expectations of, in particular, BGI's key investment talent in the United States, who could expect to participate in the equity of their employer. Under the terms of the BGI EOP, options are granted at fair value to key BGI employees over shares in Barclays Global Investors UK Holdings Limited (BGI Holdings) within an overall cap of 20% of the issued ordinary share capital of BGI Holdings.

All grants of options are approved by the Committee. The Committee is also advised of option exercises and share sales by employees. Directors of Barclays PLC are not eligible to receive options under the BGI EOP.

In summary the BGI EOP operates as follows:

- certain key BGI employees are granted options over shares in BGI Holdings;
- the option exercise price is based on the fair value of a BGI Holdings share at the date of grant determined by an independent appraiser;
- the options generally vest evenly over a three-year period and can normally be exercised in two annual exercise windows;
- option holders are required to fund the exercise without any financial support from any member of the Barclays Group.

Once employees become shareholders, they are subject to the Articles of BGI Holdings under which:

- shareholders are required to hold the shares for a minimum of 355 days. As shareholders, employees derive the full risks and rewards of ownership, including voting rights and entitlement to any ordinary dividends paid by BGI Holdings;
- on expiry of the minimum holding period, shareholders may, but are not obliged to, offer their shares for sale usually during two annual sales windows;
- Barclays Bank PLC, at its discretion, has a right to purchase shares so offered, but is not obliged to do so.

Table of Contents

Corporate governance

Remuneration report

The table below contains information on the number of shares in BGI Holdings over which options were granted, outstanding and exercised in 2006 and 2007:

Year	Number granted during year (000s)	Number outstanding at year end (000s)	Number exercised (000s)
2006	3,973	6,929	2,188
2007	2,599	7,502	1,632

In 2007 BGI employees exercised options over 1.6m (2006: 2.2m) shares for consideration of £57m (2006: £44m); Barclays Bank PLC purchased 4.9m (2006: 4.9m) shares offered for sale by shareholders for consideration of £488m (2006: £410m). As at 31st December 2007, employees own 5.9% of BGI Holdings (2006: 9.4%).

BGI EOP – Accounting and disclosure

The BGI EOP is accounted for as an equity settled share-based payment in accordance with IFRS 2 'Share-based Payment'. The fair value of the services received from the employees is measured by reference to the fair value of the share options granted on the date of the grant. The cost of the employee services received in respect of the share options granted is recognised in the income statement over the period that the services are received. The cost for 2007 of £54.8m (2006: £37.4m, 2005: £14.9m) is included in staff costs in Note 8 to the accounts. In accordance with IFRS 2, details of share options granted and exercised, together with weighted average fair values at grant date and weighted average exercise prices are set out in Note 44 to the accounts. In accordance with IAS 33 'Earnings per Share', unexercised options are taken into account in the calculation of diluted earnings per share as set out in Note 11 to the accounts.

For Group reporting, the exercise of options by employees is treated as a deemed disposal of interests in a subsidiary, as its holding in the subsidiary has been reduced for the consideration represented by the exercise price. Any subsequent purchase of shares offered for sale by employees is treated as a purchase of an additional investment in a subsidiary entity. The cash flows relating to these capital transactions are included in the consolidated cash flow statement and disclosed, along with other disposals and acquisitions, in Note 38 to the accounts and related movements in goodwill and minority interests are included in Notes 21 and 33 to the accounts respectively.

Replacement of the BGI EOP

The Group will introduce a new BGI employee share plan in 2008, under which awards will be made using Barclays PLC shares purchased in the market. The quantum of awards will be linked to BGI business performance. Executive Directors will not be eligible to participate in the new BGI plan.

It is intended that no further options will be granted under the BGI EOP and that the BGI EOP will not be renewed in 2010 when it comes to the end of its life.

Non-executive Directors

The Board determines the fees of non-executive Directors and the fees are reviewed annually. The fee structure as at 31st December 2007 is shown below.

Base fee Plus:	£65,000
Chairman of Board Audit Committee	£50,000
Chairman of the Board HR and Remuneration Committee	£40,000
Chairman of Board Risk Committee	£30,000
Members of the Board Audit Committee	£20,000
Members of the following Board Committees: Risk, HR and Remuneration and Corporate Governance and Nominations	£15,000

As Deputy Chairman, Sir Nigel Rudd receives £200,000. Sir Nigel Rudd did not receive any additional fees for serving as a member of the Board Corporate Governance and Nominations Committee. Sir Richard Broadbent receives an additional £30,000 in respect of his role as Senior Independent Director. Marcus Agius serves as a member of the Board HR and Remuneration Committee and is Chairman of the Corporate Governance and Nominations Board Committee. He does not receive any fees in relation to these appointments.

David Booth was appointed as non-executive Director with effect from 1st May 2007.

The Board's policy is that fees should reflect individual responsibilities and membership of Board Committees. Barclays encourages its non-executive Directors to build up a holding in Barclays shares. £20,000 of each Director's base fee of £65,000 is used to buy Barclays shares. These shares, together with reinvested dividends, are retained on behalf of the non-executive Directors until they retire from the Board. They are included in the table of Directors' interests in Barclays shares on page 142. Non-executive Directors do not receive awards under share plans for employees, nor do they accrue pension benefits from Barclays for their non-executive services.

Non-executive Directors do not have service contracts but each has a letter of appointment. For each non-executive Director who served during 2007, the effective date of their appointment, notice period and the Group's liability in the event of early termination are shown in the following table.

Non-executive Directors [a]	Effective date of letter of appointment	Notice period	Group liability in the event of early termination
David Booth	1st May 2007	6 months	6 months' fees
Sir Richard Broadbent	1st Sep 2003	"	"
Leigh Clifford	1st Oct 2004	"	"
Fulvio Conti	1st Apr 2006	"	"
Dr Danie Cronjé	1st Sep 2005	"	"
Professor Dame Sandra Dawson	1st Mar 2003	"	"
Sir Andrew Likierman	1st Sep 2004	"	"
Sir Nigel Rudd	1st Feb 1996	"	"
Stephen Russell	25th Oct 2000	"	"
Sir John Sunderland	1st Jun 2005	"	"

Sir Michael Rake and Patience Wheatcroft were appointed as non-executive Directors with effect from 1st January 2008.

Each appointment is for an initial six-year term, renewable for a single term of three years thereafter, with the exception of Sir Nigel Rudd, whose appointment as Deputy Chairman is reviewed annually. Details of non-executive Directors standing for re-election at the 2008 AGM are set out on page 114.

Future Policy

The Committee will keep the existing remuneration arrangements, as detailed in this Report, under review during 2008 and ensure that Barclays programmes remain competitive and provide appropriate incentive for performance. As usual, there will be individual reviews of base salary, annual bonus (including ESAS) and awards under the long-term incentive plans.

Audited Information

As required by Part 3 of Schedule 7A of the Companies Act 1985, the Group's auditors, PricewaterhouseCoopers LLP, have audited the information contained on pages 135 to 141.

Note

a Marcus Agius was a non-executive Director during 2006 and became Group Chairman on 1st January 2007. Details of his letter of appointment are set out on page 130.

Table of Contents

2007 Annual Remuneration[a]

	Salary and fees £000	Benefits[b] £000	Annual cash bonus £000	2007 Total £000	2006 Total £000
Group Chairman					
Marcus Agius[c]	750	1	–	751	22
Executive Directors					
John Varley[d]	975	18	1,425	2,418	2,516
Robert E Diamond Jr[d,e]	250	14	6,500	6,764	10,692
Gary Hoffman[d]	625	15	506	1,146	1,108
Chris Lucas[f]	450	135	450	1,035	–
Frits Seegers[d,g]	700	199	1,313	2,212	1,630
Non-executive Directors[h]					
David Booth[i]	43	–	–	43	–
Sir Richard Broadbent	180	–	–	180	147
Leigh Clifford	80	–	–	80	76
Fulvio Conti	85	–	–	85	54
Dr Danie Cronjé	217	–	–	217	326
Professor Dame Sandra Dawson	85	–	–	85	81
Sir Andrew Likierman	100	–	–	100	96
Sir Nigel Rudd	200	–	–	200	200
Stephen Russell	145	–	–	145	137
Sir John Sunderland	95	–	–	95	81
Former Director					
Naguib Kheraj[d,j]	175	44	438	657	2,565

Forthcoming ESAS and PSP awards[k]

	Mandatory ESAS – 2007 results £000	March 2008 PSP – value of shares under initial allocation £000	Mandatory ESAS – 2006 results £000	March 2007 PSP – value of shares under initial allocation £000
Executive Directors				
John Varley	618	1,200	699	1,200
Robert E Diamond Jr[j]	11,375	3,000	4,518	6,850
Gary Hoffman	219	625	203	625
Chris Lucas	195	800	–	600
Frits Seegers	569	1,600	520	1,000

Notes

a Emoluments include amounts, if any, payable by subsidiary undertakings. Amounts payable to Dr Danie Cronjé include an amount of ZAR1,926,400 (£136,774) in respect of his Chairmanship of Absa Group Limited from which he retired on 31st July 2007 (2006: ZAR3,114,800 (£249,829)).

b The Group Chairman and executive Directors receive benefits in kind, which may include life and disability cover, the use of a Company owned vehicle or cash equivalent, medical insurance and tax advice. Benefits are provided on similar terms to other senior executives. No Director has an expense allowance.

c Marcus Agius was appointed as a non-executive Director on 1st September 2006 and as Group Chairman from 1st January 2007.

d In 2007 John Varley was a Director of Ascot Authority (Holdings) Limited (Directorship ceased on 31st December 2007) and British Grolux Investments Limited for which he received fees of £20,085 and £7,613 respectively (2006: £26,000 and £7,500 respectively). John Varley is a non-executive Director of AstraZeneca plc for which he received fees of £56,486 in 2007 (2006: £21,075). John Varley is also a member of the International Advisory Panel of the Monetary Authority of Singapore for which he received fees of US$10,000 in 2007 (2006: US$10,000). John Varley is Chairman of Business Action on Homelessness and President of the Employers' Forum on Disability for which he receives no fees. Robert E Diamond Jr is Chairman of Old Vic Productions plc for which he received no fees in 2007. Gary Hoffman is a Director of Visa (Europe) Limited and Visa (International) Limited for which he receives no fees. Gary Hoffman is also a Director of Trinity Mirror plc for which he received fees of £62,754 in 2007 (2006: £50,000). During the course of his Directorship Naguib Kheraj was a member of the Board of Governors of the Institute of Ismaili Studies and Chairman of the National Committee of the Aga Khan Foundation for which he received no fees in 2007. Naguib Kheraj (up to 31st March 2007) and Frits Seegers are non-executive Directors of Absa Group Limited and Absa Bank Limited. They have both waived their fees, which were paid to Barclays. Their respective fees in 2007 were ZAR136,533 (£9,694) and ZAR469,900 (£33,363) (2006: ZAR425,100 (£34,096) and ZAR75,400 (£6,048) respectively).

e The remuneration for 2007 for Robert E Diamond Jr was based on the performance of Barclays Group, Barclays Capital, Barclays Global Investors and Barclays Wealth, both on an absolute and industry relative basis. The composition of this package continues to be heavily weighted towards elements that are 'at risk' and reflects practice in the investment banking and investment management industry.

f Chris Lucas was appointed as an executive Director with effect from 1st April 2007. In addition to the amount shown in the 'Salary and fees' column above, Chris Lucas received an award under ESAS in recognition of forfeited compensation from his previous employment. Bonus shares are not applicable to this award. Details of this ESAS award are shown in the table on page 137 and the first table on page 138, and are not included in the table above. In addition, Chris Lucas received an award under the PSP which is shown in the table above (footnote k on this page provides further information). Chris Lucas received an allowance of 25% of base salary (£112,500) in lieu of pension contributions. This amount is included in the column for 'Benefits' in the table above.

g Frits Seegers received an allowance of 25% of base salary (£175,000) in lieu of pension contributions (pro-rata 2006: £84,028). This amount is included in the column for 'Benefits' in the table above.

h £20,000 of each non-executive Director's base fee of £65,000 is used, after tax, to buy Barclays shares. Further details are provided on page 142.

i David Booth was appointed as a non-executive Director on 1st May 2007.

j Naguib Kheraj ceased to be an executive Director on 31st March 2007. The amounts shown in the table above are in respect of the period from 1st January 2007 to 31st March 2007. During this period Naguib Kheraj received an allowance of 23% of base salary (£40,250) in lieu of pension contributions (2006: £149,500). This amount has been included in the column for 'Benefits' above. In order to effect a successful handover to his successor, from 1st April 2007 to 30th April 2007, Naguib Kheraj was paid in accordance with the terms of his service contract (being a total amount of £218,343 which included a discretionary bonus of £145,833). Following the termination of his service contract and taking into consideration the duty to mitigate his loss, no payments were made to Naguib Kheraj in relation to the termination of his contract. Naguib Kheraj was retained by Barclays in a corporate finance advisory role for an eight month period from 1st May 2007 to 31st December 2007. Naguib Kheraj received a payment of £600,000 per month for this period, as well as a payment of £14,178 per month for contractual benefits (including an allowance in lieu of pensions contributions). Naguib Kheraj's corporate finance role was terminated on 31st December 2007 and no payments were made to Naguib Kheraj on termination of this arrangement.

k The amounts shown for Mandatory ESAS represent the value of Barclays shares to be recommended for an award under Mandatory ESAS for the 2007 results and, recommended for an award under Mandatory ESAS for the 2006 results, including a maximum 30% bonus share element. The Mandatory ESAS awards for the 2006 results are included in the table on page 137 and the first table on page 138. The amounts shown for PSP represent the value of Barclays shares under initial allocation to be recommended for an award under PSP in March 2008 and recommended for an award under PSP in March 2007 (May 2007 for Chris Lucas). The PSP awards granted in 2007 are included in the table on page 137 and the first table on page 139. Please refer to page 131 for further details on ESAS and PSP.

l In addition to the Mandatory ESAS award shown for the 2007 results, Robert E Diamond Jr will receive a separate award under ESAS in respect of the Retained Incentive Opportunity as described in footnote f to the table on page 139. Bonus shares do not apply to the ESAS award in respect of the Retained Incentive Opportunity.

Table of Contents

Corporate governance

Remuneration report

Executive Directors: pension accrued assuming retirement at normal pension age[a,b,c]

	Age at 31st December 2007	Completed years of service	Accrued pension at 31st December 2006 £000	Pension accrued during 2007 (including increase for inflation) £000	Pension accrued during 2007 (excluding inflation) £000	Accrued pension at 31st December 2007 £000	Transfer value of accrued pension at 31st December 2006 £000	Transfer value of accrued pension at 31st December 2007 £000	Increase in transfer value during the year £000
Executive Directors									
John Varley[d, e]	51	25	418	71	55	489	7,696	9,463	1,767
Robert E Diamond Jr[f, g]	56	11	36	2	2	38	195	214	19
Gary Hoffman[e]	47	25	253	20	11	273	2,352	2,598	246
Chris Lucas[h]	47	–	–	–	–	–	–	–	–
Frits Seegers[h]	49	1	–	–	–	–	–	–	–
Former Director									
Naguib Kheraj[h, i]	43	10	–	–	–	–	–	–	–

Notes

a Pension accrued during the year represents the change in accrued pension (including inflation at the prescribed rate of 3.9%) which occurred during the entire year. The pensions paid from the final salary section of the applicable pension fund are reviewed annually. Pensions increase by a minimum of the increase in the retail prices index (up to a maximum of 5%), subject to the scheme rules.

b The transfer values have been calculated in a manner consistent with the Retirement Benefit Scheme – Transfer Values (GN11) published by the Institute of Actuaries and the Faculty of Actuaries.

c With the exception of the benefits provided through the US Restoration Plan for Robert E Diamond Jr, the pension benefits for all Directors shown above are provided for on a funded basis.

d John Varley is a member of the Group's closed UK defined benefit pension arrangement. This non-contributory pension scheme has a normal pension age of 60 and in accordance with his service contract, the scheme provides him with a pension benefit of 66.67% of his Pensionable Salary at normal pension age. Should John Varley retire at age 55, the scheme provides for an unreduced pension of 60% of Pensionable Salary.

e In addition to the transfer value of accrued pension at 31st December 2007, John Varley and Gary Hoffman also have defined contribution benefits. John Varley's benefit is in respect of a transfer from a previous pension arrangement while Gary Hoffman's benefit is in respect of Special Company Contributions (Bonus Sacrifice). The fund values of these arrangements as at 31st December 2007 for John Varley and Gary Hoffman were £689,214 and £702,078 respectively.

f The benefits shown above in respect of Robert E Diamond Jr's participation in the Group's US non-contributory defined benefit arrangement and the US Restoration Plan have been converted to Pounds Sterling using the 2007 year-end exchange rate of US$2.00334 (2006: US$1.96).

g Robert E Diamond Jr is also a member of the Barclays Bank PLC 401K Thrift Savings Plan and Thrift Restoration Plan. These are US defined contribution plans. Company contributions into these plans in 2007 amounted to £10,233 (US$20,500).

h Chris Lucas, Naguib Kheraj and Frits Seegers do not participate in any of the Group's pension arrangements. Instead they receive a cash allowance in lieu of pension contributions of 25%, 23% and 25% of their respective salaries. Chris Lucas' pro-rated cash allowance in 2007 amounted to £112,500. Naguib Kheraj, who ceased to be a Director on 31st March 2007, received a pro-rated cash allowance of £40,250, while Frits Seegers' cash allowance in 2007 was £175,000.

i In addition to the cash allowance in lieu of pension contributions, Naguib Kheraj has defined contribution benefits in respect of a previous period of participation in afterwork. The fund value of this deferred benefit as at 31st March 2007, when he ceased to be an executive Director, was £110,821.

Table of Contents

Executive Directors: illustration of change in value of Barclays PLC shares owned beneficially, or held under option or awarded under employee share plans as at 31st December 2007[a]

	Number at 31st December 2007									
	Shares owned beneficially[b]	ESAS[c]	PSP[d]	Executive Share Option Scheme (ESOS)[e]	ISOP[e]	Sharesave	Total	Notional value based on share price of £7.30[f] £000	Notional value based on share price of £5.04[g] £000	Change in notional value £000
Executive Directors										
John Varley	470,650	344,711	459,503	–	920,000	3,638	2,198,502	11,976	7,056	(4,920)
Robert E Diamond Jr	3,402,192	4,863,749	1,755,335	100,000	560,000	–	10,681,276	75,033	50,942	(24,091)
Gary Hoffman	431,761	274,402	257,116	–	540,000	6,150	1,509,429	8,555	5,187	(3,368)
Chris Lucas	38,003	69,091	82,910	–	–	3,638	193,642	1,382	958	(424)
Frits Seegers	699,870	231,383	294,154	–	–	3,390	1,228,797	8,954	6,177	(2,777)

Notes

a Under PSP, ESAS, ISOP, ESOS and Sharesave, nothing was paid by the participants on the grant of options or awards.

b The number shown includes shares held under Sharepurchase.

c ESAS includes the maximum potential 30% bonus share element where applicable, and any voluntary ESAS awards.

d The number of shares shown represents the initial allocation of shares.

e The number of shares shown represents the vested shares under option.

f With the exception of Chris Lucas, the notional value is based on the share price as at 31st December 2006. The notional value for Chris Lucas is based on a share price of £7.23, which was the share price as at 2nd April 2007, the first working day after he was appointed executive Director.

g The notional value is based on the share price as at 31st December 2007. The highest and lowest market prices per share during the year were £7.90 and £4.775 respectively.

Table of Contents

Corporate governance
Remuneration report

Executive Directors: shares provisionally allocated and shares under option under ESAS[a,h,i,j]

		During 2007						
	Number at 1st January 2007	Awarded in respect of the results for 2006	Released[c]	Market price on Release date £	Exercised	Market price on Exercise date £	Bonus shares lapsed	Number at 31st December 2007
Executive Directors								
John Varley	278,211	95,328	28,828	7.15	–	–	–	344,711
Robert E Diamond Jr[d]	5,282,875	616,303	1,035,429	7.15	–	–	–	4,863,749
Gary Hoffman	166,526	27,712	16,924	7.15	–	–	–	177,314
Chris Lucas[b]	–	–	–	–	–	–	–	69,091
Frits Seegers	802,208	70,941	641,766	6.84	–	–	–	231,383
Former Director								
Naguib Kheraj	790,317	–	230,560	7.15	–	–	–	559,757

Shares under option under ESAS and voluntary ESAS as at 31st December 2007 (with the exception of voluntary ESAS, shares under option are included in aggregate figures above)

			During 2007						
	Nil cost option granted at 3rd anniversary[e]	Nil cost option under voluntary ESAS at 1st January 2007[f]	Voluntary ESAS option granted	Voluntary ESAS option exercised[g]	Market price on exercise date of voluntary ESAS option £	Bonus shares lapsed on exercise of voluntary ESAS option	Number under Voluntary ESAS at 31st December 2007	Date from which exercisable	Latest expiry date
Executive Directors									
John Varley	56,037	–	–	–	–	–	–	28/02/06	05/03/09
Robert E Diamond Jr	–	–	–	–	–	–	–	–	–
Gary Hoffman	47,663	136,584	–	39,496	7.17	–	97,088	05/03/04	05/03/14
Chris Lucas	–	–	–	–	–	–	–	–	–
Frits Seegers	–	–	–	–	–	–	–	–	–
Former Director									
Naguib Kheraj	402,509	–	–	–	–	–	–	28/02/06	30/06/08

Notes

a The number of shares shown in the table includes the maximum potential 30% bonus element where applicable.

b Figures shown in the column 'Number at 1st January 2007' for Chris Lucas are as at date of joining. An award of 69,091 Barclays shares was granted to Chris Lucas on 1st May 2007, following his appointment as an executive Director on 1st April 2007, in recognition of forfeited compensation from his previous employment. Bonus shares are not applicable to the award.

c The trustees may release additional shares to participants which represent accumulated dividends (net of withholding) in respect of shares under award. During 2007, the trustees released the following accumulated dividend shares: 6,865 to John Varley, 100,645 to Robert E Diamond Jr, 4,030 to Gary Hoffman and 54,899 to Naguib Kheraj. These are not awarded as part of the original award and consequently are not included in the 'Released' column.

d The number shown in the column headed 'Number at 1st January 2007' includes shares held by Robert E Diamond Jr which reflect interests built up over the course of successive years' service with Barclays. The awards were related to Robert E Diamond Jr's contribution to the performance of Investment Banking, Investment Management and the Barclays Group as a whole.

e The shares under option shown in this column are already included in the numbers shown at 1st January 2007 in the first table on this page, and relate to provisional allocations made in 2003 and 2004 except that the figures do not include accumulated dividend shares under option as follows: 7,410 shares for John Varley, 6,303 shares for Gary Hoffman and 53,059 shares for Naguib Kheraj.

f The shares under option in this column are not included in the numbers shown at 1st January 2007 or 31st December 2007 in the first table on this page.

g These figures do not include 9,624 accumulated dividend shares released on exercise of voluntary ESAS options.

h Awards in respect of 2007 will be made in March 2008. Including the maximum potential 30% bonus element, awards will total £617,500 to John Varley, £11,375,000 to Robert E Diamond Jr, £219,375 to Gary Hoffman, £568,750 to Frits Seegers and £195,000 to Chris Lucas.

i Nothing was paid by the participants on the grant of options or awards.

j Please refer to page 131 for further details on ESAS and voluntary ESAS.

Table of Contents

Executive Directors: awards under PSP[a,e]

	Shares under initial allocation at 1st January 2007	Shares under initial allocation granted during 2007[b]	Maximum number of shares granted during 2007	Market price on award date £[c]	Performance period[d]	Scheduled vesting date	Shares under initial allocation at 31st December 2007	Maximum number of shares under award at 31st December 2007	Lapses due in 2008 based on maximum number of shares under award
Executive Directors									
John Varley									
2005	142,045	–	–	–	01/01/05 - 31/12/07	16/06/08	142,045	426,135	426,135
2006	153,748	–	–	–	01/01/06 - 31/12/08	23/03/09	153,748	461,244	–
2007	–	163,710	491,130	7.08	01/01/07 - 31/12/09	22/03/10	163,710	491,130	–
Total							459,503	1,378,509	
Robert E Diamond Jr									
2005	52,083	–	–	–	01/01/05 - 31/12/07	16/06/08	52,083	156,249	156,249
2006	768,736	–	–	–	01/01/06 - 31/12/08	23/03/09	768,736	2,306,208	–
2007	–	934,516	2,803,548	7.08	01/01/07 - 31/12/09	22/03/10	934,516	2,803,548	–
Total							1,755,335	5,266,005	
Gary Hoffman									
2005	75,758	–	–	–	01/01/05 - 31/12/07	16/06/08	75,758	227,274	227,274
2006	96,092	–	–	–	01/01/06 - 31/12/08	23/03/09	96,092	288,276	–
2007	–	85,266	255,798	7.08	01/01/07 - 31/12/09	22/03/10	85,266	255,798	–
Total							257,116	771,348	
Chris Lucas									
2007	–	82,910	248,730	7.23	01/01/07 - 31/12/09	22/03/10	82,910	248,730	–
Total							82,910	248,730	
Frits Seegers									
2006	157,728	–	–	–	01/01/06 - 31/12/08	04/08/09	157,728	473,184	–
2007	–	136,426	409,278	7.08	01/01/07 - 31/12/09	22/03/10	136,426	409,278	–
Total							294,154	882,462	
Former Director									
Naguib Kheraj									
2005	87,121	–	–	–	01/01/05 - 31/12/07	16/06/08	87,121	261,363	261,363
2006	107,624	–	–	–	01/01/06 - 31/12/08	23/03/09	107,624	322,872	–
Total							194,745	584,235	

Executive Directors: Retained Incentive Opportunity[f]

	Date of award	Maximum potential value £000s	Performance period	Vesting date
Robert E Diamond Jr	25/05/05	14,850	01/01/05 - 31/12/07	No later than 15/03/08

Notes

a The performance conditions for the 2005 awards were not met and all awards are due to lapse in 2008.

b In respect of John Varley, Robert E Diamond Jr, Gary Hoffman and Frits Seegers, the price used to convert the present fair value of the award to a number of shares was £7.33. This was the average over the period 20th February 2007 to 13th March 2007. In respect of Chris Lucas, the price used to convert the present fair value of the award to a number of shares was £7.23, which was the price at which shares were purchased in the market to fund the award.

c The price shown is the mid-market closing price on the date of the award.

d The details of the performance conditions for PSP are included on page 131.

e Figures shown in the column 'Shares under initial allocation at 1st January 2007' for Chris Lucas are as at date of joining. Nothing was paid by the participants on the grant of awards.

f Robert E Diamond Jr's award under the Retained Incentive Opportunity reached the end of its performance period on 31st December 2007. Barclays Capital's cumulative EP over the three-year performance period, which started on 1st January 2005, exceeded the £2bn threshold for the maximum potential value to vest in accordance with the terms of the award. This resulted in a vesting in February 2008 to the value of £14,850,000 with 50% payable in cash and the remaining 50% as a recommendation to the trustee of ESAS for an award of Barclays shares in the form of a provisional allocation. Any shares under the ESAS award would be releasable after 12 months from the award date. Bonus shares are not applicable to this award.

Table of Contents

Executive Directors: shares under option under Sharesave[a]

		During 2007				Information as at 31st December 2007			
	Number held at 1st January 2007	Granted	Exercised	Exercise price per share £	Market price on date of exercise £	Number of shares held under option	Weighted average exercise price of outstanding options £	Date from which exercisable	Latest expiry date
Executive Directors									
John Varley	4,096	3,638	4,096	4.11	7.89	3,638	4.83	01/11/14	30/04/15
Robert E Diamond Jr	–	–	–	–	–	–	–	–	–
Gary Hoffman	6,474	–	324	3.16	5.09	6,150	4.35	01/11/08	30/04/14
Chris Lucas	–	3,638	–	–	–	3,638	4.83	01/11/14	30/04/15
Frits Seegers	–	3,390	–	–	–	3,390	4.83	01/11/12	30/04/13
Former Director									
Naguib Kheraj	4,007	–	–	–	–	4,007	4.08	01/01/08	30/06/08

Note

a Figures shown in the column 'Number held at 1st January 2007' for Chris Lucas are as at date of joining. Nothing was paid by the participants on the grant of options.

Table of Contents

Executive Directors: plans used in previous years (ESOS, ISOP and the BGI EOP)

The executive Directors continue to have interests in Barclays PLC ordinary shares under ESOS[a] and ISOP[b], and in BGI Holdings under the BGI EOP[c] (as indicated in the table below). No awards were made to Directors under these plans during 2007.

Executive Directors: awards under plans used in previous years[e]

	Maximum number of shares under option at 1st January 2007	During 2007		Market price on exercise date £	Maximum number of shares under option at 31st December 2007	Weighted average exercise price of outstanding options £	Date from which exercisable	Latest expiry date	Vested number of shares at 31st December 2007
		Exercised	Lapsed						
Executive Directors									
John Varley									
ISOP	2,060,000	–	1,140,000	–	920,000	4.41	18/05/03	22/03/14	920,000
Robert E Diamond Jr									
ESOS	100,000	–	–	–	100,000	3.97	14/08/01	13/08/08	100,000
ISOP	1,340,000	–	780,000	–	560,000	4.54	12/03/04	22/03/14	560,000
BGI EOP	100,000	–	–	–	100,000	20.11	26/03/07	26/03/14	100,000
Gary Hoffman									
ISOP	1,320,000	–	780,000	–	540,000	4.51	12/03/04	22/03/14	540,000
Chris Lucas[d]									
–	–	–	–	–	–	–	–	–	–
Frits Seegers[d]									
–	–	–	–	–	–	–	–	–	–
Former Director									
Naguib Kheraj									
ESOS	60,000	–	–	–	60,000	3.97	14/08/01	13/08/08	60,000
ISOP	1,360,000	–	840,000	–	520,000	4.47	12/03/04	31/12/08	520,000

Notes

a Under ESOS, options granted (at market value) to executives were exercisable only if the growth in Barclays earnings per share over the three-year period was at least equal to the percentage increase in the UK Retail Prices Index plus 6% over the same period. The performance condition for the 1999 ESOS grant was met.

b Under ISOP, executives were awarded options (at market value) over Barclays shares which are normally exercisable after three years. The number of shares over which options can be exercised depends upon performance against specific performance conditions. For ISOP awards granted in 2000 to 2003, the first 40,000 target shares under option for each award was subject to an EP performance condition, tested over a period of three years. Any amount over 40,000 target shares was subject to a relative TSR performance condition, to be tested initially over three years. Because the TSR performance condition was not met over three years in relation to the awards in 2003, the TSR condition was tested over a period of four years from the original start date. Awards in 2004 were subject to a relative TSR performance condition. For the 2003 and 2004 grants under ISOP, which became exercisable in 2007, Barclays was ranked 6th in the peer group under the TSR performance condition. This was sufficient for only 25% of the maximum number of shares under the TSR condition to vest. The remaining 75% lapsed.

c Robert E Diamond Jr received a grant under the BGI EOP in March 2004. He was not a Director of Barclays PLC at that time. The BGI EOP is an option plan, approved by shareholders in 2000 and offered predominantly to participants in the US. Under the BGI EOP, participants receive an option to purchase shares in Barclays Global Investors UK Holdings Limited. The exercise price is based on the fair value at the time of grant. The option normally vests in three equal tranches on the first, second, and third anniversary of the date of grant. Participants must, in accordance with the Articles of Association of Barclays Global Investors UK Holdings Limited, keep their shares for 355 days after the date of exercise, before they may be offered for sale. In line with market practice, the options were not subject to performance conditions. Robert E Diamond Jr is not eligible to receive further awards under the BGI EOP. The shares shown in respect of the BGI EOP in the above table are shares in Barclays Global Investors UK Holdings Limited.

d Frits Seegers was appointed as an executive Director on 10th July 2006, and Chris Lucas on 1st April 2007, and therefore no participation in the above plans has been offered to them.

e Nothing was paid by the participants on the grant of options.

Table of Contents

Directors: interests in ordinary shares of Barclays PLC[a]

	At 1st January 2007[b]		At 31st December 2007	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Group Chairman				
Marcus Agius	15,000	–	86,136	–
Executive Directors				
John Varley	375,053	–	470,650	–
Robert E Diamond Jr[e]	2,531,582	–	3,402,192	–
Gary Hoffman	319,186	–	431,761	–
Chris Lucas[f]	–	–	38,003	–
Frits Seegers[d]	4,319	–	699,870	–
Non-executive Directors[c]				
David Booth[g]	–	–	50,374	–
Sir Richard Broadbent	8,092	–	14,026	–
Leigh Clifford	5,219	–	18,872	–
Fulvio Conti	2,538	–	10,067	–
Dr Danie Cronjé[d]	3,547	–	5,146	–
Professor Dame Sandra Dawson	9,953	–	12,040	–
Sir Andrew Likierman	5,441	–	8,137	–
Sir Nigel Rudd	51,117	–	84,843	–
Stephen Russell	18,661	–	21,054	–
Sir John Sunderland	10,054	–	31,658	–

Notes

a Beneficial interests in the table above represent shares held by Directors who were on the Board as at 31st December 2007, either directly or through a nominee, their spouse and children under 18. They include any interests held through Sharepurchase, but do not include any awards under ESAS, ISOP, PSP, ESOS and Sharesave. The beneficial interests in ordinary shares of Barclays PLC held by all Directors as shown in the table above amounted in aggregate to 5,384,829 ordinary shares of Barclays PLC as at 31st December 2007 and 5,398,797 ordinary shares of Barclays PLC as at 27th February 2008 (which amounted to less than 1% of Barclays PLC ordinary share capital outstanding as at 31st December 2007 and 27th February 2008 respectively). Note 42 provides further information on Directors' and Officers' shareholdings. As at 31st December 2007, the executive Directors, together with other senior executives, were potential beneficiaries in respect of a total of 207,685,698 Barclays PLC ordinary shares (1st January 2007: 165,645,889) held by the trustees of the Barclays EBTs. As at 27th February 2008, a total of 218,235,925 shares were held by the trustees.

b Or date appointed to the Board if later.

c On 19th February 2008, the non-executive Directors acquired ordinary shares pursuant to arrangements under which part of each non-executive Director's fee is used to buy shares in Barclays. Barclays shares were acquired by each non-executive Director as follows: David Booth – 1,183; Sir Richard Broadbent – 1,487; Leigh Clifford – 1,312; Fulvio Conti – 1,401; Dr Danie Cronjé – 1,270; Professor Dame Sandra Dawson – 1,485; Sir Andrew Likierman – 1,353; Sir Michael Rake – 204; Sir Nigel Rudd – 1,646; Stephen Russell – 1,600; Sir John Sunderland – 1,231; Patience Wheatcroft – 169. On 19th February 2008, Sir Michael Rake also acquired 1,100 ordinary shares in Barclays. On 26th February 2008, Patience Wheatcroft acquired 1,200 ordinary shares in Barclays and Sir Nigel Rudd sold 28,000 ordinary shares in Barclays and acquired 28,000 ordinary shares in Barclays in PEP and ISA accounts. Except as described in this note, there were no changes to the beneficial or non-beneficial interests of Directors in the period 31st December 2007 to 27th February 2008.

d As at 1st January 2007, Frits Seegers and Dr Danie Cronjé held 1,000 and 101,577 shares in Absa Group Limited respectively. As at 31st December 2007, Frits Seegers and Dr Danie Cronjé held 1,000 and 101,577 shares in Absa Group Limited respectively. Dr Danie Cronjé also held 7,500 non-cumulative, non-redeemable preference shares in Absa Bank Limited as at 1st January 2007 and 11,700 such shares as at 31st December 2007.

e As at 1st January 2007 and 31st December 2007, Robert E Diamond Jr held 200,000 'A' ordinary shares in Barclays Global Investors UK Holdings Limited.

f Appointed as an executive Director on 1st April 2007.

g Appointed as a non-executive Director on 1st May 2007.

Table of Contents

Corporate governance

Accountability and audit

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 the accounts.

Internal control

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

Throughout the year ended 31st December 2007, and to date, the Group has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance 'Internal Control: Guidance for Directors on the Combined Code' published by the Financial Reporting Council. The Board regularly reviews these processes through the Board Committees.

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

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

Quarterly risk reports are made to the Board covering risks of Group significance including credit risk, market risk and operational risk, including legal and compliance risk. Reports covering risk measurement standards and risk appetite are made to the Board Risk Committee. Further details of risk management procedures are given in the Risk management section on pages 65 to 96.

Management's report on internal control over financial reporting

The management of Barclays PLC is responsible for establishing and maintaining adequate internal control over financial reporting. Barclays PLC's internal control over financial reporting is a process designed under the supervision of Barclays PLC's 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 (IFRSs) as adopted by the European Union and published by the International Accounting Standards Board.

Barclays PLC's 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 assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRSs and that receipts and expenditures are being made only in accordance with authorisations of management and the Directors of Barclays PLC; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of Barclays PLC's assets that could have a material effect on Barclays PLC's financial statements.

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

Management has assessed the effectiveness of Barclays PLC's internal control over financial reporting as of 31st December 2007. In making its assessment, management has utilised the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission in Internal Control – Integrated Framework. Management concluded that based on its assessment, Barclays PLC's internal control over financial reporting was effective as of 31st December 2007.

The system of internal financial and operational controls is also subject to regulatory oversight in the United Kingdom and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk management section on page 110.

Statement of Directors' responsibilities for accounts

The following statement, which should be read in conjunction with the Auditors' report set out on page 147, 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 1985 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 IFRSs as adopted by the European Union. The accounts are required by law and IFRSs to present fairly the financial position of the Company and the Group and the performance for that period; the Companies Act 1985 provides, in relation to such accounts, that references in the relevant part of the law to accounts giving a true and fair view are references, to their achieving fair presentation.

The Directors consider that, in preparing the accounts on pages 149 to 249, and the additional information contained on pages 250 to 274, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985.

Table of Contents

Corporate governance

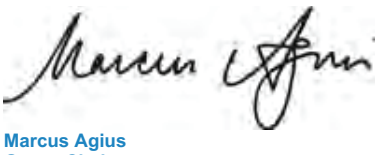
Accountability and audit

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

Disclosure controls and procedures

The Group Chief Executive, John Varley, and the Group Finance Director, Chris Lucas, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31st December 2007, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within the time periods specified in the US Securities and Exchange Commission's rules and forms. As of the date of the evaluation, the Group Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective. The Group Chief Executive and Group Finance Director also concluded that no significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to their evaluation.

Signed on behalf of the Board



Marcus Agius
Group Chairman
7th March 2008

Table of Contents

Financial statements

Presentation of information	146
Report of the Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of Barclays PLC	147
Report of the Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of Barclays Bank PLC	148
Consolidated accounts Barclays PLC	149
Accounting policies	149
Accounting presentation	158
Consolidated income statement	160
Consolidated balance sheet	161
Statement of recognised income and expense	162
Consolidated cash flow statement	163
Parent company accounts	164
Notes to the accounts	166
Barclays Bank PLC accounts	250

Table of Contents

Presentation of information

Presentation of Information

Barclays PLC is a public limited company registered in England under company number 48839. The Company, originally named Barclay & Company Limited, was incorporated in England and Wales on 20th July 1896 under the Companies Acts 1862 to 1890 as a company limited by shares. The company name was changed to Barclays Bank Limited on 17th February 1917 and it was reregistered in 1982 as a public limited company under the Companies Acts 1948 to 1980. On 1st January 1985, the company changed its name to Barclays PLC.

Barclays Bank PLC is a public limited company registered in England under company number 1026167. The Bank was incorporated on 7th August 1925 under the Colonial Bank Act 1925 and on 4th October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1st January 1985 the Bank was reregistered as a public limited company and its name was changed from Barclays Bank International Limited to Barclays Bank PLC.

All of the issued ordinary share capital of Barclays Bank PLC is owned by Barclays PLC. The Annual Report for Barclays PLC also contains the consolidated accounts of, and other information relating to, Barclays Bank PLC. Except where otherwise indicated, the information given is identical with respect to both Barclays PLC and Barclays Bank PLC.

The term 'Companies Act 1985' means the company law provisions of the Companies Act 1985 (as amended) that remain in force. The term 'Companies Act 2006' means the operative company law provisions of the Companies Act 2006.

The accounts of Barclays Bank PLC included in this document do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Barclays Bank PLC, which contain an unqualified audit report and do not contain any statement under Section 237(2) or (3) of that Act, will be delivered to the Registrar of Companies in accordance with Section 242 of that Act and are published as a separate document.

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

Statutory Accounts

The consolidated accounts of Barclays PLC and its subsidiaries are set out on pages 149 to 249 along with the accounts of Barclays PLC itself on page 164. The consolidated accounts of Barclays Bank PLC and its subsidiaries are set out on pages 250 to 262. The accounting policies on pages 149 to 157 and the Notes commencing on page 166 apply equally to both sets of accounts unless otherwise stated.

Adoption of IFRS and 2004 comparatives

The Group adopted the requirements of International Financial Reporting Standards and International Accounting Standards (collectively IFRSs) as adopted by the European Union in 2005. As permitted by IFRS 1, the accounting standards relating to financial instruments and insurance contracts have not been applied to 2004. Therefore, the 2004 comparatives are significantly different from the numbers reported in later years. n/a has been included in tables where, as a result of the application of IAS 32, IAS 39 and IFRS 4 in later years and UK GAAP in 2004, the disclosure is not applicable.

Table of Contents

Independent Registered Public Accounting Firm's report

Report of Independent Registered Public Accounting Firm to the Board of Directors and Shareholders of Barclays PLC

In our opinion, the accompanying Consolidated income statements and the related Consolidated balance sheets, Consolidated statements of recognised income and expense and, Consolidated statements of cash flows present fairly, in all material respects, the financial position of Barclays PLC (the 'Company') and its subsidiaries at 31st December 2007 and 31st December 2006 and the results of their operations and cash flows for each of the three years in the period ended 31st December 2007, in conformity with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. Also, in our opinion the Company maintained, in all material respects, effective internal control over financial reporting as of 31st December 2007, based on criteria established in Internal Control – Integrated Framework issued by the COSO. The Company's management are responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in 'Management's report on internal control over financial reporting' in the section headed Accountability and audit. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits which were integrated in 2007 and 2006. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
7th March 2008

Table of Contents

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Shareholders of Barclays Bank PLC:

In our opinion, the accompanying Consolidated income statements and the related Consolidated balance sheets, Consolidated statements of recognised income and expense and, Consolidated statements of cash flows present fairly, in all material respects, the financial position of Barclays Bank PLC and its subsidiaries at 31st December 2007 and 31st December 2006, and the results of their operations and cash flows for each of the three years in the period ended 31st December 2007 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
10th March 2008

Table of Contents

Consolidated Accounts Barclays PLC
Accounting Policies

Significant Accounting Policies

1. Reporting entity

These financial statements are prepared for the Barclays PLC Group ('Barclays' or 'the Group') under Section 227(2) of the Companies Act 1985. The Group is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. In addition, individual financial statements have been prepared for the holding company, Barclays PLC ('the Company'), under Section 226(2)(b) of the Companies Act 1985.

Barclays PLC is a public limited company, incorporated in Great Britain and having a registered office in England.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays PLC Group, and the individual financial statements of Barclays PLC, have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRSs and IFRIC interpretations as adopted by the European Union.

IFRS 7 'Financial Instrument Disclosures' and an amendment to IAS 1 'Presentation of Financial Statements' on capital disclosures were implemented in 2007, resulting in new or revised disclosures.

The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below. These policies have been consistently applied.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of certain financial instruments and contracts to buy or sell non-financial items and trading inventories to the extent required or permitted under accounting standards and as set out in the relevant accounting polices. They are stated in millions of pounds Sterling (£m), the currency of the country in which Barclays PLC is incorporated.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements such as fair value of financial instruments (Note 49), allowance for impairment (Note 47), goodwill (Note 21), intangible assets (Note 22), and retirement benefit obligations (Note 30).

4. Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Barclays PLC and all its subsidiaries, including certain special purpose entities (SPEs) where appropriate, made up to 31st December. Entities qualify as subsidiaries where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls another entity. Details of the principal subsidiaries are given in Note 40.

SPEs are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control, as set out in SIC 12 'Consideration – Special Purpose Entities', include, amongst others, an assessment of the Group's exposure to the risks and benefits of the SPE.

The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed, plus any costs directly related to the acquisition. The excess of the cost of an acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. See accounting policy 14 for the accounting policy for goodwill. Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation.

As the consolidated financial statements include partnerships where a Group member is a partner, advantage has been taken of the exemption of Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 with regard to the preparation and filing of individual partnership financial statements.

Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

A joint venture exists where the Group has a contractual arrangement with one or more parties to undertake activities typically, though not necessarily, through entities which are subject to joint control.

Unless designated as at fair value through profit and loss as set out in policy 7, the Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition profit (or loss), or other movements reflected directly in the equity of the associated or jointly controlled entity. Goodwill arising on the acquisition of an associate or joint venture is included in the carrying amount of the investment (net of any accumulated impairment loss). When the Group's share of losses in an associate or joint venture equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

The Group's share of the results of associates and joint ventures is based on financial statements made up to a date not earlier than three months before the balance sheet date, adjusted to conform with the accounting polices of the Group. Unrealised gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

In the individual financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less impairment, if any.

5. Foreign currency translation

The consolidated and individual financial statements are presented in Sterling, which is the functional currency of the parent company. Items included in the financial statements of each of the Group's entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investments. See policy 12 for the policies on hedge accounting.

Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Exchange differences on equities and similar non-monetary items held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available for sale financial assets and non-monetary items are included directly in equity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases.

Table of Contents

Consolidated accounts Barclays PLC
Accounting policies

For the purposes of translation into the presentational currency, assets, liabilities and equity of foreign operations are translated at the closing rate, and items of income and expense are translated into Sterling at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate to actual rates.

The exchange differences arising on the translation of a foreign operation are included in cumulative translation reserves within shareholders' equity and included in the profit or loss on disposal or partial disposal of the operation.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are maintained in the functional currency of the foreign operation, translated at the closing rate and are included in hedges of net investments where appropriate.

On transition to IFRS, the Group brought forward a nil opening balance on the cumulative foreign currency translation adjustment arising from the retranslation of foreign operations, which is shown as a separate item in shareholders' equity.

6. Interest, fees and commissions

Interest

Interest is recognised in interest income and interest expense in the income statement for all interest bearing financial instruments classified as held to maturity, available for sale or other loans and receivables using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating effective interest, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis as the service is provided. Fees and commissions not integral to effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied to the recognition of income from wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognised over the term of the commitment.

Insurance premiums

Insurance premiums are recognised in the period earned.

Net trading income

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Dividends from subsidiaries

In the individual financial statements of Barclays PLC, dividends from subsidiaries are accounted for on the basis of dividends received in the accounting period.

7. Financial assets and liabilities

Financial assets

The Group classifies its financial assets in the following categories: financial instruments at fair value through profit or loss; loans and receivables; held to maturity investments and available for sale financial assets. Management determines the classification of financial assets and liabilities at initial recognition.

Financial instruments at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated by management under the fair value option. Instruments are classified as held for trading if they are:

(i) acquired principally for the purposes of selling or repurchasing in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(iii) a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial instruments cannot be transferred into or out of this category after inception. Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Regular way purchases and sales of financial instruments held for trading or designated under the fair value option are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

The fair value option is used in the following circumstances:

(i) financial assets backing insurance contracts and financial assets backing investment contracts are designated at fair value through profit or loss because the related liabilities have cash flows that are contractually based on the performance of the assets or the related liabilities are insurance contracts whose measurement incorporates current information. Fair valuing the assets through profit and loss significantly reduces the recognition inconsistencies that would arise if the financial assets were classified as available for sale;

Table of Contents

(ii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss if they contain substantive embedded derivatives;

(iii) financial assets, loans to customers, financial liabilities, financial guarantees and structured notes may be designated at fair value through profit or loss where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost; and

(iv) certain private equity and other investments that are managed, and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available for sale. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 6). They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments that the Group's management has the intention and ability to hold to maturity. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method (see accounting policy 6). They are derecognised when the rights to receive cash flows have expired.

Regular way purchases of held to maturity financial assets are recognised on trade date, being the date on which the Group commits to purchase the asset.

Available for sale

Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest determined using the effective interest method (see accounting policy 6), impairment losses and translation differences on monetary items are recognised in the income statement. The assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of available for sale financial instruments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

Embedded derivatives

Some hybrid contracts contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value with gains and losses being recognised in the income statement.

Profits or losses cannot be recognised on the initial recognition of embedded derivatives unless the host contract is also carried at fair value.

Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are derecognised when extinguished.

Determining fair value

Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined by reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial markets pricing models, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. For financial liabilities measured at fair value, the carrying amount is adjusted to reflect the effect on fair value of changes in own credit spreads. Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters. However, where valuations include significant unobservable inputs, the transaction price is deemed to provide the best evidence of initial fair value for accounting purposes. As such, profits or losses are recognised upon trade inception only when such profits can be measured solely by reference to observable market data. The difference between the model valuation and the initial transaction price is recognised in profit or loss:

a) on a straight-line basis over the term of the transaction, or over the period until all model inputs will become observable where appropriate, or;

b) released in full where previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include for example, the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the market place, the maturity of market modelling, the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

8. Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that loans and receivables or available for sale financial investments are impaired. These are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

Table of Contents

Consolidated accounts Barclays PLC
Accounting policies

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio;

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables the Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan and receivable, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and recognised in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralised loan and receivable asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognised using the original effective rate of interest which was used to discount the future cash flows for the purpose of measuring the impairment loss.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Equity securities acquired in exchange for loans in order to achieve an orderly realisation are accounted for as a disposal of the loan and an acquisition of equity securities. Where control is obtained over an entity as a result of the transaction, the entity is consolidated. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business and not as an impairment of the original instrument.

In the case of available for sale financial investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

9. Sale and repurchase agreements (including stock borrowing and lending)

Securities may be lent or sold subject to a commitment to repurchase them (a 'repo'). Such securities are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group, and the counterparty liability is included separately on the balance sheet as appropriate.

Similarly, where the Group borrows or purchases securities subject to a commitment to resell them (a 'reverse repo') but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans, and the securities are not included in the balance sheet.

The difference between sale and repurchase price is accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, at which point the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

10. Securitisation transactions

Certain Group undertakings have issued debt securities or have entered into funding arrangements with lenders in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless:

(i) substantially all the risks and rewards associated with the financial instruments have been transferred, in which case, the assets are derecognised in full; or

(ii) if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

Where (i) or (ii) above applies to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Table of Contents

11.Collateral and netting

The Group enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

12.Hedge accounting

Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions.

Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, the Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation as appropriate to the risks being hedged.

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group discontinues hedge accounting when:

(i) It is determined that a derivative is not, or has ceased to be, highly effective as a hedge;

(ii) the derivative expires, or is sold, terminated, or exercised;

(iii) the hedged item matures or is sold or repaid; or

(iv) a forecast transaction is no longer deemed highly probable.

In certain circumstances, the Group may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedging instrument. To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item; or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, the hedge is deemed to include ineffectiveness. The amount of ineffectiveness, provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the income statement.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in shareholders' equity, and recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Hedges of net investments

Hedges of net investments in foreign operations, including monetary items that are accounted for as part of the net investment, are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is recognised directly in equity and the ineffective portion is recognised immediately in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement on the disposal or partial disposal of the foreign operation.

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments although for a non-derivative liability only the foreign exchange risk is designated as a hedge.

Derivatives that do not qualify for hedge accounting

Derivative contracts entered into as economic hedges that do not qualify for hedge accounting are held at fair value through profit or loss.

13.Property, plant and equipment

Property and equipment is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the assets.

Depreciation is provided on the depreciable amount of items of property and equipment on a straight-line basis over their estimated useful economic lives. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its useful economic life.

Table of Contents

Consolidated accounts Barclays PLC
Accounting policies

The Group uses the following annual rates in calculating depreciation:

Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property (less than 50 years to run)	Over the remaining life of the lease
Costs of adaptation of freehold and leasehold property [a]	7-10%
Equipment installed in freehold and leasehold property [a]	7-10%
Computers and similar equipment	20-33%
Fixtures and fittings and other equipment	10-20%

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

When deciding on depreciation rates and methods, the principal factors the Group takes into account are the expected rate of technological developments and expected market requirements for, and the expected pattern of usage of, the assets. When reviewing residual values, the Group estimates the amount that it would currently obtain for the disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful economic life.

No depreciation is provided on freehold land, although, in common with all long-lived assets, it is subject to impairment testing, if deemed appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

14. Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiary and associated entities and joint ventures, and represents the excess of the fair value of the purchase consideration and direct costs of making the acquisition, over the fair value of the Group's share of the assets acquired, and the liabilities and contingent liabilities assumed on the date of the acquisition.

For the purpose of calculating goodwill, fair values of acquired assets, liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk-free rates and risk-adjusted expected future cash flows. Goodwill is capitalised and reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill on acquisitions of associates and joint ventures is included in the amount of the investment. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

The carrying amount of goodwill in the UK GAAP balance sheet as at 31st December 2003 has been brought forward without adjustment on transition to IFRSs.

Computer software

Computer software is stated at cost, less amortisation and provisions for impairment, if any.

The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

Capitalised computer software is amortised over three to five years.

Other intangible assets

Other intangible assets consist of brands, customer lists, licences and other contracts, core deposit intangibles, mortgage servicing rights and customer relationships. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method and the relief from royalty method that estimate net cash flows attributable to an asset over its economic life and discount to present value using an appropriate rate of return based on the cost of equity adjusted for risk.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over 4-25 years.

15. Impairment of property, plant and equipment and intangible assets

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment and intangible assets, are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. Goodwill is subject to an impairment review as at the balance sheet date each year. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the asset's or the cash-generating unit's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arms-length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets and goodwill are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised. Impairment losses on goodwill are not reversed. For the purpose of conducting impairment reviews, cash-generating units are the lowest level at which management monitors the return on investment on assets.

16. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Other than where the fair value option is applied, subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement any fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date, in accordance with policy 23.

Any increase in the liability relating to guarantees is taken to the income statement in Provisions for undrawn contractually committed facilities and guarantees provided. Any liability remaining is recognised in the income statement when the guarantee is discharged, cancelled or expires.

Note
a

Where leasehold property has a remaining useful life of less than 15 years, costs of adaptation and installed equipment are depreciated over the remaining life of the lease.

Table of Contents

17.Issued debt and equity securities

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Company. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method as set out in policy 6. Derivatives embedded in financial liabilities that are not designated at fair value are accounted for as set out in policy 7. Equity instruments, including share capital, are initially recognised at net proceeds, after deducting transaction costs and any related income tax. Dividend and other payments to equity holders are deducted from equity, net of any related tax.

18.Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares or options including those issued on the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Barclays PLC (the Company) shareholders.

Treasury shares

Where the Company or any member of the Group purchases the Company's share capital, the consideration paid is deducted from shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

19.Insurance contracts and investment contracts

The Group offers wealth management, term assurance, annuity, property and payment protection insurance products to customers that take the form of long- and short-term insurance contracts.

The Group classifies its wealth management and other products as insurance contracts where these transfer significant insurance risk, generally where the benefits payable on the occurrence of an insured event are at least 5% more than the benefits that would be payable if the insured event does not occur.

Contracts that do not contain significant insurance risk or discretionary participation features are classified as investment contracts. Financial assets and liabilities relating to investment contracts, and assets backing insurance contracts are classified and measured as appropriate under IAS 39, 'Financial Instruments: Recognition and Measurement'.

Long-term Insurance contracts

These contracts, insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Claims and surrenders are accounted for when notified. Maturities on the policy maturity date and regular withdrawals are accounted for when due.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised, based on the expected discounted value of the benefit payments and directly related administration costs, less the expected discounted value of the future premiums that would be required to meet the benefits and other expenses. The calculation of the liability contains assumptions regarding mortality, maintenance expenses and investment income.

Liabilities under unit-linked life insurance contracts (such as endowment policies) in addition reflect the value of assets held within unitised investment pools.

Short-term insurance contracts

Under its payment protection insurance products the Group is committed to paying benefits to the policyholder rather than forgiving interest or principal on the occurrence of an insured event, such as unemployment, sickness, or injury. Property insurance contracts mainly compensate the policyholders for damage to their property or for the value of property lost.

Premiums are recognised as revenue proportionally over the period of the coverage. Claims and claims handling costs are charged to income as incurred, based on the estimated liability for compensation owed to policyholders arising from events that have occurred up to the balance sheet date even if they have not yet been reported to the Group, based on assessments of individual cases reported to the Group and statistical analyses for the claims incurred but not reported.

Deferred acquisition costs (DAC)

Commissions and other costs that are related to securing new insurance and investment contracts are capitalised and amortised over the estimated lives of the relevant contracts.

Deferred income liability

Fees that are designed to recover commissions and other costs related to either securing new insurance and investment contracts or renewing existing investment contracts are included as a liability and amortised over the estimated life of the contract.

Value of business acquired

On acquisition of a portfolio of contracts, such as through the acquisition of a subsidiary, the Group recognises an intangible asset representing the value of business acquired (VOBA), representing the future profits embedded in acquired insurance contracts and investment contracts with a discretionary participation feature. The asset is amortised over the remaining terms of the acquired contracts.

Liability adequacy test

Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of DAC and VOBA assets. Current best estimates of future contractual cash flows, claims handling and administration costs, and investment returns from the assets backing the liabilities are taken into account in the tests. Where a deficiency is highlighted by the test, DAC and VOBA assets are written off first, and insurance liabilities increased when these are written off in full. Any deficiency is immediately recognised in the income statement.

Table of Contents

Consolidated accounts Barclays PLC
Accounting policies

Reinsurance

Short- and long-term insurance business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. All such contracts are dealt with as insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance assets. The Group assesses reinsurance assets at each balance sheet date. If there is objective evidence of impairment, the carrying amount of the reinsurance asset is reduced accordingly resulting in a charge to the income statement.

20. Leases

Lessor

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are included within property, plant and equipment on the Group's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Lessee

The leases entered into by the Group are primarily operating leases. Operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

21. Employee benefits

The Group provides employees worldwide with post-retirement benefits mainly in the form of pensions. The Group operates a number of pension schemes which may be funded or unfunded and of a defined contribution or defined benefit nature. In addition, the Group contributes, according to local law in the various countries in which it operates, to Governmental and other plans which have the characteristics of defined contribution plans.

For defined benefit schemes, actuarial valuation of each of the scheme's obligations using the projected unit credit method and the fair valuation of each of the scheme's assets are performed annually, using the assumptions set out in Note 30. The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, adjusted for any historic unrecognised actuarial gains or losses and past service cost, is recognised as a liability in the balance sheet. An asset, arising for example, as a result of past over funding or the performance of the plan investments, is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions.

Cumulative actuarial gains and losses in excess of the greater of 10% of the assets or 10% of the obligations of the plan are recognised in the income statement over the remaining average service lives of the employees of the related plan, on a straight-line basis.

For defined contribution schemes, the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

The Group also provides health care to certain retired employees, which are accrued as a liability in the financial statements over the period of employment, using a methodology similar to that for defined benefit pensions plans.

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses.

22. Share-based payments to employees

The Group engages in equity settled share-based payment transactions in respect of services received from certain of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that the services are received, which is the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met.

23. Provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

When a leasehold property ceases to be used in the business or a demonstrable commitment has been made to cease to use a property where the costs exceed the benefits of the property, provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income and other benefits. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Provision is made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

Table of Contents

24. Taxes, including deferred taxes

Income tax payable on taxable profits ('current tax'), is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred and current tax assets and liabilities are only offset when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

25. Segment reporting

Business segments are distinguishable components of the Group that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those of components operating in other economic environments. Business segments are the primary reporting segments. Group costs are allocated to segments on a reasonable and consistent basis. Transactions between segments are generally accounted for in accordance with Group policies as if the segment were a stand-alone business with intra-segment revenue and costs being eliminated in Head office.

The analyses by geographical segment are based on the location of the customer.

26. Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits, and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of less than three months. Repos and reverse repos are not considered to be part of cash equivalents.

27. Trust activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

Table of Contents

Consolidated accounts Barclays PLC

Accounting presentation

Future Accounting Developments

Consideration will be given during 2008 to the implications, if any, of the following new and revised standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations as follows:

– IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statements are revised standards issued in January 2008. The revised IFRS 3 applies prospectively to business combinations first accounted for in accounting periods beginning on or after 1st July 2009 and the amendments to IAS 27 apply retrospectively to periods beginning on or after 1st July 2009. The main changes in existing practice resulting from the revision to IFRS 3 affect acquisitions that are achieved in stages and acquisitions where less than 100% of the equity is acquired. In addition, acquisition related costs – such as fees paid to advisers – must be accounted for separately from the business combination, which means that they will be recognised as expenses unless they are directly connected with the issue of debt or equity securities. The revisions to IAS 27 specify that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. Until future acquisitions take place that are accounted for in accordance with the revised IFRS 3, the main impact on Barclays will be that, from 2010, gains and losses on transactions with non-controlling interests that do not result in loss of control will no longer be recognised in the income statement but directly in equity. In 2007, gains of £23m and losses of £6m were recognised in income relating to such transactions.

– IFRIC 13 – Customer Loyalty Programs addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. It requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group is considering the implications of this interpretation and any resulting change in accounting policy would be accounted for in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in 2009.

– IFRS 8 – Operating Segments was issued in November 2006 and would first be required to be applied to the Group accounting period beginning on 1st January 2009. The standard replaces IAS 14 –Segmental Reporting and would align operating segmental reporting with segments reported to senior management as well as requiring amendments and additions to the existing segmental reporting disclosures. The standard does not change the recognition, measurement or disclosure of specific transactions in the consolidated financial statements. The Group is considering the enhancements that permitted early adoption in 2008 may make to the transparency of the segmental disclosures.

– IAS 1 – Presentation of Financial Statements is a revised standard applicable to annual periods beginning on 1st January 2009. The amendments affect the presentation of owner changes in equity and of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

– IAS 23 – Borrowing Costs is a revised standard applicable to annual periods beginning on 1st January 2009. The revision does not impact Barclays. The revision removes the option not to capitalise borrowing costs on qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale.

– An amendment to IFRS 2 Share-based Payment was issued in January 2008 that clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, which results in the acceleration of charge. The Group is considering the implications of the amendment, particularly to the Sharesave scheme, and any resulting change in accounting policy would be accounted for in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors in 2009.

– Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements were issued in February 2008 that require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The amendments, which are applicable to annual periods beginning on 1st January 2009, do not impact Barclays.

The following IFRIC interpretations issued during 2006 and 2007 which first apply to accounting periods beginning on or after 1st January 2008 are not expected to result in any changes to the Group's accounting policies:

– IFRIC 11 IFRS 2 – Group and Treasury Share Transactions;

– IFRIC 12 – Service Concession Arrangements;

– IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Acquisitions

2007: On 8th February 2007, Barclays completed the acquisition of Indexchange Investment AG. Indexchange is based in Munich and offers exchange traded fund products.

On 28th February 2007, Barclays completed the acquisition of Nile Bank Limited. Nile Bank is based in Uganda with 18 branches and 228 employees.

Table of Contents

On 30th March 2007, Barclays completed the acquisition of EquiFirst.

EquiFirst is a non-prime wholesale mortgage originator in the United States.

On 18th May 2007, Barclays completed the acquisition of Walbrook Group Limited. Walbrook is based in Jersey, Guernsey, Isle of Man and Hong Kong where it serves high net worth private clients and corporate customers.

2006: On 1st November 2006, Barclays Bank PLC acquired the US mortgage servicing business of HomEq Servicing Corporation from Wachovia Corporation.

2005: On 1st June 2005, Barclays Asset and Sales Finance (BASF) acquired a 51% share and controlling stake in Fiat's Iveco Vehicle Finance Business. The transaction will expand BASF's commercial vehicle expertise.

On 30th June 2005, EnterCard, the joint venture between Barclays Bank PLC and FöreningsSparbanken (also known as Swedbank), which was announced on 4th February 2005, began operations. Barclays Bank PLC has a 50% economic interest in the joint venture. EnterCard provides credit cards in the Nordic market, initially in Sweden and Norway.

On 1st July 2005, Barclays acquired the wealth business of ING Securities Bank (France) consisting of ING Ferri and ING Private Banking.

On 9th May 2005, Barclays announced the terms of a recommended acquisition of a majority stake in Absa Group Limited ('Absa'). Barclays consolidated Absa from 27th July 2005.

Disposals

2007: On 4th April 2007, Barclays completed the sale of part of Monument, a credit card business.

On 24th September 2007, Barclays completed the sale of a 50% shareholding in Intelenet Global Services Pvt Ltd.

2006: On 1st January 2006, Barclays completed the sale of the Barclays South African branch business to Absa Group Limited. This consists of the Barclays Capital South African operations and Corporate and Business Banking activities previously carried out by the South African branch of International Retail and Commercial Banking – excluding Absa, together with the associated assets and liabilities.

On 25th July 2006, Barclays Asset & Sales Finance (BASF) disposed of its interest in its motor vehicle contract hire business, Appleyard Finance Holdings Limited.

On 31st August 2006, Barclays disposed of Bankhaus Wolbern which was formerly part of Absa.

On 22nd December 2006 Barclays disposed of its interest in FirstCaribbean International Bank to Canadian Imperial Bank of Commerce.

On 31st December 2006, BA&SF disposed of its European Vendor Finance business, including Barclays Industrie Bank GmbH and Barclays Technology Finance Ltd, to CIT Group.

Recent developments

On 16th April 2007, Barclays announced the sale of Barclays Global Investors Japan Trust & Banking Co., Ltd, a Japanese trust administration and custody operation. The sale completed on 31st January 2008.

On 5th October 2007, Barclays announced that as at 4th October 2007 not all of the conditions relating to its offer for ABN AMRO Holding N.V. were fulfilled and as a result Barclays was withdrawing its offer with immediate effect. Barclays also announced that it was restarting the Barclays PLC share buy-back programme to minimise the dilutive effect of the issuance of shares to China Development Bank and Temasek Holdings (Private) Limited on existing Barclays PLC shareholders. This programme was intended to run until 31st December 2007, but was subsequently extended to 31st January 2008.

On 7th February 2008, Barclays announced the purchase of Discover's UK credit card business for a consideration of approximately £35m. The consideration is subject to an adjustment mechanism based on the net asset value of the business at completion. Completion is subject to various conditions, including competition clearance, and is expected to occur during the first half of 2008.

On 3rd March 2008, Barclays entered into an agreement with Petropavlousk Finance (limited liability society) to acquire 100% of the Russian Bank, Expobank, for a consideration of approximately $745m (£373m). The transaction is expected to close in summer 2008 after receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994 it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

Table of Contents

Consolidated accounts Barclays PLC

Consolidated income statement

Consolidated income statement
For the year ended 31st December

	Notes	2007 £m	2006 £m	2005 £m
Continuing operations				
Interest income	2	25,308	21,805	17,232
Interest expense	2	(15,698)	(12,662)	(9,157)
Net interest income		9,610	9,143	8,075
Fee and commission income	3	8,678	8,005	6,430
Fee and commission expense	3	(970)	(828)	(725)
Net fee and commission income		7,708	7,177	5,705
Net trading income	4	3,759	3,614	2,321
Net investment income	4	1,216	962	858
Principal transactions		4,975	4,576	3,179
Net premiums from insurance contracts	5	1,011	1,060	872
Other income	6	188	214	147
Total income		23,492	22,170	17,978
Net claims and benefits incurred on insurance contracts	5	(492)	(575)	(645)
Total income net of insurance claims		23,000	21,595	17,333
Impairment charges and other credit risk provisions	7	(2,795)	(2,154)	(1,571)
Net income		20,205	19,441	15,762
Staff costs	8	(8,405)	(8,169)	(6,318)
Administration and general expenses	9	(4,141)	(3,914)	(3,768)
Depreciation of property, plant and equipment	23	(467)	(455)	(362)
Amortisation of intangible assets	22	(186)	(136)	(79)
Operating expenses		(13,199)	(12,674)	(10,527)
Share of post-tax results of associates and joint ventures	20	42	46	45
Profit on disposal of subsidiaries, associates and joint ventures		28	323	–
Profit before tax		7,076	7,136	5,280
Tax	10	(1,981)	(1,941)	(1,439)
Profit after tax		5,095	5,195	3,841
Profit attributable to minority interests	33	678	624	394
Profit attributable to equity holders of the parent		4,417	4,571	3,447
		5,095	5,195	3,841
		p	p	p
Earnings per share				
Basic earnings per share	11	68.9	71.9	54.4
Diluted earnings per share	11	66.7	69.8	52.6
Interim dividend per ordinary share		11.50	10.50	9.20
Proposed final dividend per ordinary share	1	22.50	20.50	17.40
		£m	£m	£m
Interim dividend paid		768	666	582
Proposed final dividend	1	1,485	1,307	1,105

The Board of Directors approved the accounts set out on pages 149 to 249 on 7th March 2008.

The accompanying notes form an integral part of the Consolidated accounts.

Table of Contents

Consolidated Accounts Barclays PLC
Consolidated balance sheet

Consolidated balance sheet
As at 31st December

	Notes	2007 £m	2006 £m
Assets			
Cash and balances at central banks		5,801	7,345
Items in the course of collection from other banks		1,836	2,408
Trading portfolio assets	12	193,691	177,867
Financial assets designated at fair value:			
– held on own account	13	56,629	31,799
– held in respect of linked liabilities to customers under investment contracts	13	90,851	82,798
Derivative financial instruments	14	248,088	138,353
Loans and advances to banks	15	40,120	30,926
Loans and advances to customers	15	345,398	282,300
Available for sale financial investments	16	43,072	51,703
Reverse repurchase agreements and cash collateral on securities borrowed	17	183,075	174,090
Other assets	18	5,150	5,850
Current tax assets	19	518	557
Investments in associates and joint ventures	20	377	228
Goodwill	21	7,014	6,092
Intangible assets	22	1,282	1,215
Property, plant and equipment	23	2,996	2,492
Deferred tax assets	19	1,463	764
Total assets		1,227,361	996,787
Liabilities			
Deposits from banks		90,546	79,562
Items in the course of collection due to other banks		1,792	2,221
Customer accounts		294,987	256,754
Trading portfolio liabilities	12	65,402	71,874
Financial liabilities designated at fair value	24	74,489	53,987
Liabilities to customers under investment contracts	13	92,639	84,637
Derivative financial instruments	14	248,288	140,697
Debt securities in issue		120,228	111,137
Repurchase agreements and cash collateral on securities lent	17	169,429	136,956
Other liabilities	25	10,499	10,337
Current tax liabilities	19	1,311	1,020
Insurance contract liabilities, including unit-linked liabilities	26	3,903	3,878
Subordinated liabilities	27	18,150	13,786
Deferred tax liabilities	19	855	282
Provisions	28	830	462
Retirement benefit liabilities	30	1,537	1,807
Total liabilities		1,194,885	969,397
Shareholders' equity			
Called up share capital	31	1,651	1,634
Share premium account	31	56	5,818
Other reserves	32	874	390
Retained earnings	32	20,970	12,169
Less: treasury shares	32	(260)	(212)
Shareholders' equity excluding minority interests		23,291	19,799
Minority interests	33	9,185	7,591
Total shareholders' equity		32,476	27,390
Total liabilities and shareholders' equity		1,227,361	996,787

The accompanying notes form an integral part of the Consolidated accounts.

Marcus Agius
Chairman

John Varley
Group Chief Executive

Christopher Lucas
Group Finance Director

Table of Contents

Consolidated accounts Barclays PLC

Consolidated statement of recognised income and expense

Consolidated statement of recognised income and expense
For the year ended 31st December

	2007 £m	2006 £m	2005 £m
Available for sale reserve:			
– Net gains/(losses) from changes in fair value	484	87	(249)
– Losses transferred to net profit due to impairment	13	86	–
– Net gains transferred to net profit on disposal	(563)	(327)	(120)
– Net losses transferred to net profit due to fair value hedging	68	14	260
Cash flow hedging reserve:			
– Net gains/(losses) from changes in fair value	106	(437)	(50)
– Net losses/(gains) transferred to net profit	253	(50)	(69)
Currency translation differences	54	(781)	300
Tax	54	253	50
Other	22	25	(102)
Amounts included directly in equity	491	(1,130)	20
Profit after tax	5,095	5,195	3,841
Total recognised income and expense for the year	5,586	4,065	3,861
Attributable to:			
Equity holders of the parent	4,854	3,682	3,379
Minority interests	732	383	482
	5,586	4, 065	3,861

The accompanying notes form an integral part of the Consolidated accounts.

Table of Contents

Consolidated accounts Barclays PLC
Consolidated cash flow statement

Consolidated cash flow statement
For the year ended 31st December

	2007 £m	2006 £m	2005 £m
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax	7,076	7,136	5,280
Adjustment for non-cash items:			
Allowance for impairment	2,795	2,154	1,571
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	669	612	450
Other provisions, including pensions	753	558	654
Net profit from associates and joint ventures	(42)	(46)	(45)
Net profit on disposal of investments and property, plant and equipment	(862)	(778)	(530)
Net profit from disposal of associates and joint ventures	(26)	(263)	–
Net profit from disposal of subsidiaries	(2)	(60)	–
Other non-cash movements	(1,133)	1,702	1,475
Changes in operating assets and liabilities:			
Net increase in loans and advances to banks and customers	(77,987)	(27,385)	(63,177)
Net increase in deposits and debt securities in issue	90,589	46,944	67,012
Net (increase)/decrease in derivative financial instruments	(2,144)	1,196	841
Net increase in trading portfolio assets	(18,227)	(18,323)	(42,589)
Net (decrease)/increase in trading liabilities	(6,472)	310	9,888
Net (increase)/decrease in financial investments	(4,379)	1,538	27,129
Net (increase)/decrease in other assets	1,299	(1,527)	(410)
Net decrease in other liabilities	(1,071)	(1,580)	(2,818)
Tax paid	(1,583)	(2,141)	(1,082)
Net cash (used in)/from operating activities	(10,747)	10,047	3,649
Purchase of available for sale investments	(26,899)	(47,086)	(53,483)
Proceeds from sale or redemption of available for sale investments	38,423	46,069	51,111
Purchase of intangible assets	(263)	(212)	(91)
Purchase of property, plant and equipment	(1,241)	(654)	(588)
Proceeds from sale of property, plant and equipment	617	786	98
Acquisitions of subsidiaries, net of cash acquired	(270)	(248)	(2,115)
Disposal of subsidiaries, net of cash disposed	383	(15)	–
Increase in investment in subsidiaries	(668)	(432)	(160)
Decrease in investment in subsidiaries	57	44	49
Acquisition of associates and joint ventures	(220)	(162)	(176)
Disposal of associates and joint ventures	145	739	40
Other cash flows associated with investing activities	–	17	23
Net cash from/(used in) investing activities	10,064	(1,154)	(5,292)
Dividends paid	(2,559)	(2,215)	(1,894)
Proceeds of borrowings and issuance of debt securities	4,625	2,493	1,179
Repayments of borrowings and redemption of debt securities	(683)	(366)	(464)
Issue of shares and other equity instruments	2,494	179	135
Repurchase of shares and other equity instruments	(1,802)	–	–
Net purchase of treasury shares	(48)	(31)	(140)
Net issue of shares to minority interests	1,331	632	2,267
Net cash from financing activities	3,358	692	1,083
Exchange (loss)/gain on foreign currency cash and cash equivalents	(550)	562	(237)
Net increase/(decrease) in cash and cash equivalents	2,125	10,147	(797)
Cash and cash equivalents at beginning of year	30,952	20,805	21,602
Cash and cash equivalents at end of year	33,077	30,952	20,805
Cash and cash equivalents comprise:			
Cash and balances at central banks	5,801	7,345	3,906
Loans and advances to banks	40,120	30,926	31,105
Less: amounts with original maturity greater than three months	(19,377)	(15,892)	(17,987)
	20,743	15,034	13,118
Available for sale treasury and other eligible bills	43,072	51,703	53,497
Less: non-cash and amounts with original maturity greater than three months	(41,688)	(50,684)	(53,281)
	1,384	1,019	216
Trading portfolio assets	193,691	177,867	155,723
Less: non-cash and amounts with original maturity greater than three months	(188,556)	(170,329)	(152,183)
	5,135	7,538	3,540
Other	14	16	25
	33,077	30,952	20,805

In 2005 the opening cash and cash equivalents balance was adjusted to reflect the adoption of IAS 32 and IAS 39. The accompanying notes form an integral part of the Consolidated accounts.

Interest received in 2007 was £49,441m (2006: £38,544m, 2005: £32,124m) and interest paid in 2007 was £37,821m (2006: £29,372m, 2005: £23,319m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £1,037m at 31st December 2007 (2006: £1,262m).

Table of Contents

Accounts of Barclays PLC

Parent company accounts

Income statement

For the year ended 31st December

	2007 £m	2006 £m	2005 £m
Dividends received from subsidiary	3,287	1,964	2,012
Interest income	4	4	4
Trading loss	(13)	–	–
Other income	15	–	–
Management charge from subsidiary	(4)	(4)	(4)
Profit before tax	3,289	1,964	2,012
Tax	–	–	–
Profit after tax	3,289	1,964	2,012

The Company had no staff during the year (2006: nil, 2005: nil).

Balance sheet

As at 31st December

	Notes	2007 £m	2006 £m
Assets			
Non-current assets			
Investment in subsidiaries	39	10,391	8,641
Current assets			
Cash and balances at central banks		671	575
Other current assets		20	17
Total assets		11,082	9,233
Liabilities			
Current liabilities			
Amounts payable within one year		1	4
Shareholders' equity			
Called up share capital	31	1,651	1,634
Share premium account	31	56	5,818
Capital redemption reserve	32	384	309
Retained earnings	32	8,990	1,468
Total shareholders' equity		11,081	9,229
Total liabilities and shareholders' equity		11,082	9,233

The accompanying notes form an integral part of the accounts.

Marcus Agius
Chairman

John Varley
Group Chief Executive

Christopher Lucas
Group Finance Director

Table of Contents

Statement of recognised income and expense
For the year ended 31st December

	2007 £m	2006 £m	2005 £m
Profit after tax	3,289	1,964	2,012
Total recognised income and expense for the year	3,289	1,964	2,012

Cash flow statement
For the year ended 31st December

	2007 £m	2006 £ m	2005 £ m
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax	3,289	1,964	2,012
Changes in operating assets and liabilities:			
Net (increase) in other assets	(3)	(13)	(1)
Net (decrease)/increase in other liabilities	(3)	–	1
Net cash from operating activities	3,283	1,951	2,012
Capital contribution to subsidiaries	(1,434)	–	–
Purchase of shares in subsidiaries	(316)	(179)	(135)
Net cash used in investing activities	(1,750)	(179)	(135)
Proceeds from issue of shares	2,494	179	135
Dividends paid	(2,129)	(1,814)	(1,612)
Repurchase of ordinary shares	(1,802)	–	–
Net cash used in financing activities	(1,437)	(1,635)	(1,477)
Net increase in cash and cash equivalents	96	137	400
Cash and cash equivalents at beginning of year	575	438	38
Cash and cash equivalents at end of year	671	575	438
Cash and cash equivalents comprise:			
Cash and balances at central banks	671	575	438
Net cash from operating activities includes:			
Dividends received	3,287	1,964	2,012
Interest received	4	4	4

The parent company's sole activity is to hold the investment in its wholly-owned subsidiaries, Barclays Bank PLC, Barclays Investment (Netherlands) N.V. and Odysseus Jersey (No. 1) Limited.

The Company was not exposed at 31st December 2007 or 2006 to significant risks arising from the financial instruments it holds; which mainly comprised cash and balances with central banks.

Dividends received are treated as operating income.

The accompanying notes form an integral part of the accounts.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

1 Dividends per share

The Directors have recommended the final dividends in respect of 2007 of 22.5p per ordinary share of 25p each and 10p per staff share of £1 each, amounting to a total of £1,485m, which will be paid on 25th April 2008. The financial statements for the year ended 31st December 2007 do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31st December 2008. The financial statements to 31st December 2007 include the 2006 final dividend of £1,307m.

2 Net interest income

	2007 £m	2006 £m	2005 £m
Cash and balances with central banks	145	91	9
Available for sale investments	2,580	2,811	2,272
Loans and advances to banks	1,416	903	690
Loans and advances to customers	19,559	16,290	12,944
Other	1,608	1,710	1,317
Interest income	25,308	21,805	17,232
Deposits from banks	(2,720)	(2,819)	(2,056)
Customer accounts	(4,110)	(3,076)	(2,715)
Debt securities in issue	(6,651)	(5,282)	(3,268)
Subordinated liabilities	(878)	(777)	(605)
Other	(1,339)	(708)	(513)
Interest expense	(15,698)	(12,662)	(9,157)
Net interest income	9,610	9,143	8,075

Interest income includes £113m (2006: £98m, 2005: £76m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements. Similarly, other interest expense principally includes interest expense relating to repurchase agreements and hedging activity.

Included in net interest income is hedge ineffectiveness as detailed in Note 14.

3 Net fee and commission income

	2007 £m	2006 £m	2005 £m
Fee and commission income			
Brokerage fees	109	70	64
Investment management fees	1,787	1,535	1,250
Securities lending	241	185	151
Banking and credit related fees and commissions	6,363	6,031	4,805
Foreign exchange commissions	178	184	160
Fee and commission income	8,678	8,005	6,430
Brokerage fees paid	(970)	(828)	(725)
Fee and commission expense	(970)	(828)	(725)
Net fee and commission income	7,708	7,177	5,705

Table of Contents

4 Principal transactions

	2007 £m	2006 £m	2005 £m
Rates related business	4,162	2,848	1,732
Credit related business	(403)	766	589
Net trading income	3,759	3,614	2,321
Net gain from disposal of available for sale assets	560	307	120
Dividend income	26	15	22
Net gain from financial instruments designated at fair value	293	447	389
Other investment income	337	193	327
Net investment income	1,216	962	858
Principal transactions	4,975	4,576	3,179

Net trading income includes the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income and expense from these instruments and the related funding cost.

Of the total net trading income, a £756m loss (2006: £947m gain, 2005: £498m gain) was made on securities and £640m gain (2006: £480m, 2005: £340m) was earned in foreign exchange dealings.

The net gain on financial assets designated at fair value included within principal transactions was £78m (2006: £489m, 2005: £391m) of which losses of £215m (2006: £42m gain, 2005: £2m gain) were included in net trading income and gains of £293m (2006: £447m, 2005: £389m) were included in net investment income.

The net loss on financial liabilities designated at fair value included within principal transactions was £231m (2006: £920m, 2005: £666m) all of which was included within net trading income.

The net gain from widening of credit spreads relating to Barclays Capital issued notes held at fair value was £658m (2006: £nil, 2005: £nil).

5 Insurance premiums and insurance claims and benefits

	2007 £m	2006 £m	2005 £m
Gross premiums from insurance contracts	1,062	1,108	909
Premiums ceded to reinsurers	(51)	(48)	(37)
Net premiums from insurance contracts	1,011	1,060	872

	2007 £m	2006 £m	2005 £m
Gross claims and benefits incurred on insurance contracts	520	588	694
Reinsurers' share of claims incurred	(28)	(13)	(49)
Net claims and benefits incurred on insurance contracts	492	575	645

6 Other income

	2007 £m	2006 £m	2005 £m
Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	5,592	7,417	9,234
Increase in liabilities to customers under investment contracts	(5,592)	(7,417)	(9,234)
Property rentals	53	55	54
Other income	135	159	93
Other income	188	214	147

Included in other income are sub-lease receipts of £18m (2006: £18m, 2005: £18m).

Included in other income in 2007 is a loss on the part disposal of Monument credit card portfolio and gains on reinsurance transactions in 2007 and 2006.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

7 Impairment charges and other credit provisions

	2007 £m	2006 £m	2005 £m
Impairment charges on loans and advances			
– New and increased impairment allowances	2,871	2,722	2,129
– Releases	(338)	(389)	(333)
– Recoveries	(227)	(259)	(222)
Impairment charges on loans and advances	2,306	2,074	1,574
Other credit provisions			
Charge/(release) in respect of provision for undrawn contractually committed facilities and guarantees provided	476	(6)	(7)
Impairment charges on loans and advances and other credit provisions	2,782	2,068	1,567
Impairment on available for sale assets	13	86	4
Impairment charges and other credit provisions	2,795	2,154	1,571

An analysis of the impairment charges by class of financial instrument is included in Note 47 'Credit risk'.

8 Staff costs

	2007 £m	2006 £m	2005 £m
Salaries and accrued incentive payments	6,993	6,635	5,036
Social security costs	508	502	412
Pension costs – defined contribution plans	141	128	76
Pension costs – defined benefit plans (Note 30)	150	282	271
Other post-retirement benefits (Note 30)	10	30	27
Other	603	592	496
Staff costs	8,405	8,169	6,318

Included in salaries and incentive payments is £551m (2006: £640m, 2005: £338m) arising from equity settled share-based payments, of which £60m (2006: £78m, 2005: £44m) is a charge related to options-based schemes. Also included is £8m (2006: £6m, 2005: £nil) arising from cash settled share-based payments.

The average number of persons employed by the Group worldwide during the year was 128,900 (2006: 118,600, 2005: 92,800).

9 Administration and general expenses

	2007 £m	2006 £m	2005 £m
Administrative expenses	3,978	3,980	3,443
Impairment charges			
– property and equipment (Note 23)	2	14	–
– intangible assets (Note 22)	14	7	9
Operating lease rentals	414	345	316
Gain on property disposals	(267)	(432)	–
Administration and general expenses	4,141	3,914	3,768

Auditors' remuneration

	2007				
	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
Audit of the Group's annual accounts	7	–	–	–	7
Other services:					
Fees payable for the audit of the Company's associates pursuant to legislation	12	–	–	–	12
Other services supplied pursuant to such legislation	6	2	–	–	8
Other services relating to taxation	–	–	8	–	8
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	–	–	–	5	5
Other	–	2	–	2	4
Total auditors' remuneration	25	4	8	7	44

Table of Contents

9 Administration and general expenses (continued)

Auditors' remuneration (continued).

	2006				
	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
Audit of the Group's annual accounts	7	–	–	–	7
Other services:					
Fees payable for the audit of the Company's associates pursuant to legislation	11	–	–	–	11
Other services supplied pursuant to such legislation	10	1	–	–	11
Other services relating to taxation	–	–	6	–	6
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	–	–	–	4	4
Other	–	4	–	1	5
Total auditors' remuneration	28	5	6	5	44

	2005				
	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
Audit of the Group's annual accounts	6	–	–	–	6
Other services:					
Fees payable for the audit of the Company's associates pursuant to legislation	8	–	–	–	8
Other services supplied pursuant to such legislation	1	–	–	–	1
Other services relating to taxation	–	–	4	–	4
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or any of its associates	–	–	–	3	3
Other	–	7	–	–	7
Total auditors' remuneration	15	7	4	3	29

The figures shown in the above table relate to fees paid to PricewaterhouseCoopers LLP and its associates. Fees paid to other auditors not associated with PricewaterhouseCoopers LLP in respect of the audit of the Company's subsidiaries were £2m (2006: £2m, 2005: £3m).

Fees payable for the audit of the Company's associates pursuant to legislation comprise the fees for the statutory audit of the subsidiaries and associated pension schemes both inside and outside Great Britain and fees for the work performed by the associates of PricewaterhouseCoopers LLP in respect of the consolidated financial statements of the Company. The fees relating to the audit of the associated pension schemes were £0.3m (2006: £0.3m, 2005: £0.3m).

Other services supplied pursuant to such legislation comprise services in relation to statutory and regulatory filings. These includes audit services for the review of the interim financial information under the Listing Rules of the UK listing authority and fees paid for reporting under Section 404 of the US Sarbanes-Oxley Act (Section 404). In addition, other services include Section 404 advisory, IFRS advisory, securitisations and services relating to acquisition activities.

Taxation services include compliance services such as tax return preparation and advisory services such as consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

Services relating to corporate finance transactions comprise due diligence related to transactions and accounting consultations and audits in connection with such transactions.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

10 Tax

The charge for tax is based upon the standard UK corporation tax rate of 30% (2006: 30%, 2005: 30%) and comprises:

	2007 £m	2006 £m	2005 £m
Current tax charge			
Current year	2,385	1,929	1,583
Adjustment for prior years	(11)	8	(59)
Total	2,374	1,937	1,524
Deferred tax (credit)/charge			
Current year	(367)	(16)	(14)
Adjustment for prior years	(26)	20	(71)
Total	(393)	4	(85)
Tax charge	1,981	1,941	1,439

The effective tax rate for the years 2007, 2006 and 2005 is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%, 2005: 30%). The differences are set out below:

	2007 £m	2006 £m	2005 £m
Profit before tax	7,076	7,136	5,280
Tax charge at standard UK corporation tax rate of 30% (2006: 30%, 2005: 30%)	2,123	2,141	1,584
Adjustment for prior years	(37)	24	(133)
Differing overseas tax rates	(77)	(17)	(35)
Non-taxable gains and income (including amounts offset by unrecognised tax losses)	(136)	(393)	(129)
Share-based payments	72	27	(12)
Deferred tax assets not previously recognised	(158)	(4)	(7)
Change in tax rates	24	4	3
Other non-allowable expenses	170	159	168
Overall tax charge	1,981	1,941	1,439
Effective tax rate	28%	27%	27%

11 Earnings per share

	2007 £m	2006 £m	2005 £m
Profit attributable to equity holders of parent	4,417	4,571	3,447
Dilutive impact of convertible options	(25)	(30)	(38)
Profit attributable to equity holders of parent including dilutive impact of convertible options	4,392	4,541	3,409

	2007 million	2006 million	2005 million
Basic weighted average number of shares in issue	6,410	6,357	6,337
Number of potential ordinary shares	177	150	149
Diluted weighted average number of shares	6,587	6,507	6,486

	p	p	p
Basic earnings per share	68.9	71.9	54.4
Diluted earnings per share	66.7	69.8	52.6

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

When calculating the diluted earnings per share, the profit attributable to equity holders of the parent is adjusted for the conversion of outstanding options into shares within Absa Group Limited and Barclays Global Investors UK Holdings Limited. The weighted average number of ordinary shares excluding own shares held in employee benefit trusts and shares held for trading, is adjusted for the effects of all dilutive potential ordinary shares, totalling 177 million (2006: 150 million, 2005: 149 million).

Of the total number of employee share options and share awards at 31st December 2007, none were anti-dilutive (2006: 5 million, 2005: nil).

Subsequent to the balance sheet date, the Group continued to make on-market purchases of treasury shares under its various employee share schemes. No adjustment has been made to earnings per share in respect of these purchases.

Table of Contents

12 Trading portfolio

	2007 £m	2006 £m
Trading portfolio assets		
Treasury and other eligible bills	2,094	2,960
Debt securities	152,778	140,576
Equity securities	36,307	31,548
Traded loans	1,780	1,843
Commodities	732	940
Trading portfolio assets	193,691	177,867
Trading portfolio liabilities		
Treasury and other eligible bills	(486)	(608)
Debt securities	(50,506)	(58,142)
Equity securities	(13,702)	(12,697)
Commodities	(708)	(427)
Trading portfolio liabilities	(65,402)	(71,874)

13 Financial assets designated at fair value

Held on own account

	2007 £m	2006 £m
Loans and advances	23,491	13,196
Debt securities	24,217	12,100
Equity securities	5,376	3,711
Other financial assets	3,545	2,792
Financial assets designated at fair value – held on own account	56,629	31,799

The maximum exposure to credit risk on loans and advances designated at fair value at 31st December 2007 was £23,491m (2006: £13,196m). The amount by which related credit derivatives and similar instruments mitigate the exposure to credit risk at 31st December was £2,605m (2006: £28m).

The net loss attributable to changes in credit risk for loans and advances designated at fair value was £401m in 2007 (2006: £nil; 2005; £nil). The gains or losses on related credit derivatives was £4m for the year (2006: £nil; 2005; £nil).

The cumulative net loss attributable to changes in credit risk for loans and advances designated at fair value since initial recognition is £401m at 31st December 2007 (2006: £3m; 2005: £3m). The cumulative change in fair value of related credit derivatives at 31st December 2007 is £4m (2006: £nil; 2005; £nil).

Held in respect of linked liabilities to customers under investment contracts/liabilities arising from investment contracts

	2007 £m	2006 £m
Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts	90,851	82,798
Cash and bank balances within the portfolio	1,788	1,839
Assets held in respect of linked liabilities to customers under investment contracts	92,639	84,637
Liabilities to customers under investment contracts	(92,639)	(84,637)

A portion of the Group's fund management business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the investors. In the normal course of business, the Group's financial interest in such investments is restricted to fees for investment management services.

Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to the policyholders.

The Group is therefore not exposed to the financial risks – market risk, credit risk and liquidity risk inherent in the investments and they are omitted from the disclosures on financial risks in Notes 46 to 48.

In the balance sheet, the assets are included as 'Financial assets designated at fair value – held in respect of linked liabilities to customers under investment contracts'. Cash balances within the portfolio have been included in the Group's cash balances. The associated obligation to deliver the value of the investments to customers at their fair value on balance sheet date is included as 'Liabilities to customers under investment contracts'.

The increase/decrease in the value arising from the return on the investments and the corresponding increase/decrease in linked liabilities to customers is included in the Other income note in Note 6.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

14 Derivative financial instruments

Financial instruments

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in Note 45 to Note 48 under the headings 'Financial Risks', 'Market Risk', 'Credit Risk' and 'Liquidity Risk'.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

The fair value of a derivative contract represents the amount at which that contract could be exchanged in an arms-length transaction, calculated at market rates current at the balance sheet date.

The fair values and notional amounts of derivative instruments held for trading are set out in the following table:

	2007			2006		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
Year ended 31st December Derivatives held for trading	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Foreign exchange derivatives						
Forward foreign exchange	1,041,781	11,381	(11,629)	767,734	8,074	(7,808)
Currency swaps	562,682	15,617	(14,676)	411,889	10,029	(10,088)
OTC options bought and sold	464,575	3,350	(3,995)	320,184	3,923	(3,849)
OTC derivatives	2,069,038	30,348	(30,300)	1,499,807	22,026	(21,745)
Exchange traded futures – bought and sold	139,199	–	–	852	–	–
Exchange traded options – bought and sold	132	–	–	115	–	–
Foreign exchange derivatives	2,208,369	30,348	(30,300)	1,500,774	22,026	(21,745)
Interest rate derivatives						
Interest rate swaps	11,758,215	111,746	(110,680)	8,718,015	61,267	(61,510)
Forward rate agreements	1,960,106	755	(738)	1,335,594	337	(374)
OTC options bought and sold	3,776,600	27,337	(26,944)	2,301,239	13,977	(13,558)
OTC derivatives	17,494,921	139,838	(138,362)	12,354,848	75,581	(75,442)
Exchange traded futures – bought and sold	903,516	–	–	1,057,767	188	(256)
Exchange traded options – bought and sold	269,095	102	(64)	848,629	241	(156)
Exchange traded swaps	4,941,417	–	–	3,405,109	–	–
Interest rate derivatives	23,608,949	139,940	(138,426)	17,666,353	76,010	(75,854)
Credit derivatives						
Swaps	2,472,249	38,696	(35,814)	1,224,548	9,275	(8,894)
Equity and stock index derivatives						
OTC options bought and sold	145,399	11,293	(15,743)	114,227	11,171	(15,613)
Equity swaps and forwards	36,149	1,057	(1,193)	24,580	656	(846)
OTC derivatives	181,548	12,350	(16,936)	138,807	11,827	(16,459)
Exchange traded futures – bought and sold	31,519	–	–	30,159	154	(176)
Exchange traded options – bought and sold	30,930	848	(2,200)	30,473	161	(171)
Equity and stock index derivatives	243,997	13,198	(19,136)	199,439	12,142	(16,806)
Commodity derivatives						
OTC options bought and sold	95,032	4,496	(4,720)	52,899	2,568	(2,443)
Commodity swaps and forwards	276,102	19,075	(18,039)	164,863	14,933	(13,497)
OTC derivatives	371,134	23,571	(22,759)	217,762	17,501	(15,940)
Exchange traded futures – bought and sold	228,465	–	–	68,710	13	(33)
Exchange traded options – bought and sold	66,732	1,197	(943)	9,169	306	(474)
Commodity derivatives	666,331	24,768	(23,702)	295,641	17,820	(16,447)
Derivative assets/(liabilities) held for trading	29,199,895	246,950	(247,378)	20,886,755	137,273	(139,746)

Table of Contents

14 Derivative financial instruments (continued)

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

	2007			2006		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
Year ended 31st December	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Derivatives designated as cash flow hedges						
Interest rate swaps	38,453	239	(437)	51,614	132	(312)
Equity options	54	41	–	–	–	–
Forward foreign exchange	2,256	178	–	–	–	–
Exchange traded interest rate swaps	14,529	–	–	12,077	–	–
Commodity swaps and forwards	–	–	–	204	–	(89)
Derivatives designated as cash flow hedges	55,292	458	(437)	63,895	132	(401)
Derivatives designated as fair value hedges						
Currency swaps	4,299	81	(75)	1,454	–	(233)
Interest rate swaps	18,450	323	(195)	16,940	240	(152)
Equity options	1,203	58	(58)	1,029	58	(56)
Forward foreign exchange	–	–	–	66	–	–
Derivatives designated as fair value hedges	23,952	462	(328)	19,489	298	(441)
Derivatives designated as hedges of net investments						
Forward foreign exchange	4,223	31	(57)	2,730	–	(78)
Currency swaps	8,397	187	(88)	9,320	650	(31)
Derivatives designated as hedges of net investment	12,620	218	(145)	12,050	650	(109)
Derivative assets/(liabilities) held for risk management	91,864	1,138	(910)	95,434	1,080	(951)

Interest rate derivatives, designated as cash flow hedges, primarily hedge the exposure to cash flow variability from interest rates of variable rate loans to banks and customers, variable rate debt securities held and highly probable forecast financing transactions and reinvestments.

Interest rate derivatives designated as fair value hedges primarily hedge the interest rate risk of fixed rate borrowings in issue, fixed rate loans to banks and customers and investments in fixed rate debt securities held.

Currency derivatives are primarily designated as hedges of the foreign currency risk of net investments in foreign operations.

The Group's total derivative asset and liability position as reported on the balance sheet is as follows:

	2007			2006		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
Year ended 31st December	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Total derivative assets/(liabilities) held for trading	29,199,895	246,950	(247,378)	20,886,755	137,273	(139,746)
Total derivative assets/(liabilities) held for risk management	91,864	1,138	(910)	95,434	1,080	(951)
Derivative assets/(liabilities)	29,291,759	248,088	(248,288)	20,982,189	138,353	(140,697)

Derivative assets and liabilities subject to counterparty netting agreements amounted to £199bn (2006: £102bn). Additionally, we held £17bn (2006: £8bn) of collateral against the net derivative assets exposure.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

14 Derivative financial instruments (continued)

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	2007						
	Total £m	Up to one year £m	Between one to two years £m	Between two to three years £m	Between three to four years £m	Between four to five years £m	More than five years £m
Forecast receivable cash flows	4,329	1,593	987	903	535	254	57
Forecast payable cash flows	2,121	394	369	335	283	244	496

	2006						
	Total £m	Up to one year £m	Between one to two years £m	Between two to three years £m	Between three to four years £m	Between four to five years £m	More than five years £m
Forecast receivable cash flows	5,111	1,500	1,452	954	689	410	106
Forecast payable cash flows	1,280	704	349	121	73	30	3

The maximum length of time over which the Group hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments, is 10 years (2006: 8 years).

All gains or losses on hedging derivatives relating to forecast transactions, which are no longer expected to occur, have been recycled to the income statement.

A loss of £66m on hedging instruments was recognised in relation to fair value hedges in net interest income (2006: £460m). A gain of £70m on the hedged items was recognised in relation to fair value hedges in net interest income (2006: £465m).

Ineffectiveness recognised in relation to cash flow hedges in net interest income was a gain of £21m (2006: loss of £23m). Ineffectiveness recognised in relation to hedges of net investment was a gain of £4m (2006: £13m).

15 Loans and advances to banks and customers

	2007 £m	2006 £m
Loans and advances to banks	40,123	30,930
Less: Allowance for impairment	(3)	(4)
Loans and advances to banks	40,120	30,926
Loans and advances to customers	349,167	285,631
Less: Allowance for impairment	(3,769)	(3,331)
Loans and advances to customers	345,398	282,300

Table of Contents

16 Available for sale financial investments

	2007 £m	2006 £m
Debt securities	38,673	47,912
Treasury bills and other eligible bills	2,723	2,420
Equity securities	1,676	1,371
Available for sale financial investments	43,072	51,703

Movement in available for sale financial investments	2007 £m	2006 £m
At beginning of year	51,703	53,497
Exchange and other adjustments	1,499	(3,999)
Acquisitions and transfers	26,920	47,086
Disposals (through sale and redemption)	(37,498)	(44,959)
Gains from changes in fair value recognised in equity	486	162
Impairment	(13)	(86)
Amortisation of discounts/premium	(25)	2
At end of year	43,072	51,703

17 Securities borrowing, securities lending, repurchase and reverse repurchase agreements

Amounts included in the balance sheet and reported on a net basis where the Group has the intention and the legal ability to settle net or realise simultaneously were as follows:

Amounts advanced to counterparties under reverse repurchase agreements and cash collateral provided under stock borrowing agreements are treated as collateralised loans receivable. The related securities purchased or borrowed subject to an agreement with the counterparty to repurchase them are not recognised on balance sheet where the risks and rewards of ownership remain with the counterparty.

(a)Reverse repurchase agreements and cash collateral on securities borrowed

	2007 £m	2006 £m
Banks	86,710	85,336
Customers	96,365	88,754
Reverse repurchase agreements and cash collateral held on securities borrowed	183,075	174,090

(b) Repurchase agreements and cash collateral on securities lent

Securities that are not recorded on the balance sheet (for example, securities that have been obtained as a result of reverse repurchase and stock borrow transactions) may also be lent or sold subject to a commitment to repurchase – such securities remain off balance sheet. In both instances, amounts received from counterparty are treated as liabilities, which at 31st December were as follows:

	2007 £m	2006 £m
Banks	97,297	79,833
Customers	72,132	57,123
Repurchase agreements and cash collateral on securities lent	169,429	136,956

18 Other assets

	2007 £m	2006 £m
Sundry debtors	4,042	4,298
Prepayments	551	658
Accrued income	400	722
Reinsurance assets	157	172
Other assets	5,150	5,850

Included in the above are balances of £3,859m (2006: £5,065m) expected to be recovered within no more than 12 months after the balance sheet date; and balances of £1,291m (2006: £785m) expected to be recovered more than 12 months after the balance sheet date.

Other assets comprise £3,966m (2006: £4,097m) of receivables which meet the definition of financial assets.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

19 Current and deferred tax

The components of taxes are as follows:

	2007		2006	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Current tax	**518**	**1,311**	557	1,020
Deferred tax	**2,334**	**1,726**	2,005	1,523

Deferred taxes are calculated on all temporary differences under the liability method. The movement on the deferred tax account is as follows:

	2007 £m	2006 £m
At beginning of year	**482**	(14)
Income statement credit/(charge)	**393**	(4)
Equity		
Available for sale investments	**13**	4
Cash flow hedges	**(132)**	128
Share-based payments	**(63)**	24
Other equity movements	**(125)**	48
Acquisitions and disposals	**33**	264
Exchange and other adjustments	**7**	32
At end of year	**608**	482

Deferred tax assets and liabilities are attributable to the following items:

	2007 £m	2006 £m
Deferred tax liabilities		
Accelerated tax depreciation	**803**	705
Available for sale investments	**101**	116
Cash flow hedges	**51**	–
Other	**771**	702
Deferred tax liabilities	**1,726**	1,523
Deferred tax assets		
Pensions and other retirement benefits	**491**	622
Allowance for impairment on loans	**108**	69
Other provisions	**377**	436
Cash flow hedges	**44**	91
Tax losses carried forward	**215**	1
Share-based payments	**428**	380
Other	**671**	406
Deferred tax assets	**2,334**	2,005
Net deferred tax asset	**608**	482
Disclosed as deferred tax liabilities	**855**	282
Disclosed as deferred tax assets	**1,463**	764
Net deferred tax asset	**608**	482

Table of Contents

19 Current and deferred tax (continued)

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off and the balances relate to income tax payable to the same taxation authority on either the same taxable entity or different taxable entities within the same tax group where there is the intention and ability to settle on a net basis or realise the assets and liabilities simultaneously.

The amount of deferred tax liability expected to be settled after more than 12 months is £1,468m (2006: £1,046m).

The amount of deferred tax asset expected to be recovered after more than 12 months is £1,950m (2006: £1,582m).

The deferred tax assets balance includes £450m (2006: £106m) which is the excess deferred tax assets over deferred tax liabilities in entities which have suffered a loss in either the current or prior year. This is based on management assessment that it is probable that the relevant entities will have taxable profits against which the temporary differences can be utilised.

The deferred tax (credit)/charge in the income statement comprises the following temporary differences:

	2007 £m	2006 £m
Accelerated tax depreciation	118	120
Pensions and other retirement benefits	96	(24)
Allowance for impairment on loans	(28)	(30)
Other provisions	(165)	(105)
Tax losses carry forward	(214)	25
Available for sale investments	(1)	8
Cash flow hedges	–	(14)
Share-based payments	(100)	(77)
Other	(99)	101
Total	(393)	4

Deferred tax assets have not been recognised in respect of the following items:

	2007 £m	2006 £m
Deductible temporary differences (gross)	247	395
Unused tax losses (gross)	1,683	190
Unused tax credits	126	98

The following tax losses expire: £9m in 2008 to 2011, £9m in 2011, £9m in 2012 and £1,201m in 2027. The other tax losses, tax credits and temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. The unused tax losses include amounts relating to non-UK branches of Barclays Bank PLC where the future tax benefit might be restricted to the amount in excess of the UK rate.

The amount of temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which deferred tax liabilities have not been recognised is £5,722m (2006: £3,387m).

The tax charge for the period was based on a UK corporation tax rate of 30% (2006: 30%). The effective rate of tax for 2007, based on profit before tax, was 28% (2006: 27.2%). The effective tax rate differed from 30% as it took account of the different tax rate applied to profits earned outside the UK, non-taxable gains and income and adjustments to prior year tax provisions. The forthcoming change in the UK rate of corporation tax from 30% to 28% on 1st April 2008 led to an additional tax charge in 2007 as a result of its effect on the Group's net deferred tax asset.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

20 Investment in associates and joint ventures

Share of net assets

	Associates		Joint ventures		Total	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
At beginning of year	**74**	427	**154**	119	**228**	546
Share of results before tax	**35**	63	**10**	(6)	**45**	57
Share of tax	**(2)**	(10)	**(1)**	(1)	**(3)**	(11)
Share of post-tax results	**33**	53	**9**	(7)	**42**	46
Dividends paid	**–**	(17)	**–**	–	**–**	(17)
New investments	**7**	2	**8**	7	**15**	9
Acquisitions	**56**	51	**150**	102	**206**	153
Disposals	**(47)**	(404)	**(72)**	(72)	**(119)**	(476)
Exchange and other adjustments	**(33)**	(38)	**38**	5	**5**	(33)
At end of year	**90**	74	**287**	154	**377**	228

Goodwill included above:

	Associates		Joint ventures		Total	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Cost						
At beginning of year	**1**	122	**40**	83	**41**	205
Acquisitions	**–**	–	**–**	–	**–**	–
Disposals	**(1)**	(121)	**(16)**	–	**(17)**	(121)
Transfer	**–**	–	**3**	(43)	**3**	(43)
At end of year	**–**	1	**27**	40	**27**	41

The fair value of the Group's investment in Ambit Properties Limited, an associate listed on the Johannesburg Stock Exchange, is £42m.

Disposal of associates and joint ventures

On 29th June 2007 and 2nd July 2007, the Group disposed of its investment in Gabetti Property Solutions for cash consideration, net of transaction costs of £13m, which after deducting the Group's share of its net assets on the dates of disposal, resulted in a profit of £8m.

On 24th September 2007, the Group disposed of its investment in Intelenet Global Services for a cash consideration, net of transaction costs of £22m, which, after deducting the Group's share of its net assets on the date of disposal, resulted in a profit of £13m.

Summarised financial information for the Group's associates and joint ventures is set out below:

	2007		2006	
	Associates £m	**Joint ventures £m**	Associates £m	Joint ventures £m
Property, plant and equipment	**588**	**632**	599	142
Financial investments	**239**	**8**	4	2
Trading portfolio assets	**–**	**–**	1	–
Loans to banks and customers	**516**	**2,372**	1,378	797
Other assets	**1,387**	**314**	541	199
Total assets	**2,730**	**3,326**	2,523	1,140
Deposits from banks and customers	**1,515**	**2,189**	1,421	769
Trading portfolio liabilities	**–**	**–**	1	–
Other liabilities	**902**	**458**	887	187
Shareholders' equity	**313**	**679**	214	184
Total liabilities	**2,730**	**3,326**	2,523	1,140
Net income	**528**	**340**	538	178
Operating expenses	**(404)**	**(292)**	(334)	(178)
Profit before tax	**124**	**48**	204	–
Profit after tax	**104**	**40**	186	(2)

The amounts included above, which include the entire assets, liabilities and net income of the investees, not just the Group's share, are based on accounts made up to 31st December 2007 with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

Associates and joint ventures in 2007 includes £1,728m (2006: £1,525m) of assets, £1,537m (2006: £1,380m) of liabilities and £18m (2006: £25m) of profit after tax in associates and joint ventures within the Absa Group.

The Group's share of commitments and contingencies of its associates and joint ventures is £6m (2006: £nil).

Table of Contents

21 Goodwill

	2007 £m	2006 £m
Net book value		
At beginning of year	6,092	6,022
Acquisitions	879	390
Disposals	(17)	(14)
Exchange and other adjustments	60	(306)
At end of year	7,014	6,092

Goodwill is allocated to business operations according to business segments identified by the Group under IAS 14, as follows:

	2007 £m	2006 £m
UK Banking	3,131	3,132
Barclaycard	400	403
International Retail and Commercial Banking	1,682	1,481
Barclays Capital	147	86
Barclays Global Investors	1,261	673
Barclays Wealth	393	317
Goodwill	7,014	6,092

The Barclays Financial Planning business previously managed and reported within Barclays Wealth, is now managed and reported within UK Banking. Goodwill of £312m relating to this business has been transferred to UK Banking and the comparative figures restated.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred by comparing the carrying value to its recoverable amount.

Impairment testing of goodwill

The recoverable amount of each operation's goodwill is based on value-in-use calculations. The calculation is based upon discounting expected pre-tax cash flows at a risk adjusted interest rate appropriate to the cash generating unit, the determination of both of which requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasts are available and to assumptions regarding the long-term sustainable cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows naturally reflect management's view of future performance.

At 31st December 2007, the goodwill allocated to UK Banking of £3,131m (2006: £3,132m) included £3,130m (2006: £3,130m) relating to Woolwich, and the amount allocated to International Retail and Commercial Banking of £1,682m (2006: £1,481m) included £1,054m (2006: £953m) relating to Absa.

The remaining aggregate goodwill of £2,830m (2006: £2,009m) comprised of balances not considered individually significant.

Key assumptions used in value in use calculations for significant goodwill

The values assigned to key assumptions reflect past experience and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Term of cash flow forecasts and growth rates

Cash flows are based on internal management information for a period of up to three years, after which a growth factor suitable for the business is applied. Growth rates are based on the projected local inflation rates over the term of estimated cash flows.

The business operation containing Woolwich has applied a growth factor of 2% (proxy for inflation) to cash flows for the period 2011 to 2016. Absa has applied a growth rate of 8% to cash flows for the three years 2011 to 2013, and a rate of 4% for the years 2014 to 2021. The use of longer cash flow projections is justified by the long-term nature of these businesses within the Barclays Group.

Discount rates

The business operation containing Woolwich has applied a discount factor of 15%, and Absa has applied 13.62% to forecast cash flows used in the impairment testing.

Management believes that reasonable changes in key assumptions used to determine the recoverable amounts of Absa and Woolwich goodwill will not result in impairment.

No impairment was identified in 2007 or 2006.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

22 Intangible assets

	2007							
	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Mortgage servicing rights £m	Licences and other £m	Total £m
Cost								
At 1st January 2007	267	123	242	145	467	122	140	1,506
Acquisitions	–	–	–	–	54	–	23	77
Additions	118	56	–	3	–	4	–	181
Exchange and other adjustments	3	9	2	1	3	–	(2)	16
At 31st December 2007	388	188	244	149	524	126	161	1,780
Accumulated amortisation and impairment								
At 1st January 2007	(116)	(29)	(24)	(22)	(64)	(10)	(26)	(291)
Amortisation charge	(45)	(13)	(11)	(15)	(36)	(54)	(12)	(186)
Impairment charge	–	(14)	–	–	–	–	–	(14)
Exchange and other adjustments	(2)	(1)	(2)	(1)	(1)	–	–	(7)
At 31st December 2007	(163)	(57)	(37)	(38)	(101)	(64)	(38)	(498)
Net book value	225	131	207	111	423	62	123	1,282

	2006							
	Internally generated software £m	Other software £m	Core deposit intangibles £m	Brands £m	Customer lists £m	Mortgage servicing rights £m	Licences and other £m	Total £m
Cost								
At 1st January 2006	188	43	306	183	582	–	139	1,441
Acquisitions	–	–	–	–	–	114	2	116
Additions	95	86	–	–	–	16	13	210
Exchange and other adjustments	(16)	(6)	(64)	(38)	(115)	(8)	(14)	(261)
At 31st December 2006	267	123	242	145	467	122	140	1,506
Accumulated amortisation and impairment								
At 1st January 2006	(90)	(18)	(7)	(9)	(29)	–	(19)	(172)
Amortisation charge	(29)	(7)	(20)	(16)	(44)	(11)	(9)	(136)
Impairment charge	(2)	(5)	–	–	–	–	–	(7)
Exchange and other adjustments	5	1	3	3	9	1	2	24
At 31st December 2006	(116)	(29)	(24)	(22)	(64)	(10)	(26)	(291)
Net book value	151	94	218	123	403	112	114	1,215

Impairment charges reflect the impairment of certain IT assets where the future economic benefit did not exceed the carrying value.

Impairment charges detailed above have been included within other operating expenses.

Table of Contents

23 Property, plant and equipment

	2007				2006			
	Property £m	Equipment £m	Operating leased assets £m	Total £m	Property £m	Equipment £m	Operating leased assets £m	Total £m
Cost								
At 1st January	2,154	2,429	365	4,948	2,450	2,541	365	5,356
Acquisitions and disposals	5	13	–	18	–	–	–	–
Additions	506	638	105	1,249	180	475	–	655
Disposals	(241)	(112)	(57)	(410)	(422)	(382)	–	(804)
Fully depreciated assets written off	(1)	(8)	–	(9)	(1)	(89)	–	(90)
Exchange and other adjustments	28	35	–	63	(53)	(116)	–	(169)
At 31st December	2,451	2,995	413	5,859	2,154	2,429	365	4,948
Accumulated depreciation and impairment								
At 1st January	(993)	(1,454)	(9)	(2,456)	(1,022)	(1,575)	(5)	(2,602)
Acquisitions and disposals	(1)	(7)	–	(8)	–	–	–	–
Depreciation charge	(91)	(370)	(6)	(467)	(118)	(335)	(2)	(455)
Impairment charge	(2)	–	–	(2)	(14)	–	–	(14)
Disposals	58	37	–	95	148	341	–	489
Fully depreciated assets written off	1	8	–	9	1	89	–	90
Exchange and other adjustments	(16)	(18)	–	(34)	12	26	(2)	36
At 31st December	(1,044)	(1,804)	(15)	(2,863)	(993)	(1,454)	(9)	(2,456)
Net book value	1,407	1,191	398	2,996	1,161	975	356	2,492

Operating leased assets represent assets such as plant and equipment leased to customers under operating leases.

Certain of the Group's equipment is held on finance leases. See Note 37.

In 2007 the value of an existing office building in the UK property portfolio was impaired by £2m reflecting local market conditions that had prevented its disposal in the year. In 2008 the freehold of the building will be disposed of by a short- or long-term leaseback. Consequently the value has been written down to fair value, less cost of sale.

24 Financial liabilities designated at fair value

	2007		2006	
	Fair value £m	Contractual amount due on maturity £m	Fair value £m	Contractual amount due on maturity £m
Debt securities	52,320	62,167	32,261	37,393
Deposits	17,319	18,140	19,990	20,465
Other	4,850	6,239	1,736	2,913
Financial liabilities designated at fair value	74,489	86,546	53,987	60,771

The amount of change in the fair value of financial liabilities attributable to changes in own credit risk of these liabilities in 2007 is £658m.

There were no significant gains or losses attributable to changes in own credit risk for financial liabilities in 2006.

25 Other liabilities

	2007 £m	2006 £m
Accruals and deferred income	6,075	6,127
Sundry creditors	4,341	4,118
Obligations under finance leases (Note 37)	83	92
Other liabilities	10,499	10,337

Included in the above are balances of £9,043m (2006: £9,265m) expected to be settled within no more than 12 months after the balance sheet date; and balances of £1,456m (2006: £1,072m) expected to be settled more than 12 months after the balance sheet date.

Accruals and deferred income included £102m (2006: £107m) in relation to deferred income from investment contracts and £677m (2006: £822m) in relation to deferred income from insurance contracts.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

26 Insurance assets and liabilities

Insurance assets

Reinsurance assets are £157m (2006: £172m) and relate principally to the Group's long-term business. Reinsurers' share of provisions relating to the Group's short-term business are £94m (2006: £82m). The reinsurance assets expected to be recovered after more than one year are £63m (2006: £92m).

Insurance contract liabilities including unit-linked liabilities

Insurance liabilities comprise the following:

	2007 £m	2006 £m
Insurance contract liabilities:		
– linked liabilities	1,398	1,591
– non-linked liabilities	2,347	2,121
Provision for claims	158	166
Insurance contract liabilities including unit-linked liabilities	3,903	3,878

Insurance contract liabilities relate principally to the Group's long-term business. Insurance contract liabilities associated with the Group's short-term non-life business are £174m (2006: £198m).

Movements in insurance liabilities and reinsurance assets

Movements in insurance assets and insurance contract liabilities were as follows:

	2007			2006		
	Gross £m	Reinsurance £m	Net £m	Gross £m	Reinsurance £m	Net £m
At beginning of year	3,878	(172)	3,706	3,767	(114)	3,653
Change in year	25	15	40	111	(58)	53
At end of year	3,903	(157)	3,746	3,878	(172)	3,706

Assumptions used to measure insurance liabilities

The assumptions that have the greatest effect on the measurement of the amounts recognised above, and the processes used to determine them were as follows:

Long-term business – linked and non-linked

Mortality – mortality estimates are based on standard industry and national mortality tables, adjusted where appropriate to reflect the Group's own experience. A margin is added to ensure prudence – for example, future mortality improvements for annuity business.

Renewal expenses level and inflation – expense reserves are a small part of overall insurance liabilities, however, increases in expenses caused by unanticipated inflation or other unforeseen factors could lead to expense reserve increases. Expenses are therefore set using prudent assumptions. Initial renewal expense levels are set by considering expense forecasts for the business and, where appropriate, building in a margin to allow for the increasing burden of fixed costs on the UK closed life book of business. The inflation assumption is set by adding a margin to the market rate of inflation implied by index-linked gilt yields.

Short-term business

Short-term business – for single premium policies the proportion of unearned premiums is calculated based on estimates of the frequency and severity of incidents.

Changes in assumptions

There have been no changes in assumptions in 2007 that have had a material effect on the financial statements.

Uncertainties associated with cash flows related to insurance contracts and risk management activities

Long-term insurance contracts (linked and non-linked)

For long-term insurance contracts where death is the insured risk, the most significant factors that could detrimentally affect the frequency and severity of claims are the incidence of disease, such as AIDS, or general changes in lifestyle, such as in eating, exercise and smoking. Where survival is the insured risk, advances in medical care and social conditions are the key factors that increase longevity.

The Group manages its exposure to risk by operating in part as a unit-linked business, prudent product design, applying strict underwriting criteria, transferring risk to reinsurers, managing claims and establishing prudent reserves.

Short-term insurance contracts

For payment protection contracts where inability to make payments under a loan contract is the insured risk, the most significant factors are the health of the policyholder and the possibility of unemployment which depends upon, among other things, long-term and short-term economic factors. The Group manages its exposure to such risks through prudent product design, efficient claims management, prudent reserving methodologies and bases, regular product, economic and market reviews and regular adequacy tests on the size of the reserves.

Absa insures property and motor vehicles, for which the most significant factors that could effect the frequency and severity of claims are climatic change and crime. Absa manages its exposure to risk by diversifying insurance risks accepted and transferring risk to reinsurers.

Table of Contents

26 Insurance assets and liabilities (continued)

Sensitivity analysis

The following table presents the sensitivity of the level of insurance contract liabilities disclosed in this note to movements in the actuarial assumptions used to calculate them. The percentage change in variable is applied to a range of existing actuarial modelling assumptions to derive the possible impact on net profit after tax. The disclosure is not intended to explain the impact of a percentage change in the insurance assets and liabilities disclosed above.

	2007		2006	
	Change in variable %	Net profit after tax impact £m	Change in variable %	Net profit after tax impact £m
Long-term insurance contracts:				
Improving mortality (annuitants only)	10	21	10	23
Worsening of mortality (assured lives only)	10	29	10	25
Worsening of base renewal expense level	20	43	20	23
Worsening of expense inflation rate	10	10	10	9
Short-term insurance contracts:				
Worsening of claim expense assumptions	10	3	10	9

Any change in net profit after tax would result in a corresponding increase or decrease in shareholders' equity.

The above analyses are based on a change in a single assumption while holding all other assumptions constant. In practice this is unlikely to occur.

Options and guarantees

The Group's contracts do not contain options or guarantees that could confer material risk.

Concentration of insurance risk

The Group considers that the concentration of insurance risk that is most relevant to the Group financial statements is according to the type of cover offered and the location of insured risk. The following table shows the maximum amounts payable under all of the Group's insurance products. It ignores the probability of insured events occurring and the contribution from investments backing the insurance policies. The table shows the broad product types and the location of the insured risk, before and after the impact of reinsurance that represents the risk that is passed to other insurers.

	2007			2006		
	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m
Total benefits insured by product type						
Long-term insurance contracts	31,205	(10,497)	20,708	24,934	(9,445)	15,489
Short-term insurance contracts	31,464	(1,139)	30,325	39,870	(901)	38,969
Total benefits insured	62,669	(11,636)	51,033	64,804	(10,346)	54,458

	2007			2006		
	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m	Before Reinsurance £m	Reinsurance £m	After Reinsurance £m
Total benefits insured by geographic location						
United Kingdom	22,538	(7,473)	15,065	25,403	(8,010)	17,393
Other European Union	4,304	(2,479)	1,825	3,317	(1,802)	1,515
Africa	35,827	(1,684)	34,143	36,084	(534)	35,550
Total benefits insured	62,669	(11,636)	51,033	64,804	(10,346)	54,458

Reinsurer credit risk

For the long-term business, reinsurance programmes are in place to restrict the amount of cover to any single life. The reinsurance cover is spread across highly rated companies to diversify the risk of reinsurer solvency. Net insurance reserves include a margin to reflect reinsurer credit risk.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

27 Subordinated liabilities

Subordinated liabilities comprise dated and undated loan capital as follows:

		2007 £m	2006 £m
Undated loan capital	(a)	6,631	5,422
Dated loan capital	(b)	11,519	8,364
		18,150	13,786

(a) Undated loan capital

	Notes	2007 £m	2006 £m
Non-convertible			
The Bank			
6% Callable Perpetual Core Tier One Notes	a,p	392	404
6.86% Callable Perpetual Core Tier One Notes (US$1,000m)	a,p	624	571
5.3304% Step-up Callable Perpetual Reserve Capital Instruments	b,q	520	501
5.926% Step-up Callable Perpetual Reserve Capital Instruments (US$1,350m)	c,r	708	690
6.3688% Step-up Callable Perpetual Reserve Capital Instruments	n,ad	526	–
7.434% Step-up Callable Perpetual Reserve Capital Instruments (US$1,250m)	o,ae	660	–
Junior Undated Floating Rate Notes (US$121m)	d,s	61	62
Undated Floating Rate Primary Capital Notes Series 3	d,t	147	146
9.875% Undated Subordinated Notes	e,u	319	319
9.25% Perpetual Subordinated Bonds (ex-Woolwich plc)	f,v	171	178
9% Permanent Interest Bearing Capital Bonds	g,w	102	102
7.125% Undated Subordinated Notes	h,x	535	550
6.875% Undated Subordinated Notes	i,y	657	656
6.375% Undated Subordinated Notes	j,z	482	481
6.125% Undated Subordinated Notes	k,aa	560	571
6.5% Undated Subordinated Notes (FFr 1,000m)	l,ab	115	105
5.03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m)	m,ac	21	34
5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m)	m,ac	31	52
Undated loan capital – non-convertible		6,631	5,422

Security and subordination

None of the undated loan capital of the Bank is secured.

The Junior Undated Floating Rate Notes (the 'Junior Notes') rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.

All other issues of the Bank's undated loan capital rank pari passu with each other and behind the claims of the holders of the Junior Notes, except for the 6% and 6.86% Callable Perpetual Core Tier One Notes (the 'TONs') and the 5.3304%, 5.926%, 6.3688% and 7.434% Step-up Callable Perpetual Reserve Capital Instruments (the 'RCIs') (such issues, excluding the TONs and the RCIs, being the 'Undated Notes and Loans').

The TONs and the RCIs rank pari passu with each other and behind the claims of the holders of the Undated Notes and Loans.

Interest

Notes

a These TONs bear a fixed rate of interest until 2032. After that date, in the event that the TONs are not redeemed, the TONs will bear interest at rates fixed periodically in advance, based on London interbank rates.

b These RCIs bear a fixed rate of interest until 2036. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

c These RCIs bear a fixed rate of interest until 2016. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

d These Notes bear interest at rates fixed periodically in advance, based on London interbank rates.

e These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

f These Bonds bear a fixed rate of interest until 2021. After that date, in the event that the Bonds are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

g The interest rate on these Bonds is fixed for the life of this issue.

h These Notes bear a fixed rate of interest until 2020. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

i These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

Table of Contents

27 Subordinated liabilities (continued)

j These Notes bear a fixed rate of interest until 2017. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

k These Notes bear a fixed rate of interest until 2027. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

l These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.

m These Loans bear a fixed rate of interest until 2028 based on a US Dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable, which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Loans are not redeemed, the Loans will bear Yen interest rates fixed periodically in advance, based on London interbank rates.

n These RCIs bear a fixed rate of interest until 2019. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

o These RCIs bear a fixed rate of interest until 2017. After that date, in the event that the RCIs are not redeemed, the RCIs will bear interest at rates fixed periodically in advance, based on London interbank rates.

The Bank is not obliged to make a payment of interest on its Undated Notes and Loans excluding the 9.25% Perpetual Subordinated Bonds if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of the Bank. The Bank is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 months interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. During the year, the Bank declared and paid dividends on its ordinary shares and on all classes of preference shares.

No payment of principal or any interest may be made unless the Bank satisfies a specified solvency test.

The Bank may elect to defer any payment of interest on the RCIs (b, c, n and o above). Any such deferred payment of interest must be paid on the earlier of (i) the date of redemption of the RCIs, and (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or Preference Shares.

The Bank may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the FSA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as the Bank next makes a payment of interest on the TONs, neither the Bank nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or Preference Shares, or make payments of interest in respect of the Bank's Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Repayment

Notes

p These TONs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June 2032.

q These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2036.

r These RCIs are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after December 2016.

s These Notes are repayable, at the option of the Bank, in whole or in part on any interest payment date.

t These Notes are repayable, at the option of the Bank, in whole on any interest payment date.

u These Notes are repayable, at the option of the Bank, in whole in 2008, or on any fifth anniversary thereafter.

v These Bonds are repayable, at the option of the Bank, in whole in 2021, or on any fifth anniversary thereafter.

w These Bonds are repayable, at the option of the Bank, in whole at any time.

x These Notes are repayable, at the option of the Bank, in whole in 2020, or on any fifth anniversary thereafter.

y These Notes are repayable, at the option of the Bank, in whole in 2015, or on any fifth anniversary thereafter.

z These Notes are repayable, at the option of the Bank, in whole in 2017, or on any fifth anniversary thereafter.

aa These Notes are repayable at the option of the Bank, in whole in 2027, or on any fifth anniversary thereafter.

ab These Notes are repayable, at the option of the Bank, in whole in 2009, or on any fifth anniversary thereafter.

ac These Loans are repayable, at the option of the Bank, in whole in 2028, or on any fifth anniversary thereafter.

ad These RCIs are repayable at the option of the Bank, in whole on any coupon payment date falling in or after December 2019.

ae These RCIs are repayable at the option of the Bank, in whole on any coupon payment date falling in or after December 2017.

In addition, each issue of undated loan capital is repayable, at the option of the Bank, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest.

Any repayments require the prior notification to the FSA.

All issues of undated loan capital have been made in the eurocurrency market and/or under Rule 144A, and no issues have been registered under the US Securities Act of 1933.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

27 Subordinated liabilities (continued)

(b) Dated loan capital

Dated loan capital, issued by the Bank for the development and expansion of the Group's business and to strengthen its capital base, by Barclays Bank Spain SA (Barclays Spain), Barclays Bank of Botswana Ltd (BBB), Barclays Bank Zambia PLC (Barclays Zambia) and Barclays Bank of Kenya (Barclays Kenya) to enhance their respective capital bases and by Absa and Barclays Bank of Ghana Ltd (BBG) for general corporate purposes, comprise:

	Notes	2007 £m	2006 £m
Non-convertible			
The Bank			
7.4% Subordinated Notes 2009 (US$400m)	a	200	204
Subordinated Fixed to CMS-Linked Notes 2009 (€31m)	b	23	21
12% Unsecured Capital Loan Stock 2010	a	27	27
5.75% Subordinated Notes 2011 (€1,000m)	a	724	676
5.25% Subordinated Notes 2011 (€250m) (ex-Woolwich plc)	a	200	186
Floating Rate Subordinated Notes 2012		–	301
Callable Subordinated Floating Rate Notes 2012		–	44
Step-up Callable Floating Rate Subordinated Bonds 2012 (ex-Woolwich plc)		–	151
Callable Subordinated Floating Rate Notes 2012 (US$150m)		–	77
Floating Rate Subordinated Notes 2012 (US$100m)		–	51
Capped Floating Rate Subordinated Notes 2012 (US$100m)		–	51
Floating Rate Subordinated Notes 2013 (US$1,000m)	b,n	501	513
5.015% Subordinated Notes 2013 (US $ 150m)	a	77	77
4.875% Subordinated Notes 2013 (€750m)	a	583	540
5.5% Subordinated Notes 2013 (DM 500m)	d,n	196	179
Floating Rate Subordinated Step-up Callable Notes 2013 (Yen 5,500m)	b,n	25	24
Floating Rate Subordinated Notes 2013 (AU$150m)	c,n	67	61
5.93% Subordinated Notes 2013 (AU $100m)	e,n	44	41
Callable Floating Rate Subordinated Notes 2015 (US$1,500m)	b,n	753	767
4.38% Fixed Rate Subordinated Notes 2015 (US$75m)	a	30	37
4.75% Fixed Rate Subordinated Notes 2015 (US$150m)	a	85	76
Floating Rate Subordinated Step-up Callable Notes 2016 (US$750m)	b,n	375	382
Callable Floating Rate Subordinated Notes 2016 (€1,250m)	b,n	927	844
Callable Floating Rate Subordinated Notes 2017 (US$500m)	b,n	250	255
10.125% Subordinated Notes 2017 (ex-Woolwich plc)	k,n	111	113
Floating Rate Subordinated Step-up Callable Notes 2017 (US$1,500m)	b,n	749	–
Floating Rate Subordinated Step-up Callable Notes 2017 (€1,500m)	b,n	1,106	–
6.05% Fixed Rate Subordinated Notes 2017 (US$2,250m)	a	1,125	–
Floating Rate Subordinated Notes 2018 (€40m)	b	29	27
Floating Rate Subordinated Notes 2019 (€50m)	b	36	32
Callable Fixed/Floating Rate Subordinated Notes 2019 (€1,000m)	l	761	696
9.5% Subordinated Bonds 2021 (ex-Woolwich plc)	a	282	290
Subordinated Floating Rate Notes 2021 (€100m)	b	72	66
Subordinated Floating Rate Notes 2022 (€50m)	b	37	34
Subordinated Floating Rate Notes 2023 (€50m)	b	37	34
Fixed/Floating Rate Subordinated Callable Notes 2023	r,n	505	–
5.75% Fixed Rate Subordinated Notes 2026	a	600	608
5.4% Reverse Dual Currency Subordinated Loan 2027 (Yen 15,000m)	m	71	66
6.33% Subordinated Notes 2032	a	49	50
Subordinated Floating Rate Notes 2040 (€100m)	b	73	67
Barclays Bank SA, Spain (Barclays Spain)			
Subordinated Floating Rate Capital Notes 2011 (€30m)	b	10	22
Absa			
14.25% Subordinated Callable Notes 2014 (ZAR 3,100m)	f,n	253	269
10.75% Subordinated Callable Notes 2015 (ZAR 1,100m)	g,n	87	89
Subordinated Callable Notes 2015 (ZAR 400m)	h,n	29	29
8.75% Subordinated Callable Notes 2017 (ZAR 1,500m)	i,n	111	113
8.8% Subordinated Fixed Rate Callable Notes 2019 (ZAR 1,725m)	s,n	123	–
8.1% Subordinated Callable Notes 2020 (ZAR 2,000m)	j,n	138	143
Barclays Bank of Ghana Ltd (BBG)			
14% Fixed Rate BBG Subordinated Callable Notes 2016 (GHC 100,000m)	a,n	5	6
Barclays Bank of Kenya (Barclays Kenya)			
Floating Rate Subordinated Notes 2014 (KES 1,000m)	t	8	–
Dated loan capital – non-convertible		11,494	8,339

Table of Contents

27 Subordinated liabilities (continued)

	Notes	2007 £m	2006 £m
Convertible			
Barclays Bank of Botswana (BBB)			
Subordinated Unsecured Floating Rate Capital Notes 2014 (BWP 100m)	n,o	8	9
Barclays Bank Zambia PLC (Barclays Zambia)			
Subordinated Unsecured Floating Rate Capital Notes 2015 (ZMK 40,000m)	n,p	6	5
Absa			
Redeemable cumulative option-holding preference shares (ZAR 147m)	q	11	11
Total convertible		25	25

None of the Group's dated loan capital is secured. The debt obligations of the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa rank ahead of the interests of holders of their equity. Dated loan capital of the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa has been issued on the basis that the claims there under are subordinated to the respective claims of their depositors and other unsecured unsubordinated creditors.

Interest

Notes

a The interest rates on these Notes are fixed for the life of those issues.

b These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.

c These Notes bear interest at rates fixed periodically in advance based on Sydney Bill of exchange rates.

d These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

e These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Sydney Bill of exchange rates.

f These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference rate for a further period of five years.

g These Notes bear a fixed rate of interest until 2010. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

h These Notes bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

i These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

j These Notes bear a fixed rate of interest until 2015. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

k These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of five years.

l These Notes bear a fixed rate of interest until 2014. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.

m This Loan bears a fixed rate of interest based on a US Dollar principal amount, but the interest payments have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates.

n Repayable at the option of the issuer, prior to maturity, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole.

o These Notes bear interest at rates fixed periodically in advance based on the Bank of Botswana Certificate Rate. All of these Notes will be compulsorily converted to Preference Shares of BBB, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should BBB experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

p These Notes bear interest at rates fixed periodically in advance based on the Bank of Zambia Treasury Bill rate. All of these Notes will be compulsorily converted to Preference Shares of Barclays Zambia, having a total par value equal in sum to the principal amount of Notes outstanding at the time of conversion, should Barclays Zambia experience pre-tax losses in excess of its retained earnings and other capital surplus accounts.

q The dividends are compounded and payable semi-annually in arrears on 30th September and 31st March of each year. The shares were issued by Absa Group Limited on 1st July 2004 and the redemption dates commence on the first business day after the third anniversary of the date of issue of the redeemable preference shares and ending on the fifth anniversary of the date of issue. Such exercise and notice will be deemed to be effective only on the option exercise dates, being 1st March, 1st June, 1st September or 1st December of each year. The shares are convertible into ordinary shares at the option of the preference shareholders on the redemption dates in lots of 100.

r These Notes bear a fixed rate of interest until 2018. After that date in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.

s These Notes bear a fixed rate of interest until 2014. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on Johannesburg interbank acceptance rates.

t These Notes bear interest at rates fixed periodically in advance based on the Central Bank of Kenya Treasury Bill rates.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

27 Subordinated liabilities (continued)

The 7.4% Subordinated Notes 2009 (the '7.4% Notes') issued by the Bank have been registered under the US Securities Act of 1933. All other issues of dated loan capital by the Bank, Barclays Spain, BBG, BBB, Barclays Zambia, Barclays Kenya and Absa, which were made in non-US markets, have not been so registered. With respect to the 7.4% Notes, the Bank is not obliged to make (i) a payment of interest on any interest payment date unless a dividend is paid on any class of share capital and (ii) a payment of principal until six months after the respective maturity date with respect to such Notes.

Repayment terms

Unless otherwise indicated, the Group's dated loan capital outstanding at 31st December 2007 is redeemable only on maturity, subject in particular cases, to provisions allowing an early redemption in the event of certain changes in tax law or, in the case of BBB and Barclays Zambia to certain changes in legislation or regulations.

Any repayments prior to maturity require in the case of the Bank, the prior notification to the FSA, in the case of BBB, the prior approval of the Bank of Botswana, in the case of Barclays Zambia, the prior approval of the Bank of Zambia, and in the case of Absa, the prior approval of the South African Registrar of Banks.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

28 Provisions

	Onerous contracts £m	Redundancy and restructuring £m	Undrawn contractually committed facilities and guarantees provided £m	Sundry provisions £m	Total £m
At 1st January 2007	71	102	46	243	462
Acquisitions and disposals of subsidiaries	1	(2)	–	74	73
Exchange	–	–	8	5	13
Additions	18	117	560	121	816
Amounts used	(25)	(117)	(113)	(60)	(315)
Unused amounts reversed	(5)	(18)	(26)	(174)	(223)
Amortisation of discount	4	–	–	–	4
At 31st December 2007	64	82	475	209	830
At 1st January 2006	79	74	55	309	517
Exchange	(2)	2	–	(16)	(16)
Additions	45	180	35	159	419
Amounts used	(53)	(133)	(9)	(94)	(289)
Unused amounts reversed	(2)	(21)	(35)	(115)	(173)
Amortisation of discount	4	–	–	–	4
At 31st December 2006	71	102	46	243	462

Provisions expected to be recovered or settled within no more than 12 months after 31st December 2007 were £645m (2006: £388m).

Sundry provisions are made with respect to commission clawbacks, warranties and litigation claims.

Undrawn contractually committed facilities and guarantees provided includes £360m (2006: £nil) provision against undrawn facilities on ABS CDO Super Senior positions.

Table of Contents

29 Securitisations

The Group was party to securitisation transactions involving Barclays residential mortgage loans, business loans and credit card balances. In addition, the Group acts as a conduit for commercial paper, whereby it acquires static pools of residential mortgage loans from other lending institutions for securitisation transactions.

In these transactions, the assets, or interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, or to a trust which then transfers its beneficial interests to a special purpose entity, which then issues floating rate debt securities to third-party investors.

Securitisations may, depending on the individual arrangement result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

The following table shows the carrying amount of securitised assets, stated at the amount of the Group's continuing involvement where appropriate, together with the associated liabilities, for each category of asset in the balance sheet:

	2007		2006	
	Carrying amount of assets £m	Associated liabilities £m	Carrying amount of assets £m	Associated liabilities £m
Loans and advances to customers				
Residential mortgage loans	16,000	(16,786)	12,577	(13,271)
Credit card receivables	4,217	(3,895)	5,700	(5,195)
Other personal lending	422	(485)	229	(255)
Wholesale and corporate loans and advances	8,493	(8,070)	5,852	(5,303)
Total	29,132	(29,236)	24,358	(24,024)
Assets designated at fair value through profit or loss				
Retained interest in residential mortgage loans	895	–	628	–

Retained interests in residential mortgage loans are interest only strips which represent a continuing exposure to the prepayment and credit risk in the underlying securitised assets, the total amount of which was £23,097m (2006: £15,063m). These are initially recorded as an allocation of the original carrying amount based on the relative fair values of the portion derecognised and the portion retained.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

30 Retirement benefit obligations

Pension schemes

The UK Retirement Fund (UKRF), which is the main scheme of the Group, amounting to 94% of all the Group's schemes in terms of benefit obligations, comprises ten sections.

The 1964 Pension Scheme

Most employees recruited before July 1997 are members of this non-contributory defined benefit scheme. Pensions are calculated by reference to service and pensionable salary and are normally subject to a deduction from State pension age.

The Retirement Investment Scheme (RIS)

A defined contribution plan for most joiners between July 1997 and 1st October 2003. This was closed to new entrants on 1st October 2003 and the large majority of existing members of the RIS transferred to **after**work in respect of future benefit accrual with effect from 1st January 2004. There are now no longer any active members of the RIS.

The Pension Investment Plan (PIP)

A defined contribution plan created from 1st July 2001 to provide benefits for certain employees of Barclays Capital.

afterwork

Combines a contributory cash balance element with a voluntary defined contribution element. New employees since 1st October 2003 are eligible to join **after**work. In addition, the large majority of active members of the RIS (now closed) were transferred to **after**work in respect of future benefit accrual after 1st January 2004.

Career Average Section

The Career Average Section was established in the UKRF with effect from 1st May 2004 following the transfer of members from the Woolwich Pension Fund. The Career Average Section is a non-contributory career average scheme and was closed to new entrants on 1st December 2006.

1951 Fund Section, AP89 Section, BCPS Section, CCS Section and Mercantile Section

Five new sections were established in the UKRF with effect from 31st March 2007 following the merger of the UKRF with five smaller schemes sponsored from within the Group. All five sections are closed to new members.

The 1951 Fund Section, AP89 Section and Mercantile Section provide final salary benefits calculated by reference to service and pensionable salary.

The BCPS and CCS Sections provide defined contribution benefits. The benefits built up in these sections in relation to service before 6th April 1997 are subject to a defined benefit minimum.

In addition, the costs of ill-health retirements and death in service benefits are generally borne by the UKRF for each of the ten sections.

Governance

The assets of the UKRF are held separately from the assets of the Group and are administered by trustees.

Barclays Pension Fund Trustees Ltd (BPFTL) acts as corporate trustee for the UKRF. BPFTL is a private limited company, incorporated on 20th December 1990, and is a subsidiary of Barclays Bank PLC.

As the corporate trustee for the UKRF, BPFTL is the legal owner of the assets of the UKRF and BPFTL holds these assets in trust for the beneficiaries of the scheme.

BPFTL comprises nine Directors, of which six are Employer Directors selected by the Bank and three are Employee Directors nominated by the Pension Fund Advisory Committee (PFAC). Employee Directors are selected from those eligible active employees and pensioner members who apply to be considered for the role.

Employee Director vacancies are advertised to all eligible active and pensioner members. This enables any eligible member with an interest in becoming an Employee Director to express that interest and be considered for the role. The PFAC provides the mechanism through which Employee Directors are selected. The PFAC will accept nominations from eligible members and select from amongst all properly nominated candidates.

There are also three Alternate Employer Directors and three Alternate Employee Directors. The selection process for these appointments are as detailed above. The role of alternate directors is to provide cover for individual directors, should they not be available for meetings.

Currently, the Bank decides the funding rate after consulting with the trustees. Under the Pensions Act 2004, which has practical impact for the UKRF for the triennial valuation currently in progress with an effective date of 30th September 2007, the Bank and the trustee must agree the funding rate (including a recovery plan to fund any deficit against the scheme specific statutory funding objective).

In addition to the UKRF, there are other defined benefit and defined contribution schemes in the UK and overseas. The same approach to pensions governance applies to the other schemes in the UK but different legislation covers schemes outside of the UK where in most cases the Bank has the power to determine the funding rate.

Table of Contents

30 Retirement benefit obligations (continued)

The following tables present an analysis of defined benefit obligation and fair value of plan assets for all the Group's pension schemes and post-retirement benefits (the latter are unfunded) and present the amounts recognised in the income statement including those related to post-retirement health care.

Income statement charge

	2007			2006			2005		
	Pensions £m	Other post-retirement benefits £m	Total £m	Pensions £m	Other post-retirement benefits £m	Total £m	Pensions £m	Other post-retirement benefits £m	Total £m
Staff cost charge									
Current service cost	332	2	334	378	21	399	348	22	370
Interest cost	905	8	913	900	8	908	853	4	857
Expected return on scheme assets	(1,074)	–	(1,074)	(999)	–	(999)	(898)	–	(898)
Recognised actuarial loss	(1)	–	(1)	3	1	4	4	–	4
Past service cost	20	–	20	29	–	29	13	1	14
Curtailment or settlements	(32)	–	(32)	(29)	–	(29)	(49)	–	(49)
Total included in staff costs	150	10	160	282	30	312	271	27	298

Staff costs are included in other operating expenses.

Change in benefit obligation

	2007					2006				
	Pensions		Post-retirement benefits		Total	Pensions		Post-retirement benefits		Total
	UK £m	Overseas £m	UK £m	Overseas £m	£m	UK £m	Overseas £m	UK £m	Overseas £m	£m
Benefit obligation at beginning of the year	(17,256)	(894)	(97)	(76)	(18,323)	(18,149)	(938)	(103)	(79)	(19,269)
Current service cost	(317)	(15)	(1)	(1)	(334)	(358)	(20)	(20)	(1)	(399)
Interest cost	(869)	(36)	(4)	(4)	(913)	(863)	(37)	(4)	(4)	(908)
Past service cost	(20)	–	–	–	(20)	(4)	(25)	–	–	(29)
Curtailments or settlements	35	1	–	–	36	43	2	–	–	45
Actuarial gain/(loss)	1,292	25	19	1	1,337	1,566	15	11	(3)	1,589
Contributions by plan participants	(19)	(2)	–	–	(21)	(15)	(2)	–	–	(17)
Benefits paid	589	31	2	15	637	536	40	19	4	599
Business combinations	–	–	–	–	–	–	11	–	–	11
Exchange and other adjustments	2	(23)	21	(33)	(33)	(12)	60	–	7	55
Benefit obligation at end of the year	(16,563)	(913)	(60)	(98)	(17,634)	(17,256)	(894)	(97)	(76)	(18,323)

The benefit obligation arises from plans that are wholly unfunded and wholly or partly funded as follows:

	2007 £m	2006 £m
Unfunded obligations	(248)	(237)
Wholly or partly funded obligations	(17,386)	(18,086)
Total	(17,634)	(18,323)

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

30 Retirement benefit obligations (continued)

Change in plan assets

	2007					2006				
	Pensions		Post-retirement benefits		Total	Pensions		Post-retirement benefits		Total
	UK £m	Overseas £m	UK £m	Overseas £m	£m	UK £m	Overseas £m	UK £m	Overseas £m	£m
Fair value of plan assets at beginning of the year	16,761	745	–	–	17,506	15,571	819	–	–	16,390
Expected return on plan assets	1,041	33	–	–	1,074	965	34	–	–	999
Employer contribution	355	34	2	15	406	357	26	2	4	389
Settlements	–	(1)	–	–	(1)	(11)	(2)	–	–	(13)
Contributions by plan participants	19	2	–	–	21	15	2	–	–	17
Actuarial (loss)/gain	(332)	(11)	–	–	(343)	423	25	–	–	448
Benefits paid	(589)	(31)	(2)	(15)	(637)	(536)	(30)	(2)	(4)	(572)
Business combinations	–	–	–	–	–	–	–	–	–	–
Exchange and other adjustments	(24)	25	–	–	1	(23)	(129)	–	–	(152)
Fair value of plan assets at the end of the year	17,231	796	–	–	18,027	16,761	745	–	–	17,506

Amounts recognised on balance sheet

The pension and post-retirement benefit assets and liabilities recognised on the balance sheet are as follows:

	2007					2006				
	Pensions		Post-retirement benefits		Total	Pensions		Post-retirement benefits		Total
	UK £m	Overseas £m	UK £m	Overseas £m	£m	UK £m	Overseas £m	UK £m	Overseas £m	£m
Benefit obligation at end of period	(16,563)	(913)	(60)	(98)	(17,634)	(17,256)	(894)	(97)	(76)	(18,323)
Fair value of plan assets at end of period	17,231	796	–	–	18,027	16,761	745	–	–	17,506
Net asset/(deficit)	668	(117)	(60)	(98)	393	(495)	(149)	(97)	(76)	(817)
Unrecognised actuarial (gains)/losses	(1,912)	7	(3)	14	(1,894)	(953)	20	17	14	(902)
Net recognised liability	(1,244)	(110)	(63)	(84)	(1,501)	(1,448)	(129)	(80)	(62)	(1,719)
Recognised assets	–	36	–	–	36	53	35	–	–	88
Recognised liability	(1,244)	(146)	(63)	(84)	(1,537)	(1,501)	(164)	(80)	(62)	(1,807)
Net recognised liability	(1,244)	(110)	(63)	(84)	(1,501)	(1,448)	(129)	(80)	(62)	(1,719)

The UKRF measured using the IAS 19 assumptions, has moved over the year from a £0.5bn deficit at 31st December 2006 to a surplus of £0.7bn at 31st December 2007.

The assumptions used for the current year and prior year are detailed on the next page. Among the reasons for this change were the increase in AA long-term corporate bond yields which resulted in a higher discount rate of 5.82% (31st December 2006: 5.12%), partially offset by lower than expected returns, and an increase in the inflation assumption to 3.45% (31st December 2006: 3.08%). A number of additional changes were made to the assumptions used in valuing the liabilities, including a decrease in the assumed rate of real salary increases to 0.5% (31st December 2006: 1%). Mortality assumptions changed from those in force at 31st December 2006.

Table of Contents

30 Retirement benefit obligations (continued)

Assumptions

Obligations arising under defined benefit schemes are actuarially valued using the projected unit credit method. Under this method, where a defined benefit scheme is closed to new members, such as in the case of the 1964 Pension Scheme, the current service cost expressed as a percentage of salary is expected to increase in the future, although this higher rate will be applied to a decreasing payroll. The latest actuarial IAS valuations were carried out as at 31st December using the following assumptions:

	UK schemes		Overseas schemes	
	2007	2006	**2007**	2006
	% p.a.	% p.a.	**% p.a.**	% p.a.
Discount rate	**5.82**	5.12	**7.51**	6.94
Rate of increase in salaries	**3.95**	4.08	**5.60**	5.66
Inflation rate	**3.45**	3.08	**4.13**	3.94
Rate of increase for pensions in payment	**3.45**	2.88	**3.55**	3.58
Rate of increase for pensions in deferment	**3.30**	3.08	**2.50**	2.24
Initial health care inflation	**8.00**	8.93	**10.00**	9.93
Long-term health care inflation	**5.00**	5.00	**5.01**	5.00
Expected return on plan assets	**6.70**	6.32	**7.84**	7.89

The expected return on plan assets assumption is weighted on the basis of the fair value of these assets. Health care inflation assumptions are weighted on the basis of the health care cost for the period. All other assumptions are weighted on the basis of the defined benefit obligation at the end of the period.

The UK Schemes discount rate assumption is based on the yield on the iBoxx (over 15 year) AA corporate bond index.

The overseas health care inflation assumptions relate to the US and Mauritius.

Mortality assumptions

The post-retirement mortality assumptions used in valuing the liabilities of the UKRF were based on the standard 2000 series tables as published by the Institute and Faculty of Actuaries. These tables are considered to be most relevant to the population of the UKRF based on their mortality history. These were then adjusted in line with the actual experience of the UKRF's own pensioners relative to the standard table. An allowance has been made for future mortality improvements based on the medium cohort projections published by the CMIB. On this basis the post-retirement mortality assumptions for the UKRF includes:

	2007	2006	2005	2004	2003
Longevity at 60 for current pensioners (years)					
– Males	**26.7**	25.8	25.8	25.7	23.3
– Females	**27.9**	29.5	29.5	29.4	26.4
Longevity at 60 for future pensioners currently aged 40 (years)					
– Males	**28.0**	27.1	27.1	27.0	24.9
– Females	**29.1**	30.7	30.6	30.6	27.9

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

30 Retirement benefit obligations (continued)

Assumptions (continued)

Sensitivity analysis

Sensitivity analysis for each of the principal assumptions used to measure the benefit obligation of the UKRF are as follows:

	Impact on UKRF benefit obligation	
	(Decrease) /Increase %	(Decrease)/ Increase £bn
0.5% increase to:		
– Discount rate	(8.5)	(1.4)
– Rate of inflation	8.8	1.4
– Rate of salary growth	1.3	0.2
1 year increase to longevity at 60	2.5	0.4

Post-retirement health care

A one percentage point change in assumed health care trend rates, assuming all other assumptions remain constant would have the following effects for 2007:

	1% increase £m	1% decrease £m
Effect on total of service and interest cost components	1.9	(1.3)
Effect on post-retirement benefit obligation	19.9	(14.6)

Assets

A long-term strategy has been set for the asset allocation of the UKRF which comprises a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others.

The long-term strategy ensures that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long-term strategy within control ranges agreed with the trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown below reflects the actual physical assets held by the scheme, with any derivative holdings reflected on a mark to market basis. The expected return on asset assumptions, both for individual asset classes and overall, have been based on the portfolio of assets created after allowing for the net impact of the derivatives on the risk and return profile of the holdings.

The value of the assets of the schemes, their percentage in relation to total scheme assets, and their expected rate of return at 31st December 2007 and 31st December 2006 were as follows:

	2007								
	UK schemes			Overseas schemes			Total		
	Value £m	% of total fair value of scheme assets	Expected rate of return %	Value £m	% of total fair value of scheme assets	Expected rate of return %	Value £m	% of total fair value of scheme assets	Expected rate of return %
Equities	7,467	43	8.3	441	55	8.4	7,908	44	8.3
Bonds	7,445	43	5.1	300	38	7.6	7,745	43	5.2
Property	1,712	10	7.0	16	2	11.5	1,728	10	7.0
Derivatives	(12)	–	0.0	–	–	–	(12)	–	–
Cash	284	2	5.1	42	5	5.6	326	1	5.2
Other	335	2	5.3	(3)	–	–	332	2	5.4
Fair value of plan assets [a]	17,231	100	6.7	796	100	7.8	18,027	100	6.8

Note

a Excludes £782m (2006: £613m) representing the money purchase assets of the UKRF.

Table of Contents

30 Retirement benefit obligations (continued)

Assets (continued)

	2006								
	UK schemes			Overseas schemes			Total		
	Value £m	% of total fair value of scheme assets	Expected rate of return %	Value £m	% of total fair value of scheme assets	Expected rate of return %	Value £m	% of total fair value of scheme assets	Expected rate of return%
Equities	7,285	43	7.9	337	45	9.4	7,622	44	8.0
Bonds	6.930	41	4.7	300	40	6.2	7,230	41	4.7
Property	1,995	12	6.4	15	2	13.4	2,010	11	6.6
Derivatives	21	–	n/a	–	–	–	21	–	n/a
Cash	293	2	4.6	37	5	5.9	330	2	4.8
Other	237	2	5.9	56	8	9.4	293	2	6.6
Fair value of plan asset [a]	16,761	100	6.3	745	100	7.9	17,506	100	6.4

The UKRF plan assets include £39m relating to UK private equity investments (2006: £27m) and £664m relating to overseas private equity investments (2006: £447m). These are disclosed within Equities.

Amounts included in the fair value of plan assets include £6m (2006: £7m) relating to shares in Barclays Group, £6m (2006: £10m) relating to bonds issued by the Barclays Group, £nil (2006: £1m) relating to other investments in the Barclays Group, and £10m (2006: £8m) relating to property occupied by Group companies.

The expected return on assets is determined by calculating a total return estimate based on weighted average estimated returns for each asset class. Asset class returns are estimated using current and projected economic and market factors such as inflation, credit spreads and equity risk premiums.

The actual return on plan assets was £731m (2006: £1,447m).

Actuarial gains and losses

The actuarial gains and losses arising on plan liabilities and plan assets are as follows:

	UK schemes				Overseas schemes				Total			
	2007 £m	2006 £m	2005 £m	2004 £m	**2007 £m**	2006 £m	2005 £m	2004 £m	**2007 £m**	2006 £m	2005 £m	2004 £m
Present value of obligations	**(16,623)**	(17,353)	(18,252)	(15,574)	**(1,011)**	(970)	(1,017)	(587)	**(17,634)**	(18,323)	(19,269)	(16,161)
Fair value of plan assets	**17,231**	16,761	15,571	13,261	**796**	745	819	436	**18,027**	17,506	16,390	13,697
Net surplus/(deficit) in the plans	**608**	(592)	(2,681)	(2,313)	**(215)**	(225)	(198)	(151)	**393**	(817)	(2,879)	(2,464)
Experience gains and losses on plan liabilities												
– amount	**(297)**	48	(2)	16	**(79)**	(54)	(2)	(31)	**(376)**	(6)	(4)	(15)
– as percentage of plan liabilities	**(2%)**	–	–	–	**(8%)**	(6%)	–	(5%)	**(2%)**	–	–	–
Difference between actual and expected return on net assets												
– amount	**(332)**	423	1,599	570	**(11)**	25	2	9	**(343)**	448	1,601	579
– as percentage of plan assets	**(2%)**	3%	10%	4%	**–**	3%	–	2%	**(2%)**	3%	10%	4%

Note

a Excludes £782m (2006: £613m) representing the money purchase assets of the UKRF.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

30 Retirement benefit obligations (continued)

Funding

The most recent triennial funding valuation of the UK Retirement Fund was performed in September 2004 and forms the basis of the Group's commitment that the fund has sufficient assets to make payments to members in respect of their accrued benefits as and when they fall due. This funding valuation uses a discount rate that reflects the assumed future return from the actual asset allocation at that date, and takes into account projected future salary increases when assessing liabilities arising from accrued service. The funding valuation is updated annually on the basis of interim assumptions. The UK Retirement Fund recorded a funding surplus of £1.2bn as at 31st December 2007 (2006: £1.3bn).

The Group has agreed funding contributions which, in aggregate, are no less than those which are sufficient to meet the Group's share of the cost of benefits accruing over each year. The Group has, in the recent past, chosen to make funding contributions in excess of this, more consistent with the IAS service cost.

Defined benefit contributions paid with respect to the UKRF were as follows:

	£m
Contributions paid	
2007	**355**
2006	351
2005	354

There is a triennial valuation currently in progress with an effective date of 30th September 2007. To comply with the requirements of the Pensions Act 2004, the Group and trustees plan to agree a scheme specific funding target, statement of funding principles, and a schedule of contributions which in 2008 will supersede those in place under the current actuarial funding valuation.

Excluding the UKRF, the Group is expected to pay contributions of approximately £2m to UK schemes and £41m to overseas schemes in 2008.

The total contribution to be paid in 2008 to the UKRF is not expected to be significantly different than in previous years.

31 Ordinary shares and share premium

	Number of shares m	Ordinary shares £m	Share premium £m	Total £m
At 1st January 2007	6,535	1,634	5,818	7,452
Issued to staff under the Sharesave Share Option Scheme	19	6	62	68
Issued under the Incentive Share Option Plan	10	2	40	42
Issued under the Executive Share Option Scheme [a]	–	–	1	1
Issued under the Woolwich Executive Share Option Plan [a]	–	–	1	1
Transfer to retained earnings	–	–	(7,223)	(7,223)
Issue of new ordinary shares	337	84	1,357	1,441
Repurchase of shares	(300)	(75)	–	(75)
At 31st December 2007	**6,601**	**1,651**	**56**	**1,707**
At 1st January 2006	6,490	1,623	5,650	7,273
Issued to staff under the Sharesave Share Option Scheme	18	5	67	72
Issued under the Incentive Share Option Plan	25	6	96	102
Issued under the Executive Share Option Scheme [a]	1	–	3	3
Issued under the Woolwich Executive Share Option Plan [a]	1	–	2	2
At 31st December 2006	6,535	1,634	5,818	7,452

The authorised share capital of Barclays PLC is £2,500m (2006: £2,500m), comprising 9,996 million (2006: 9,996 million) ordinary shares of 25p each and 1 million (2006: 1 million) staff shares of £1 each. All issued shares are fully paid.

Called up share capital, allotted and fully paid	**2007 £m**	2006 £m
Ordinary shares:		
At beginning of year	**1,633**	1,622
Issued to staff under the Sharesave Share Option Scheme	**6**	5
Issued under Incentive Share Option Plan	**2**	6
Issue of new ordinary shares	**84**	–
Repurchase of shares	**(75)**	–
At end of year	**1,650**	1,633
Staff shares	**1**	1
Total	**1,651**	1,634

Note

a The nominal value for share options issued during 2007 and 2006 for the Executive Share Option Scheme and Woolwich ESOP was less than £500,000 in each case.

Table of Contents

31 Ordinary shares and share premium (continued)

Issue of new ordinary shares

On 14th August 2007, 336.8 million ordinary shares with an aggregate nominal value of £84 million were issued for a cash consideration, before issue costs, of £2,425m. The shares were issued to Temasek and China Development Bank at a market price of £7.20 per share. The proceeds of the Temasek issuance in excess of nominal value and issue costs of £941m were credited to retained earnings. This resulted from the operation of section 131 of the Companies Act 1985 with regard to the issue of shares by Barclays PLC in exchange for shares in Odysseus Jersey (No1) Limited and the subsequent redemption of the no par value redeemable preference shares of that company for cash.

Share repurchase

During the year Barclays PLC purchased in the market 300 million of its own ordinary shares of 25p each at a total cost of £1,802m in order to minimise the dilutive effect of the issuance of Barclays shares to Temasek and China Development Bank on existing shareholders. These transactions represent 4.54% of the issued share capital at 31st December 2007. All shares purchased during the period were open market transactions.

At the 2007 AGM on 26th April, Barclays PLC was authorised to repurchase 980,840,000 of its ordinary shares of 25p. The authorisation is effective until the AGM in 2008.

Cancellation of share premium account

On 11th October 2007, the order of the High Court confirming the cancellation of £7,223m of the share premium account was registered with the Registrar of Companies. This created £7,223m of additional distributable reserves in Barclays PLC. The purpose of the cancellation of the share premium account was to create distributable profits in order to allow the payment of dividends following the completion of the share buy-back programme, the redemption of the preference shares which were to have been issued in connection with the proposed merger with ABN AMRO, and to provide maximum flexibility to manage the Group's capital resources.

Shares under option

The Group has four schemes that give employees rights to subscribe for new shares in Barclays PLC. A summary of the key terms of each scheme are included in Note 44.

At 31st December 2007, 74.0 million (2006: 78.9 million) options were outstanding under the terms of the Sharesave Share Option Scheme (Sharesave), 1.4 million (2006: 1.7 million) options were outstanding under the terms of the Executive Share Option Scheme (ESOS), 0.5 million (2006: 0.7 million) options were outstanding under the terms of the Woolwich Executive Share Option Plan (Woolwich ESOP) and 20.5 million (2006: 77.5 million) options were outstanding under the terms of the Incentive Share Option Plan (ISOP), enabling certain Directors and members of staff to subscribe for ordinary shares between 2007 and 2016 at prices ranging from 176p to 562p.

Options and awards arising under the Executive Share Award Scheme, Performance Share Plan and Sharepurchase Scheme, which are described in Note 44 are not settled by the issuance of new shares but from shares held in employee benefit trusts. Details concerning the shares held in such trusts are provided in Note 32.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

32 Reserves
Other reserves – Barclays PLC Group

	Capital redemption reserve £m	Other capital reserve £m	Available for sale reserve £m	Cash flow hedging reserve £m	Currency translation reserve £m	Total £m
At 1st January 2007	309	617	132	(230)	(438)	390
Net gains from changes in fair value	–	–	480	182	–	662
Net (gains)/losses transferred to net profit	–	–	(560)	198	–	(362)
Currency translation differences	–	–	–	–	29	29
Losses transferred to net profit due to impairment	–	–	13	–	–	13
Changes in insurance liabilities	–	–	22	–	–	22
Net losses transferred to net profit due to fair value hedging	–	–	68	–	–	68
Tax	–	–	(1)	(124)	102	(23)
Repurchase of shares	75	–	–	–	–	75
At 31st December 2007	384	617	154	26	(307)	874

	Capital redemption reserve £m	Other capital reserve £m	Available for sale reserve £m	Cash flow hedging reserve £m	Currency translation reserve £m	Total £m
At 1st January 2006	309	617	225	70	156	1,377
Net gains/(losses) from changes in fair value	–	–	71	(421)	–	(350)
Net gains transferred to net profit	–	–	(308)	(51)	–	(359)
Currency translation differences	–	–	–	–	(464)	(464)
Losses transferred to net profit due to impairment	–	–	86	–	–	86
Changes in insurance liabilities	–	–	23	–	–	23
Net losses transferred to net profit due to fair value hedging	–	–	13	–	–	13
Tax	–	–	22	172	(130)	64
At 31st December 2006	309	617	132	(230)	(438)	390

The capital redemption reserve and other capital reserve represent transfers from retained earnings in accordance with relevant legislation. These reserves are not distributable.

The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition.

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations, net of the effects of hedging.

Transfers from cash flow hedging reserve

Gains and losses transferred from the cash flow hedging reserve were to: interest income: £93m loss (2006: £7m loss), interest expense: £11m gain (2006: £73m gain), net trading income: £100m loss (2006: £15m loss), and administration and general expenses: £16m loss (2006: £nil).

Table of Contents

32 Reserves (continued)

Retained earnings and treasury shares – Barclays PLC Group

	Retained earnings £m	Treasury shares £m	Total £m
At 1st January 2007	**12,169**	**(212)**	**11,957**
Profit attributable to equity holders of the parent	**4,417**	**–**	**4,417**
Equity-settled share schemes	**567**	**–**	**567**
Tax on equity-settled share schemes	**28**	**–**	**28**
Net purchases of treasury shares	**–**	**(572)**	**(572)**
Transfer	**(524)**	**524**	**–**
Dividends paid	**(2,079)**	**–**	**(2,079)**
Repurchase of shares	**(1,802)**	**–**	**(1,802)**
Transfer from share premium account	**7,223**	**–**	**7,223**
Arising on share issue	**941**	**–**	**941**
Other	**30**	**–**	**30**
At 31st December 2007	**20,970**	**(260)**	**20,710**
At 1st January 2006	8,957	(181)	8,776
Profit attributable to equity holders of the parent	4,571	–	4,571
Equity-settled share schemes	663	–	663
Tax on equity-settled share schemes	96	–	96
Net purchases of treasury shares	–	(425)	(425)
Transfer	(394)	394	–
Dividends paid	(1,771)	–	(1,771)
Other	47	–	47
At 31st December 2006	12,169	(212)	11,957

The Treasury shares primarily relate to Barclays PLC shares held by employee benefit trusts in relation to the Executive Share Award Scheme, Performance Share Plan and Sharepurchase Scheme, to the extent that such shares have not been allocated to employees. These schemes are described in Note 44.

The total number of Barclays shares held in Group employee benefit trusts at 31st December 2007 was 211.4 million (2006: 168 million). Dividend rights have been waived on nil (2006: nil) of these shares. The total market value of the shares held in trust based on the year-end share price of £5.04 (2006: £7.30) was £1,065m (2006: £1,227m). As at 31st December 2007, options over 16.6 million (2006: 9.6 million) of the total shares held in the trusts were exercisable.

The Group operates in a number of countries subject to regulations under which a local subsidiary has to maintain a minimum level of capital. The current policy of the Group is that local capital requirements are met, as far as possible, by the retention of profit. Certain countries operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders. It is not possible to determine the amount of profit retained and other reserves that are restricted by these regulations, but the net profit retained of overseas subsidiaries, associates and joint ventures at 31st December 2007 totalled £7,311m (2006: £5,667m). If such overseas reserves were to be remitted, other tax liabilities, which have not been provided for in the accounts, might arise.

Retained earnings – Barclays PLC (Parent company)

	Retained earnings £m	Capital redemption reserve £m	Total £m
At 1st January 2007	**1,468**	**309**	**1,777**
Profit after tax	**3,289**	**–**	**3,289**
Dividends paid	**(2,129)**	**–**	**(2,129)**
Transfer from share premium account	**7,223**	**–**	**7,223**
Arising on share issue	**941**	**–**	**941**
Repurchase of shares	**(1,802)**	**75**	**(1,727)**
At 31st December 2007	**8,990**	**384**	**9,374**
At 1st January 2006	**1,318**	**309**	**1,627**
Profit after tax	**1,964**	**–**	**1,964**
Dividends paid	**(1,814)**	**–**	**(1,814)**
At 31st December 2006	**1,468**	**309**	**1,777**

Details of principal subsidiaries held through Barclays Bank PLC are shown in Note 40.

The operation of section 131 of the Companies Act 1985 with regard to the issue of shares by Barclays PLC in exchange for shares in Odysseus Jersey (No 1) Limited and the subsequent redemption of the no par value redeemable preference shares of that company for cash, has resulted in additional distributable profits of £941m.

On 11th October 2007, the order of the High Court confirming the cancellation of £7,223m of the share premium account was registered with the Registrar of Companies. This created £7,223m additional distributable reserves in Barclays PLC. The purpose of the cancellation of the share premium account was to create distributable profits in order to allow the payment of dividends following the completion of the share buy-back programme, the redemption of the preference shares which were to have been issued in connection with the proposed merger with ABN AMRO, and to provide maximum flexibility to manage the company's capital resources.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

33 Minority interests

	2007 £m	2006 £m
At beginning of year	7,591	7,004
Share of profit after tax	678	624
Dividend and other payments	(480)	(452)
Equity issued by subsidiaries	1,381	639
Available for sale reserve: net gain/(loss) from changes in fair value	1	(2)
Cash flow hedges: net loss from changes in fair value	(16)	(9)
Currency translation differences	25	(317)
Additions	142	51
Disposals	(111)	(34)
Other	(26)	87
At end of year	9,185	7,591

During the year, subsidiaries issued the following Preference Shares:

- 1.9 million Preference Shares of nominal ZAR0.01 each (Principal amount: ZAR1,652m; £118m) with a variable dividend issued in 2007
- 55 million Preference Shares of nominal US$0.25 each (Principal amount: US$1,375m; £677m) with a 7.1% dividend issued on 13th September 2007
- 46 million Preference Shares of nominal US$0.25 each (Principal amount: US$1,150m; £567m) with a 7.75% dividend issued on 7th December 2007

34 Contingent liabilities and commitments

Contingent liabilities and commitments

The following table summarises the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk:

	2007 £m	2006 £m
Acceptances and endorsements	365	287
Guarantees and letters of credit pledged as collateral security	35,692	31,252
Other contingent liabilities	9,717	7,880
Contingent liabilities	45,774	39,419
Documentary credits and other short-term trade related transactions	522	414
Undrawn note issuance and revolving underwriting facilities:		
Forward asset purchases and forward deposits placed	283	360
Standby facilities, credit lines and other	191,834	204,730
Commitments	192,639	205,504

Nature of instruments

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Table of Contents

34 Contingent liabilities and commitments (continued)

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Capital commitments

At 31st December 2007 the commitments for capital expenditure under contract amounted to £6m (2006: £9m).

Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to futures and options. The disclosure includes any asset transfers associated with liabilities under repurchase agreements and securities lending transactions.

The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	2007 £m	2006 £m
Trading portfolio assets	76,226	77,255
Loans and advances	32,846	23,715
Available for sale investments	16,378	20,495
Other	580	4
Assets pledged	126,030	121,469

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Group is allowed to resell or repledge the collateral held. The fair value at the balance sheet date of collateral accepted and repledged to others was as follows:

	2007 £m	2006 £m
Fair value of securities accepted as collateral	343,986	279,591
Of which fair value of securities repledged / transferred to others	269,157	210,182

35 Legal proceedings

Barclays has for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On 20th July 2006, Barclays received an Order from the United States District Court for the Southern District of Texas Houston Division which dismissed the claims against Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. in the Newby litigation. On 4th December 2006 the Court stayed Barclays dismissal from the proceedings and allowed the plaintiffs to file a supplemental complaint. On 19th March 2007 the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by Barclays and two other financial institutions contesting a ruling by the District Court allowing the Newby litigation to proceed as a class action. The Court of Appeals held that because no proper claim against Barclays and the other financial institutions had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs applied to the United States Supreme Court for a review of this decision. On 22nd January 2008, the United States Supreme Court denied the plaintiffs' request for review. Following the Supreme Court's decision, the District Court ordered a further briefing concerning the status of the plaintiffs' claims. Barclays plans to seek the dismissal of the plaintiffs' claims.

Barclays considers that the Enron related claims against it are without merit and is defending them vigorously. It is not possible to estimate Barclays possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

Barclays has been in negotiations with the staff of the US Securities and Exchange Commission with respect to a settlement of the Commission's investigations of transactions between Barclays and Enron. Barclays does not expect that the amount of any settlement with the Commission would have a significant adverse effect on its financial position or operating results.

Like other UK financial services institutions, Barclays faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the Unfair Terms in Consumer Contracts Regulations 1999 or are unenforceable penalties or both. Pending resolution of the test case referred to below (the 'test case'), existing and new claims in the County Courts are stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. In July 2007, and by agreement with all parties, the OFT launched the test case by commencing proceedings against seven banks and one building society including Barclays, the first stage of which seeks declarations on two issues of legal principle. The hearing commenced on 17th January 2008. Barclays is defending the test case vigorously. It is not practicable to estimate Barclays possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period.

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

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

36 Competition and regulatory matters

The scale of regulatory change remains challenging, arising in part from the implementation of some key European Union (EU) directives. Many changes to financial services legislation and regulation have come into force in recent years and further changes will take place in the near future. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and beyond the Group's control but could have an impact on the Group's businesses and earnings. In June 2005 an inquiry into retail banking in all of the then 25 Member States was launched by the European Commission's Directorate General for Competition. The inquiry looked at retail banking in Europe generally. In January 2007 the European Commission announced that the inquiry had identified barriers to competition in certain areas of retail banking, payment cards and payment systems in the EU. The Commission indicated it will use its powers to address these barriers, and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the Commission and national competition authorities could have an impact on the payment cards and payment systems businesses of Barclays and on its retail banking activities in the EU countries in which it operates.

In September 2005 the UK Office of Fair Trading (OFT) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (PPI). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006, the OFT announced the outcome of the market study and, following a period of consultation, the OFT referred the PPI market to the UK Competition Commission for an in-depth inquiry in February 2007. This inquiry could last for up to two years. Also in October 2006, the UK Financial Services Authority (FSA) published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly. Barclays has cooperated fully with these investigations and will continue to do so.

In April 2006, the OFT commenced a review of the undertakings given following the conclusion of the Competition Commission inquiry in 2002 into the supply of banking services to small and medium enterprises. Based on the OFT's report, the Competition Commission issued its final decision on 21st December 2007 and decided to release the UK's four largest clearing banks (including Barclays) from most of the transitional undertakings given by them in 2002.

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

In April 2007, the UK consumer interest association known as Which? submitted a super-complaint to the OFT pursuant to the Enterprise Act 2002. The super-complaint criticises the various ways in which credit card companies calculate interest charges on credit card accounts. In June 2007, the OFT announced a new programme of work with the credit card industry and consumer bodies in order to make the costs of credit cards easier for consumers to understand. This OFT decision follows the receipt by the OFT of the super-complaint from Which? This new work will explore the issues surrounding the costs of credit for credit cards including purchases, cash advances, introductory offers and payment allocation. The OFT's programme of work is expected to take six months.

On 11th February 2008, the OFT announced its recommendations, which include the introduction of an FSA price comparison website, improvements to customer information in summary boxes and the use of standard terminology.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees made in April 2006 to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29th March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT announced a market study into personal current accounts (PCAs) in the UK on 26th April 2007. The market study will look at: (i) whether the provision of 'free if in credit' PCAs delivers sufficiently high levels of transparency and value for customers; (ii) the implications for competition and consumers if there were to be a shift away from 'free if in credit' PCAs; (iii) the fairness and impact on consumers generally of the incidence, level and consequences of account charges; and (iv) what steps could be taken to improve customers' ability to secure better value for money, in particular to help customers make more informed current account choices and drive competition. The study will focus on PCAs but will include an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. The OFT will publish its interim findings after the test case (see below).

In July 2007, the OFT commenced a test case in the High Court by agreement with Barclays and seven other financial institutions in which the parties seek declarations on two legal issues arising from the banks' terms and conditions relating to overdraft charges. The test case does not encompass claims from local, medium or larger business customers. The proceedings will run in parallel with the ongoing OFT dual inquiry into unauthorised overdraft charges and PCAs. Please also refer to Note 35.

In January 2007, the FSA issued a statement of good practice relating to mortgage exit administration fees. Barclays agreed to charge the fee applicable at the time the customer took out the mortgage, which was one of the options recommended by the FSA.

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

Table of Contents

37 Leasing

The Group is both lessor and lessee under finance and operating leases, providing asset financing for its customers and leasing assets for its own use. In addition, assets leased by the Group may be sublet to other parties. An analysis of the impact of these transactions on the Group balance sheet and income statement is as follows:

(a) As Lessor

Finance lease receivables

The Group specialises in asset-based lending and works with a broad range of international technology, industrial equipment and commercial companies to provide customised finance programmes to assist manufacturers, dealers and distributors of assets.

Finance lease receivables are included within loans and advances to customers.

The Group's net investment in finance lease receivables was as follows:

	2007				2006			
	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m
Not more than one year	3,657	(780)	2,877	213	3,650	(734)	2,916	166
Over one year but not more than five years	7,385	(1,613)	5,772	374	5,824	(1,490)	4,334	334
Over five years	3,476	(935)	2,541	14	3,790	(898)	2,892	15
Total	14,518	(3,328)	11,190	601	13,264	(3,122)	10,142	515

The allowance for uncollectable finance lease receivables included in the allowance for impairment amounted to £113m at 31st December 2007 (2006: £99m).

Operating lease receivables

The Group acts as lessor, whereby items of plant and equipment are purchased and then leased to third parties under arrangements qualifying as operating leases. The items purchased to satisfy these leases are treated as plant and equipment in the Group's financial statements and are generally disposed of at the end of the lease term (see Note 23).

The future minimum lease payments expected to be received under non-cancellable operating leases at 31st December 2007 were as follows:

	2007 Plant and equipment £m	2006 Plant and equipment £m
Not more than one year	29	18
Over one year but not more than two years	24	5
Over two years but not more than three years	22	3
Over three years but not more than four years	20	3
Over four years but not more than five years	11	3
Over five years	10	7
Total	116	39

(b) As Lessee

Finance lease commitments

The Group leases items of property, plant and equipment on terms that meet the definition of finance leases. Finance lease commitments are included within other liabilities (see Note 25).

Obligations under finance leases were as follows:

	2007 Total future minimum payments £m	2006 Total future minimum payments £m
Not more than one year	12	6
Over one year but not more than two years	14	21
Over two years but not more than three years	13	11
Over three years but not more than four years	12	14
Over four years but not more than five years	15	9
Over five years	17	31
Net obligations under finance leases	83	92

203

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

37 Leasing (continued)

(b) As Lessee (continued)

The carrying amount of assets held under finance leases at the balance sheet date was:

	2007 £m	2006 £m
Cost	94	44
Accumulated depreciation	(24)	(25)
Net book value	70	19

Operating lease commitments

The Group leases various offices, branches and other premises under non-cancellable operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. The Group also leases equipment under non-cancellable lease arrangements.

Where the Group is the lessee the future minimum lease payment under non-cancellable operating leases are as follows:

	2007		2006	
	Property £m	Equipment £m	Property £m	Equipment £m
Not more than one year	191	6	335	9
Over one year but not more than two years	396	1	337	9
Over two years but not more than three years	357	1	311	2
Over three years but not more than four years	323	–	268	–
Over four years but not more than five years	287	–	223	–
Over five years	2,225	–	2,057	–
Total	3,779	8	3,531	20

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is £167m (2006: £251m).

38 Acquisitions

The Group made the following material acquisitions in 2007:

(a) Indexchange Investment AG

On 8th February 2007, the Group acquired 100% of the ordinary shares of Indexchange Investment AG, based in Munich offering exchange traded fund products.

(b) Equifirst Corporation

On 30th March 2007, the Group acquired 100% of the ordinary shares of Equifirst Corporation, a sub-prime mortgage origination business.

(c) Walbrook Group Limited

On 18th May 2007, the Group acquired 100% of the ordinary shares of Walbrook Group Limited. The business serves high net worth private clients and corporate customers.

Table of Contents

38 Acquisitions (continued)

Details of the net assets of material companies acquired and consideration paid were as follows:

	Carrying value pre-acquisition £m	Fair value adjustments £m	2007 £m
Assets			
Cash and balances at central banks	51	–	51
Assets designated at fair value	133	–	133
Goodwill	41	(41)	–
Property, plant and equipment	7	–	7
Other assets	19	–	19
Intangible assets	–	53	53
Deferred tax assets	10	–	10
Total assets	261	12	273
Liabilities			
Deposits from banks	162	–	162
Deferred tax liabilities	–	4	4
Other liabilities	98	(38)	60
Total liabilities	260	(34)	226
Net assets acquired			47
Goodwill			267
Total			314

The excess of proceeds over the net assets acquired has generated goodwill of £267m, based on the exchange rate at the date of acquisition and is attributable to the operational synergies and earnings potential expected to be realised over the longer term.

In aggregate, the acquired businesses generated a loss of (£15m) to consolidated profit before tax for the period from acquisition date to 31st December 2007.

If all of the above acquisitions had occurred on 1st January 2007 the impact on total Group income and net profit for the year would have been immaterial.

	2007 £m
Acquisition cost	
Cash paid	297
Deferred consideration	11
Attributable costs	6
Total consideration	314

Cash outflows in respect of acquisitions

The aggregate net outflow of cash from the acquisition of the above Group entities was as follows:

	2007 £m
Cash paid	297
Cash and cash equivalents acquired	(51)
Net cash outflow on acquisition	246
Cash paid in respect of acquisition of shares in Barclays Global Investors UK Holdings Limited	488
Cash paid in respect of acquisition of shares in Absa Bank Limited	180
Increase in investment in subsidiaries	668

39 Investment in subsidiaries

The investment in Barclays Bank PLC is stated in the balance sheet of Barclays PLC at a cost of £10,186m (2006: £8,641m). The increase of £1,545m (2006: £179m) during the year represents the cost of additional shares of £111m (2006: £179m) and a capital contribution of £1,434m (2006: £nil).

The investment in Barclays Investments (Netherlands) N.V. is stated in the balance sheet of Barclays PLC at a cost of £205m (2006: £nil). The increase of £205m (2006: £nil) during the year represents the cost of the initial share issue.

The investment in Odysseus Jersey (No. 1) Limited is stated in the balance sheet of Barclays PLC at a cost of £0.1m (2006: £nil). The increase of £0.1m (2006: £nil) during the year represents the cost of the initial share issue.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

40 Principal subsidiaries

Country of registration or incorporation	Company name	Nature of business	Percentage of equity capital held %
Botswana	Barclays Bank of Botswana Limited	Banking	74.9
Egypt	Barclays Bank Egypt SAE	Banking	100
England	Barclays Bank PLC	Banking, holding company	100*
England	Barclays Mercantile Business Finance Limited	Loans and advances including leases to customers	100*
England	Barclays Global Investors UK Holdings Limited	Holding company	94.1
England	Barclays Global Investors Limited	Investment management	94.1*
England	Barclays Life Assurance Company Limited	Life assurance	100
England	Barclays Bank Trust Company Limited	Banking, securities industries and trust services	100
England	Barclays Stockbrokers Limited	Stockbroking	100
England	Barclays Capital Securities Limited	Securities dealing	100
England	Barclays Global Investors Pensions Management Limited	Investment management	94.1*
England	FIRSTPLUS Financial Group PLC	Secured loan provider	100
England	Gerrard Investment Management Limited	Investment management	100*
Ghana	Barclays Bank of Ghana Limited	Banking	100
Ireland	Barclays Insurance (Dublin) Limited	Insurance provider	100*
Ireland	Barclays Assurance (Dublin) Limited	Insurance provider	100*
Isle of Man	Barclays Private Clients International Limited [a]	Banking	100*
Japan	Barclays Capital Japan Limited	Securities dealing	100*
Jersey	Barclays Private Bank & Trust Limited	Banking, trust company	100*
Kenya	Barclays Bank of Kenya Limited	Banking	68.5
South Africa	Absa Group Limited	Banking	58.8
Spain	Barclays Bank SA	Banking	99.7
Switzerland	Barclays Bank (Suisse) S.A.	Banking and trust services	100*
USA	Barclays Capital Inc.	Securities dealing	100*
USA	Barclays Financial Corporation	Holding company for US credit card issuer	100*
USA	Barclays Global Investors, National Association	Investment management and securities industry	94.1*
Zimbabwe	Barclays Bank of Zimbabwe Limited	Banking	67.8*

In accordance with Section 231(5) of the Companies Act 1985, the above information is provided solely in relation to principal subsidiaries.

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries. Investments in these subsidiaries are held directly by Barclays Bank PLC except where marked *.

Full information of all subsidiaries will be included in the Annual Return to be filed at Companies House.

Note
a BBPLC is the beneficial owner of 38.1% of shares and Barclays Holdings (Isle of Man) Limited is the beneficial owner of 61.9% of shares.

Table of Contents

41 Other entities

There are a number of entities that do not qualify as subsidiaries under UK Law but which are consolidated when the substance of the relationship between the Group and the entity (usually a Special Purpose Entity (SPE)) indicates that the entity is controlled by the Group. Such entities are deemed to be controlled by the Group when relationships with such entities gives rise to benefits that are in substance no different from those that would arise were the entity a subsidiary.

The consolidation of such entities may be appropriate in a number of situations, but primarily when:

- the operating and financial polices of the entity are closely defined from the outset (i.e. it operates on an 'autopilot' basis) with such policies being largely determined by the Group;
- the Group has rights to obtain the majority of the benefits of the entity and/or retains the majority of the residual or ownership risks related to the entity; or
- the activities of the entity are being conducted largely on behalf of the Group according to its specific business objectives.

Such entities are created for a variety of purposes including securitisation, structuring, asset realisation, intermediation and management.

Entities may have a different reporting date from that of the parent of 31st December. Dates may differ for a variety of reasons including local reporting regulations or tax laws. In accordance with our accounting policies, for the purpose of inclusion in the consolidated financial statements of Barclays PLC, entities with different reporting dates are made up until 31st December.

Entities may have restrictions placed on their ability to transfer funds, including payment of dividends and repayment of loans, to their parent entity. Reasons for the restrictions include:

- Central bank restrictions relating to local exchange control laws.
- Central bank capital adequacy requirements.
- Company law restrictions relating to treatment of the entities as going concerns.

Although the Group's interest in the equity voting rights in certain entities exceeds 50%, or it may have the power to appoint a majority of their Boards of Directors, they are excluded from consolidation because the Group either does not direct the financial and operating policies of these entities, or on the grounds that another entity has a superior economic interest in them. Consequently, these entities are not deemed to be controlled by Barclays.

The table below includes information in relation to such entities as required by the Companies Act 1985, Section 231(5).

Country of registration or incorporation	Name	Percentage of ordinary share capital held %	Equity share-holders' funds £m	Retained profit for the year £m
UK	Oak Dedicated Limited	100	(3)	4
UK	Oak Dedicated Two Limited	100	(3)	2
UK	Oak Dedicated Three Limited	100	1	1
UK	Fitzroy Finance Limited	100	–	–
Cayman Islands	St James Fleet Investments Two Limited	100	2	–
Cayman Islands	BNY BT NewCo Limited	–	–	–

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

42 Related party transactions and Directors' remuneration

(a) Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as other persons.

Subsidiaries

Transactions between Barclays PLC and subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Group financial statements. Transactions between Barclays PLC and its subsidiary, Barclays Bank PLC are fully disclosed directly in its balance sheet and income statement. A list of the Group's principal subsidiaries is shown in Note 40.

Associates, joint ventures and other entities

The Group provides banking services to its associates, joint ventures and the Group pension funds (principally the UK Retirement Fund), providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. Group companies, principally within Barclays Global Investors, also provide investment management and custodian services to the Group pension schemes. The Group also provides banking services for unit trusts and investment funds managed by Group companies and are not individually material. All of these transactions are conducted on the same terms as third-party transactions.

Amounts included in the accounts, in aggregate, by category of related party entity are as follows:

	For the year ended and as at 31st December 2007				
	Associates £m	Joint ventures £m	Entities under common directorships £m	Pension funds unit trusts and investment funds £m	Total £m
Income statement:					
Interest received	5	75	1	–	81
Interest paid	(1)	(58)	(1)	–	(60)
Fees received for services rendered (including investment management and custody and commissions)	1	34	–	26	61
Fees paid for services provided	(52)	(78)	–	–	(130)
Principal transactions	(24)	47	(16)	–	7
Assets:					
Loans and advances to banks and customers	142	886	40	–	1,068
Derivative transactions	–	4	36	–	40
Other assets	19	18	–	14	51
Liabilities:					
Deposits from banks	11	–	–	–	11
Customer accounts	–	61	33	12	106
Derivative transactions	–	10	50	–	60
Other liabilities	4	125	–	–	129

Table of Contents

42 Related party transactions and Directors' remuneration (continued)

	For the year ended and as at 31st December 2006				
	Associates £m	Joint ventures £m	Entities under common directorships £m	Pension funds unit trusts and investment funds £m	Total £m
Income statement:					
Interest received	45	38	–	2	85
Interest paid	(31)	(57)	–	–	(88)
Fees received for services rendered (including investment management and custody and commissions)	14	7	–	28	49
Fees paid for services provided	(115)	(51)	–	(1)	(167)
Principal transactions	3	–	(2)	–	1
Assets:					
Loans and advances to banks and customers	784	146	65	–	995
Derivative transactions	–	–	–	–	–
Other assets	19	3	–	17	39
Liabilities:					
Deposits from banks	9	–	–	3	12
Customer accounts	19	18	5	34	76
Derivative transactions	–	–	2	–	2
Other liabilities	13	8	–	–	21

	For the year ended and as at 31st December 2005				
	Associates £m	Joint ventures £m	Entities under common directorships £m	Pension funds unit trusts and investment funds £m	Total £m
Income statement:					
Interest received	23	14	–	–	37
Interest paid	(37)	(45)	–	–	(82)
Fees received for services rendered (including investment management and custody and commissions)	5	7	–	17	29
Fees paid for services provided	(120)	(34)	–	–	(154)
Principal transactions	33	–	–	1	34
Assets:					
Loans and advances to banks and customers	632	19	–	–	651
Derivative transactions	36	–	–	–	36
Other assets	26	1	–	19	46
Liabilities:					
Deposits from banks	827	–	–	–	827
Customer accounts	13	22	–	501	536
Derivative transactions	1	–	–	–	1
Other liabilities	22	6	–	–	28

No guarantees, pledges or commitments have been given or received in respect of these transactions in 2007, 2006 or 2005.

There are no leasing transactions between related parties for 2007, 2006 or 2005.

Derivatives transacted on behalf of the Pensions Funds Unit Trusts and Investment Funds amounted to £22m (2006: £1,209m, 2005: £280m).

In 2007 Barclays paid £18m (2006: £19m) of its charitable donations through the Charities Aid Foundation, a registered charitable organisation, in which a Director of the Company is a Trustee.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

42 Related party transactions and Directors' remuneration (continued)

Key Management Personnel

The Group's Key Management Personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays PLC (directly or indirectly) and comprise the Directors of Barclays PLC and the Officers of the Group, certain direct reports of the Group Chief Executive and the heads of major business units.

In the ordinary course of business, the Bank makes loans to companies where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays. These loans are made on substantially the same criteria and terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavourable features.

There were no material related party transactions with companies where a Director or other member of Key Management Personnel (or any connected person) is also a Director or other member of Key Management Personnel (or any connected person) of Barclays.

The Group provides banking services to Directors and other Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding at 31st December 2007 were as follows:

	Directors, other Key Management Personnel and connected persons		
	2007 £m	2006 £m	2005 £m
Loans outstanding at 1st January	**7.8**	7.4	7.8
Loans issued during the year	**2.7**	2.7	3.4
Loan repayments during the year	**(3.2)**	(2.3)	(3.2)
Loans outstanding at 31st December	**7.3**	7.8	8.0
Interest income earned	**0.4**	0.3	0.4

No allowances for impairment were recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person) in 2007, 2006 or 2005.

	2007 £m	2006 £m	2005 £m
Deposits outstanding at 1st January	**15.0**	4.7	2.5
Deposits received during the year	**114.4**	105.2	20.4
Deposits repaid during the year	**(115.0)**	(94.8)	(18.2)
Deposits outstanding at 31st December	**14.4**	15.1	4.7
Interest expense on deposits	**0.6**	0.2	0.1

Of the loans outstanding above, £nil (2006: £nil, 2005: £0.7m) relates to Directors and other Key Management Personnel (and persons connected to them) that left the Group during the year. Of the deposits outstanding above, £2.8m (2006: £0.1m, 2005: £nil) related to Directors and other Key Management Personnel (and persons connected to them) that left the Group during the year.

All loans are provided on normal commercial terms to Directors and other Key Management Personnel (and persons connected to them), with the exception of £1,540 of loans which are provided to non-Director members of Key Management Personnel on staff preferential interest rates (5%) and £665 of loans which are provided on an interest free basis.

The loans of £1,540 provided at staff preferential rates of interest reflects the amortized principal amount of a home mortgage loan that was provided by Barclays to a non-Director member of key management personnel. The home mortgage loan was granted at a time when Barclays had in place a corporate policy of providing home mortgage loans at preferential rates of interest to all staff members. This policy has since been discontinued by Barclays. These home mortgage loans were made on substantially the same terms, including interest rates and collateral, to all staff members, who applied for such loans. The loans of £665 provided on an interest free basis relate to the granting of loans to one non-Director member of Barclays key management to purchase commuter rail tickets. The commuter rail ticket loans are still provided to all Barclays staff members upon request on the same terms.

Table of Contents

42 Related party transactions and Directors' remuneration (continued)

Remuneration of Directors and other Key Management Personnel

	Directors, other Key Management Personnel and connected persons		
	2007 £m	2006 £m	2005 £m
Salaries and other short-term benefits	23.7	34.2	32.9
Pension costs	1.1	0.8	1.1
Other long-term benefits	9.2	9.3	21.5
Termination benefits	–	1.4	1.5
Share-based payments	31.7	27.2	25.3
Employer social security charges on emoluments	7.8	10.0	10.4
	73.5	82.9	92.7

(b) Disclosure required by the Companies Act 1985

The following information is presented in accordance with the Companies Act 1985:

Directors' remuneration

	2007 £m	2006 £m
Aggregate emoluments	29.2	32.0
Gains made on the exercise of share options	0.3	5.5
Amounts paid under long-term incentive schemes	–	–
Actual pension contributions to money purchase scheme (2007: one Director, £10,233 and 2006: one Director, £11,414)	–	–
Notional pension contributions to money purchase scheme (2007: no Directors and 2006: no Directors)	–	–
	29.5	37.5

As at 31st December 2007, three Directors were accruing retirement benefits under a defined benefit scheme (2006: four Directors).

Two Directors (Naguib Kheraj and Frits Seegers) agreed to waive their fees as non-executive Directors of Absa Group Limited and Absa Bank Limited. The respective fees for 2007 were ZAR 0.1m (£0.01m) and ZAR 0.5m (£0.03m). The fees for 2006 were ZAR 0.4m (£ 0.03m) for Naguib Kheraj and ZAR 0.1m (£ 0.01m) for Frits Seegers. In both 2006 and 2007 the fees were paid to Barclays.

Directors' and Officers' shareholdings and options

The beneficial ownership of the ordinary share capital of Barclays PLC by all Directors and Officers of Barclays PLC (involving 21 persons) and Barclays Bank PLC (involving 22 persons) at 31st December 2007 amounted to 5,774,219 ordinary shares of 25p each (0.09% of the ordinary share capital outstanding) and 5,776,370 ordinary shares of 25p each (0.09% of the ordinary share capital outstanding), respectively.

Executive Directors and Officers of Barclays PLC as a group (involving 10 persons) held, at 31st December 2007, options to purchase 3,097,762 Barclays PLC ordinary shares of 25p each at prices ranging from 373p to 510p under Sharesave and at 397p under the Executive Share Option Scheme and ranging from 326p to 534p under the Incentive Share Option Plan, respectively.

Contracts with Directors (and their connected persons) and Managers

The aggregate amounts outstanding at 31st December 2007 under transactions, arrangements and agreements made by banking companies within the Group for persons who are, or were during the year, Directors of Barclays PLC and persons connected with them, as defined in the Companies Act 2006, and for Managers, within the meaning of the Financial Services and Markets Act 2000, of Barclays Bank PLC were:

	Number of Directors or Managers	Number of connected persons	Amount £m
Directors			
Loans	2	5	2.1
Quasi-loans and credit card accounts	12	18	–
Managers			
Loans	12	n/a	13.2
Quasi-loans and credit card accounts	11	n/a	–

(c) US disclosures

For US disclosure purposes, the aggregate emoluments of all Directors and Officers of Barclays PLC who held office during the year (2007: 22 persons, 2006: 24 persons, 2005: 25 persons) for the year ended 31st December 2007 amounted to £64.6m (2006: £72.1m, 2005: £75.2m). In addition, the aggregate amount set aside for the year ended 31st December 2007, to provide pension benefits for the Directors and Officers amounted to £1.1m (2006: £0.8m, 2005: £0.2m). The aggregate emoluments of all Directors and Officers of Barclays Bank PLC who held office during the year (2007: 23 persons, 2006: 25 persons, 2005: 26 persons) for the year ended 31st December 2007 amounted to £64.9m (2006: £72.2m, 2005: £75.4m). In addition, the aggregate amount set aside by the Bank and its subsidiaries for the year ended 31st December 2007, to provide pension benefits for the Directors and Officers amounted to £1.1m (2006: £0.8m, 2005: £0.2m).

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

43 Events after the balance sheet date

On 3rd March 2008, Barclays entered into an agreement with Petropavlovsk Finance (Limited Liability Society) to acquire 100% of the Russian Bank, Expobank, for a consideration of approximately $745m (£373m). The transaction is expected to close in summer 2008 after receipt of appropriate regulatory approvals. Expobank focuses principally on Western Russia, with a substantial presence in Moscow and St Petersburg. Founded in 1994, it has grown rapidly and comprises a blend of retail and commercial banking, operating 32 branches and dealing with a range of corporate and wholesale clients. As at 31st December 2007, Expobank had net assets of $186m (£93m).

44 Share-based payments

The Group operates share schemes for employees throughout the world. The main current schemes are:

Sharesave

Eligible employees in the UK, Spain and Ireland may participate in the Barclays Sharesave scheme. Under this scheme, employees may enter into contracts to save up to £250 per month (Ireland: €320, Spain: €90) and, at the expiry of a fixed term of three, five or seven years (Spain: three years), have the option to use these savings to acquire shares in the Company at a discount, calculated in accordance with the rules of the scheme. The discount is currently 20% of the market price at the date the options are granted. Participants in the scheme have six months from the date of vest in which the option can be exercised.

Sharepurchase

Sharepurchase was introduced in January 2002. It is an HM Revenue & Customs approved all-employee share plan. The plan is open to all eligible UK employees, including executive Directors. Under the plan, participants are able to purchase up to £1,500 worth of Barclays PLC ordinary shares per tax year, which, if kept in trust for five years, can be withdrawn from the plan tax-free. Matching shares were introduced to the scheme during 2005 where the purchase of Barclays shares by the participant are matched equally by the Company up to a value of £600 per tax year. Any shares in the plan will earn dividends in the form of additional shares, which must normally be held by the trustee for three years before being eligible for release.

Executive Share Award Scheme (ESAS)

For certain employees of the Group an element of their annual bonus is in the form of a deferred award of a provisional allocation of Barclays PLC shares under ESAS. The total value of the bonus made to the employee of which ESAS is an element is dependent upon the business unit, Group and individual employee performance. The ESAS element of the annual bonus must normally be held for at least three years. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award. ESAS awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeit if the individual resigns and commences work with a competitor business.

Performance Share Plan (PSP)

The Performance Share Plan (PSP) was approved by shareholders at the 2005 AGM to replace the ISOP scheme. Performance shares are 'free' Barclays shares for which no exercise price is payable and which qualify for dividends. Performance share awards are communicated to participants as an initial allocation. Barclays performance over a three-year period determines the final number of shares that may be released to participants.

Options granted under the following schemes are over subsidiaries of Barclays PLC:

Barclays Global Investors Equity Ownership Plan (BGI EOP)

The Equity Ownership Plan extends to key employees of BGI. The exercise price of the options is determined by the Remuneration Committee of Barclays PLC based on the fair value of BGI as determined by an independent appraiser. The options are granted over shares in Barclays Global Investors UK Holdings Limited, a subsidiary of Barclays Bank PLC. Options are not exercisable until vesting, with a third of the options held generally becoming exercisable at each anniversary of grant. The shareholder has the right to offer to sell the shares to Barclays Bank PLC 355 days following the exercise of the option. Barclays Bank PLC may accept the offer and purchase the shares at the most recently agreed valuation but is under no obligation to do so. Options lapse ten years after grant. The most recently agreed valuation was £106.03 at 30th June 2007.

Absa Group Limited Black Economic Empowerment (BEE) Transaction

On 25th June 2004, Absa shareholders approved the allocation of 73,152,300, redeemable cumulative option-holding Absa preference shares to Batho Bonke Capital Limited. Each redeemable preference share carries the option to acquire one Absa ordinary share. The shares carry the same rights as ordinary shares including voting rights, and receive dividends which are payable semi-annually. Options vest after three years and lapse after five years from the date of issue. Exercise may only occur in lots of 100 and within a price range varying from ZAR48 to ZAR69 (£3.40-£4.89) dependent on the 30-day volume weighted trading price on the JSE Limited. Options are redeemed by Absa on the final exercise date.

Table of Contents

44 Share-based payments (continued)

Absa Group Limited Share Incentive Trust (AGLSIT)

In terms of the rules of Absa Group Limited Share Incentive Trust the maximum number of shares which may be issued or transferred and/or in respect of which options may be granted to the participants shall be limited to shares representing 10% of the total number of issued shares. Options are allocated to Absa employees according to the normal Human Resources talent management process. The options issued up to August 2005 had no performance criteria linked to them and vested in equal tranches after three, four and five years respectively. No dividends accrue to the option holder over the period. The options expire after a period of ten years from the issuing date. Options issued since August 2005 have vesting performance criteria associated with them, which require headline earnings per share to exceed an agreed benchmark over a three-year period from July 2005 for the options to vest

Absa Group Limited Share Ownership Trust (AGLSOT)

The Absa Group Limited Share Ownership Trust (AGLSOT) enabled all Absa employees to participate in a one-off offer to purchase 200 redeemable cumulative option-holding preference shares. Each redeemable preference share carries the option to acquire one Absa ordinary share. Options vest after three years and lapse after five years from the date of issue. Exercise may only occur in lots of 100 and within a price range varying from ZAR48 to ZAR69 (£3.40-£4.89) dependent on the 30-day volume weighted trading price on the JSE Limited. Options are redeemed by Absa on the final exercise date.

Absa Group Limited Executive Share Award Scheme (AGLESAS)

For certain employees of Absa an element of their annual bonus is in the form of a deferred award of a provisional allocation of Absa Group Limited shares under Absa ESAS. The total value of the bonus made to the employee of which ESAS is an element is dependent upon the business unit and individual employee performance. The ESAS element of the annual bonus must be held for at least three years. Additional bonus shares are subsequently awarded to recipients of the provisional allocation and vest upon achieving continued service for three and five years from the date of award. All awards are subject to potential forfeit if the individual resigns.

In addition, options remain outstanding under the following closed schemes:

Incentive Share Option Plan (ISOP)

The ISOP was open by invitation to the employees and Directors of Barclays PLC. Options were granted at the market price at the date of grant calculated in accordance with the rules of the plan, and are normally exercisable between three and ten years from that date. The final number of shares over which the option may be exercised is determined by reference to set performance criteria. The number of shares under option represents the maximum possible number that may be exercised. No awards were made under ISOP during 2006 or 2007.

Executive Share Option Scheme (ESOS)

The ESOS is a long-term incentive scheme and was available by invitation to certain senior executives of the Group with grants usually made annually. Options were issued with an exercise price equivalent to the market price at the date of the grant without any discount, calculated in accordance with the rules of the scheme, and are normally exercisable between three and ten years from that date. No further awards are made under ESOS.

Woolwich Executive Share Option Plan (Woolwich ESOP)

Options originally granted over Woolwich PLC shares at market value were exercised in 2001 or exchanged, in accordance with the proposals made under the offer to acquire the Woolwich, for options over Barclays PLC shares. Under the rules of ESOP, the performance conditions attached to the exercise of options were disapplied on acquisition of Woolwich PLC by Barclays. Options lapse ten years after grant.

At the balance sheet date, no options remained outstanding or exercisable in respect of the following closed scheme:

Woolwich Save as You Earn (Woolwich SAYE)

Under this scheme, employees entered into contracts to save up to £250 per month and, at the expiry of a fixed term of three, five, or seven years, have the option to use these savings to acquire the shares in the Company at a discount calculated in accordance with the rules of the scheme. The discount was 20% of the market price at the date the options were granted.

At the balance sheet date the following cash settled schemes operated within the group:

Barclays Africa Share Plan

The Barclays Africa Share Plan grants a number of notional shares and settles in a cash award linked to the Barclays PLC share price. The exercise price of options is equal to the increment of the market price of Barclays shares over the original price on the date of grant. The final number of notional shares over which the option may be exercised is determined by reference to set performance criteria. Awards vest three years from grant and expire four years from that date.

Absa Group Phantom Performance Share Plan (Absa Phantom PSP)

The Absa Phantom PSP was implemented during 2006 to replace the Absa Group Limited Share Incentive Trust (AGLSIT) scheme. Shares are awarded at no cost to participants and the cash paid is equal to the market value of ordinary shares of Absa Group Limited. The performance of Absa over a three-year period determines the final number of notional shares that any cash payment would be based on. Awards vest after three years to the extent that the performance conditions are satisfied.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

44 Share-based payments (continued)

The weighted average fair value per option granted during the year is as follows:

	2007 £	2006 £
Sharesave	1.25	1.88
Sharepurchase	6.84	6.55
ESAS	6.96	6.73
PSP	8.03	7.53
BGI EOP	22.18	21.18
AGLSIT	3.18	2.70
AGLESAS	n/a	8.42

Fair values for Sharesave, PSP , BGI EOP and AGLSIT are calculated at the date of grant using either a Black-Scholes model or Monte Carlo simulation. Sharepurchase, ESAS and AGLESAS are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value at that date.

As described above, the terms of the ESAS scheme require shares to be held for a set number of years from the date of vest. The calculation of the vest date fair value of such awards includes a reduction for this post-vesting restriction. This discount is determined by calculating how much a willing market participant would rationally pay to remove the restriction using a Black-Scholes option pricing model. The total discount required in 2007 is £66m (2006: £62m, 2005: £36m).

The significant weighted average assumptions used to estimate the fair value of the options granted in 2007 are as follows:

	2007			
	Sharesave	PSP	BGI EOP	AGLSIT
Weighted average share price	5.82	7.07	95.33	9.18
Weighted average exercise price	4.81	–	95.33	7.62
Expected volatility	25%	25%	20%	30%
Expected option life	4 years	3 years	4 years	5 years

The significant weighted average assumptions used to estimate the fair value of the options granted in 2006 are as follows:

	2006			
	Sharesave	PSP	BGI EOP	AGLSIT
Weighted average share price	6.20	6.74	81.12	8.92
Weighted average exercise price	5.11	–	81.12	6.57
Expected volatility	25%	25%	24%	29%
Expected option life	4 years	3 years	4 years	5 years

The significant weighted average assumptions used to estimate the fair value of the options granted in 2005 are as follows:

	2005				
	Sharesave	PSP	BGI EOP	AGLSIT	ISOP
Weighted average share price	5.71	5.33	39.09	8.25	5.73
Weighted average exercise price	4.44	n/a	39.09	8.41	5.66
Expected volatility	24%	20%	25%	n/a	34%
Option life	4 years	3 years	4 years	5-8 years	5 years

Expected volatility and dividend yield on the date of grant have been used as inputs into the respective valuation models for Sharesave and PSP. Expected volatility has been determined using historical volatility of its peers over the expected life of the options for BGI EOP and AGLSIT applies a five-year rolling period.

The yield on UK government bonds with a commensurate life has been used to determine the risk-free discount rate of 5% for all schemes other than AGLSIT. Option life is estimated based upon historical data for the holding period of options between grant and exercise dates. The risk-free rate on the AGLSIT scheme represents the yield, recorded on date of option grant, on South African government zero coupon bond of a term commensurate to the expected life of the option.

Table of Contents

44 Share-based payments (continued)

For the purposes of determining the expected life and number of options to vest, historical exercise patterns have been used, together with an assumption that a certain percentage of options will lapse due to leavers.

The assumed dividend yield for Barclays PLC is the average annual dividend yield on the date of grant of 4%. Dividend yield for AGLSIT of 3.5% was based on the average 12-month trailing yield over the year to grant date.

Analysis of the movement in the number and weighted average exercise price of options is set out below:

	Sharesave [a]				Sharepurchase [a, d]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	78,929	85,686	4.22	3.95	2,472	1,126	–	–
Granted in the year	18,748	17,449	4.81	5.11	1,852	1,561	–	–
Exercised/released in the year	(18,018)	(18,727)	3.70	3.84	(256)	(113)	–	–
Less: forfeited in the year	(5,632)	(5,479)	4.53	4.11	(244)	(102)	–	–
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	74,027	78,929	4.48	4.22	3,824	2,472	–	–
Of which exercisable:	2,324	915	3.69	3.87	–	–	–	–

	ESAS [a, d]				PSP [a, d]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	142,359	121,515	–	–	42,832	20,269	–	–
Granted in the year	76,064	59,758	–	–	20,331	22,563	–	–
Exercised/released in the year	(31,036)	(33,663)	–	–	–	–	–	–
Less: forfeited in the year	(5,187)	(5,251)	–	–	–	–	–	–
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	182,200	142,359	–	–	63,163	42,832	–	–
Of which exercisable:	16,587	9,607	–	–	–	–	–	–

	BGI EOP [b]				Absa BEE [c]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year/acquisition date	6,929	5,442	57.79	25.26	73,152	73,152	3.50-5.03	4.41-6.35
Granted in the year	2,599	3,973	95.33	81.12	–	–	–	–
Exercised/released in the year	(1,632)	(2,188)	34.99	19.92	–	–	–	–
Less: forfeited in the year	(394)	(298)	59.63	52.66	–	–	–	–
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	7,502	6,929	75.66	57.79	73,152	73,152	3.40-3.89	3.50-5.03
Of which exercisable:	1,556	1,050	47.00	18.99	73,152	–	3.40-3.89	–

	AGLSIT [c]				AGLSOT [c]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year/acquisition date	18,778	25,126	3.87	4.38	4,847	5,359	3.50-5.03	4.41-6.35
Granted in the year	260	586	7.62	6.57	–	–	–	–
Exercised/released in the year	(4,668)	(6,137)	3.60	2.86	(3,592)	–	–	–
Less: forfeited in the year	(752)	(797)	5.22	4.12	(309)	(512)	3.40-3.89	3.85-5.53
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	13,618	18,778	4.81	3.87	946	4,847	3.40-3.89	3.50-5.03
Of which exercisable:	5,603	5,305	3.25	2.43	946	–	3.40-3.89	–

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

44 Share-based payments (continued)

	AGLESAS [c, d]			
	Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006
Outstanding at beginning of year/acquisition date	37	–	–	–
Granted in the year	–	37	–	–
Exercised/released in the year	–	–	–	–
Less: forfeited in the year	–	–	–	–
Less: expired in the year	–	–	–	–
Outstanding at end of year	37	37	–	–
Of which exercisable:	–	–	–	–

	ISOP [a]				ESOS [a]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	77,507	105,081	4.59	4.46	1,748	2,552	4.14	4.16
Granted in the year	–	–	–	–	–	–	–	–
Exercised/released in the year	(9,718)	(25,122)	4.35	4.04	(325)	(768)	4.20	4.20
Less: forfeited in the year	(47,240)	(2,452)	4.66	4.75	–	(36)	–	4.71
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	20,549	77,507	4.56	4.59	1,423	1,748	4.13	4.14
Of which exercisable:	20,238	14,544	4.54	4.29	1,423	1,748	4.13	4.14

	Woolwich ESOP [a]				Woolwich SAYE [a]			
	Number (000s)		Weighted average ex. price (£)		Number (000s)		Weighted average ex. price (£)	
	2007	2006	2007	2006	2007	2006	2007	2006
Outstanding at beginning of year	700	1,260	3.81	3.80	–	3	–	3.32
Granted in the year	–	–	–	–	–	–	–	–
Exercised/released in the year	(160)	(560)	3.84	3.79	–	(1)	–	3.32
Less: forfeited in the year	–	–	–	–	–	(2)	–	3.32
Less: expired in the year	–	–	–	–	–	–	–	–
Outstanding at end of year	540	700	3.81	3.81	–	–	–	–
Of which exercisable:	540	700	3.81	3.81	–	–	–	–

The table below shows the weighted average share price at the date of exercise/release of shares:

	2007 £	2006 £
Sharesave [a]	5.72	6.95
Sharepurchase [a, d]	6.74	6.59
ESAS [a, d]	6.71	6.78
BGI EOP [b]	97.06	81.08
AGLSIT [c]	9.52	8.81
ISOP [a]	7.31	6.75
ESOS [a]	7.26	6.64
Woolwich ESOP [a]	7.24	6.65
Woolwich SAYE [a]	n/a	6.09

The exercise price range, the weighted average contractual remaining life and number of options outstanding (including those exercisable) at the balance sheet date are as follows:

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

Table of Contents

44 Share-based payments (continued)

Exercise Price Range	2007 Weighted average remaining contractual life in years	2007 Number of options outstanding	2006 Weighted average remaining contractual life in years	2006 Number of options outstanding
Sharesave [a]				
£2.50-£3.49	–	328,822	1	2,177,121
£3.50-£4.49	2	40,371,606	2	59,531,668
£4.50-£5.49	4	33,327,119	4	17,220,043
Sharepurchase [a, d]	2	3,824,021	3	2,472,304
ESAS [a, d]	3	182,200,170	3	142,359,494
PSP [a, d]	1	63,162,894	2	42,832,026
BGI EOP [b]				
£6.11-£13.99	4	239,717	5	602,914
£14.00-£20.11	6	285,671	7	771,553
£20.12-£56.94	7	1,059,430	8	1,716,714
£56.95-£95.33	9	5,916,863	9	3,838,000
Absa BEE [c]				
£3.40-£4.89	2	73,152,300	3	73,152,300
AGLSIT [c]				
£3.60-£7.62	7	13,618,000	7	18,778,473
AGLSOT [c]				
£3.40-£4.89	2	946,000	3	4,847,400
AGLESAS [c, d]	3	37,059	3	37,059
ISOP [a]				
£2.50-£3.49	5	3,965,300	6	11,055,352
£3.50-£4.49	3	1,409,828	4	2,411,828
£4.50-£5.49	5	14,896,227	7	63,746,456
£5.50-£6.49	7	277,096	8	293,096
ESOS [a]				
£2.50-£3.49	–	4,000	1	45,288
£3.50-£4.49	1	1,418,818	2	1,702,612
Woolwich ESOP [a]				
£2.50-£3.49	2	110,616	3	128,624
£3.50-£4.49	2	429,584	3	571,836

There were no modifications to the share-based payment arrangements in the years 2007, 2006 and 2005. As at 31st December 2007, the total liability arising from cash-settled share-based payment transactions was £16m (2006: £7m).

At 31st December 2007, 7.5 million (2006: 6.9 million) options were outstanding under the terms of the BGI EOP (which would represent a 8.1% interest if exercised). Employees in BGI own 5.9% of the shares in Barclays Global Investors UK Holdings Limited (2006: 9.4%). If all the current options were exercised, £567.6m (2006: £400.5m) would be subscribed. Since the scheme was introduced, options over 20.9 million (2006: 19.3 million) shares have been exercised, of which 5.0 million are still held by employees and represent a minority interest in the Group.

At 31st December 2007, there were 73.2 million, 13.6 million and 0.9 million options granted over Absa Group Limited shares under the Absa Group Limited Black Economic Empowerment Transaction, Absa Group Limited Share Incentive Trust and Absa Group Limited Share Ownership Trust respectively. In aggregate, these options would represent a 13.1% interest in Absa Group Limited if exercised.

Notes

a Options/award granted over Barclays PLC shares.

b Options/award granted over Barclays Global Investors UK Holdings Limited shares.

c Options/award granted over Absa Group Limited shares.

d Nil cost award.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

45 Financial risks

Financial risk management

Barclays PLC is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Financial instruments are fundamental to the Group's business and managing financial risks, especially credit risk, is a fundamental part of its business activity. Barclays achieves its risk management goals by keeping risk management at the centre of the executive agenda and by building a culture where risk management is part of everyday business decision-making. Barclays ensures that it has the capacity to manage the risk in its established businesses as well as new and growing ones, and that its business plans are consistent with risk appetite, that is, the level of risk Barclays is willing to accept in fulfilling its business objectives.

Barclays risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits, and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date data. Risk management policies, models and systems are regularly reviewed to reflect changes to markets, products and best market practice. Individual responsibility and accountability, instilled through training, are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

Risk responsibilities

The Board approves risk appetite and the Board Risk Committee monitors the Group's risk profile against this appetite:

- The Group Risk Director, under delegated authority from the Group Chief Executive and Group Finance Director, has responsibility for ensuring effective risk management and control;
- Business Heads are responsible for the identification and management of risk in their businesses;
- Business risk teams, each under the management of a Business Risk Director, are responsible for assisting Business Heads in the identification and management of their business risk profiles for implementing appropriate controls. These risk management teams also assist Group Risk in the formulation of Group Risk policy and the implementation of it across the businesses;
- Within Group risk, Risk-Type Heads and their teams are responsible for establishing a risk control framework and risk oversight; and
- Internal Audit is responsible for the independent review of risk management and the control environment.

Oversight of risk management is exercised by the Risk Oversight Committee which is chaired by the Group Risk Director under authority delegated by the Group Finance Director. The Risk Oversight Committee oversees management of the Group's risk profile, exercised through the setting, review and challenge of the size and constitution of the profile when viewed against the Group risk appetite.

The Group Executive Committee monitors and manages risk-adjusted performance of businesses and receives a regularly quarterly risk update including a copy of the Group Risk Profile Report.

The Board Risk Committee (BRC) reviews the Group risk profile, approves the Group Control Framework and approves minimum control requirements for principal risks.

The Board Audit Committee (BAC) considers the adequacy and effectiveness of the Group Control Framework and receives quarterly reports on control issues of significance and half-yearly reports on impairment allowances and regulatory reports.

Both BRC and BAC also receive reports dealing in more depth with specific issues relevant at the time. The proceedings of both Committees are reported to the full Board. The Board approves the overall Group risk appetite.

The Risk Oversight Committee is chaired by the Group Risk Director and oversees the management of the Group's risk profile and all of its significant risks. Oversight is exercised through the setting, review and challenge of the size and constitution of the profile when viewed against the Group's risk appetite. It has delegated and apportioned responsibility for credit risk management to the Retail and Wholesale Credit Risk Management Committees.

The main financial risks affecting the Group are discussed in Notes 46 to 48.

46 Market risk

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

Most market risk arises from trading activities. Barclays is also exposed to interest rate and potential foreign exchange risks arising from financial assets and liabilities not held for trading.

Market risk management and control responsibilities

The Board approves the overall market risk appetite. The Market Risk Director is responsible for the market risk control framework and, under delegated authority from the Group Risk Director, sets a limit framework within the context of the approved market risk appetite.

The head of each business, assisted by the business risk management team, is accountable for identifying, measuring and managing all market risks associated with the business' activities. Oversight and support is provided by the Market Risk Director, assisted by the central market risk team.

Market risk measurement

The measurement techniques used to measure and control market risk include:

- Daily Value at Risk;
- Stress Tests; and
- Annual Earnings at Risk.

Daily Value at Risk (DVaR)

DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

In Barclays Capital, DVaR is an important market risk measurement and control tool. DVaR is calculated using the historical simulation method with a historical sample of two years.

Table of Contents

46 Market risk (continued)

DVaR Back-testing

The DVaR model is regularly assessed. The main approach employed is the technique known as back-testing which counts the number of days when trading losses exceed the corresponding DVaR estimate.

On the basis of DVaR estimated to a 98% confidence level, on average there would be five days each year when trading losses would be expected to exceed DVaR and would therefore be reflected as back-testing exceptions. For Barclays Capital's trading book, there were seven instances of a daily trading loss exceeding the corresponding 98% back-testing DVaR. These back-testing exceptions in 2007 reflected the increased volatility across a number of markets in which Barclays Capital operates. There were no instances of back-testing exceptions on a similar basis in 2006.

Annual Earnings at Risk (AEaR)

AEaR measures the sensitivity of net interest income (NII) over the next 12 months. It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 50 basis points increase or decrease in interest rates.

AEaR is used primarily to measure interest rate risk arising on non-trading assets and liabilities.

Traded market risk

Traded market risk management

Barclays policy is to concentrate trading activities in Barclays Capital. This includes transactions where Barclays Capital acts as principal with clients or with the market. For maximum efficiency, client and market activities are managed together.

In Barclays Capital, the Head of Market Risk is responsible for implementing the market risk control framework. Day to day responsibility for market risk lies with the senior management of Barclays Capital, supported by the Market Risk Management team that operates independently of the trading areas. Daily market risk reports are produced for the main Barclays Capital business areas covering the different risk categories including: interest rate, credit spread, commodity, equity and foreign exchange. A more detailed trading market risk presentation is produced fortnightly and discussed at Barclays Capital's Traded Products Risk Review meeting. This meeting is attended by the senior managers from Barclays Capital and the central market risk team.

Analysis of trading market risk exposures

The table below shows the DVaR statistics for Barclays Capital's trading and non-trading activities. DVaR is the main measure for internal risk management within Barclays Capital.

Barclays Capital's market risk exposure, as measured by average total Daily Value at Risk (DVaR), increased by 13% to £42.0m (2006: £37.1m). Interest rate and credit spread risks were broadly unchanged while commodity DVaR and equity DVaR increased by £8.9m and £3.4m respectively. The growth in both these risks is consistent with Barclays Capital's business plan. Diversification across risk types remained significant, reflecting the broad product mix. Total DVaR as at 31st December 2007 was £53.9m (31st December 2006 £41.9m). This growth reflected the increased market volatility in the second half of the year.

Barclays Capital DVaR: Summary table for 2007 and 2006

	12 months to 31st December 2007		
	Average £m	High £m	Low £m
Interest rate risk	20.0	33.3	12.6
Credit spread risk	24.9	43.3	14.6
Commodities risk	20.2	27.2	14.8
Equities risk	11.2	17.6	7.3
Foreign exchange risk	4.9	9.6	2.9
Diversification effect [a]	(39.2)	n/a	n/a
Total DVaR	42.0	59.3	33.1

	12 months to 31st December 2006		
	Average £m	High £m	Low £m
Interest rate risk	20.1	28.8	12.3
Credit spread risk	24.3	33.1	17.9
Commodities risk	11.3	21.6	5.7
Equities risk	7.8	11.6	5.8
Foreign exchange risk	4.0	7.7	1.8
Diversification effect [a]	(30.4)	n/a	n/a
Total DVaR	37.1	43.2	31.3

Note

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 number for the high (and low) DVaR figures would not be meaningful and it is therefore omitted from the above table.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

46 Market risk (continued)

Non-trading interest rate risk

Asset and liability market risk

Interest rate risk arises from the provision of retail and wholesale (non-trading) banking products and services, as well as foreign currency translational exposures within the Group's balance sheet.

The Group's approach is to transfer risk from the businesses either into local treasuries or to Group Treasury using an internal transfer price or interest rate swap. The methodology used to transfer this risk depends on whether the product contains yield curve risk, basis risk or customer optionality. Limits exist to ensure there is no material risk retained within any business or product area.

Sensitivity analysis

Set out below are the impacts on net interest income and equity of a reasonably possible change in market rates of interest, based on the AEaR model described above.

(a) Impact on net interest income

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the non-trading financial assets and financial liabilities held at 31st December 2007, including the effect of hedging instruments.

The effect on net interest income, and therefore profit before tax, of a 50 basis points change would be as follows:

	+50 basis points 2007 £m	–50 basis points 2007 £m	+50 basis points 2006 £m	–50 basis points 2006 £m
GBP	19	(19)	11	(11)
USD	(1)	1	(4)	4
EUR	(11)	11	(9)	9
ZAR	9	(9)	12	(12)
Others	2	(2)	1	(1)
Total	18	(18)	11	(11)
As percentage of net interest income	0.19%	(0.19%)	0.12%	(0.12%)

Note: This table excludes exposures held or issued by Barclays Capital as these are measured and managed using DVaR.

(b) Impact on equity

Interest rate changes affect equity in the following three ways:

- Higher or lower profit after tax resulting from higher or lower net interest income
- Higher or lower available for sale reserves reflecting higher or lower fair values of available for sale financial instruments
- Higher or lower values of derivatives held in the cash flow hedging reserves

The sensitivities of equity shown below are based on scenarios constructed from actual exposures and consider the impact on the cash flow hedging reserve and the available for sale reserve only. They are calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges, and derivatives designated as cash flow hedges, for the effect of the assumed changes in interest rates. They are based on the assumption that there are parallel shifts in the yield curve. The effects of taxation have been estimated using the Group's effective tax rate of 28% (2006: 27%).

	+50 basis points 2007 £m	–50 basis points 2007 £m	+50 basis points 2006 £m	–50 basis points 2006 £m
Net interest income	18	(18)	11	(11)
Taxation effects on the above	(5)	5	(3)	3
Effect on profit for the year	13	(13)	8	(8)
As percentage of net profit after tax	0.26%	(0.26%)	0.15%	(0.15%)
Effect on profit for year (per above)	13	(13)	8	(8)
Available for sale reserve	(150)	150	(185)	185
Cashflow hedging reserve	(225)	225	(304)	304
Taxation effects on the above	105	(105)	132	(132)
Effect on equity	(257)	257	(349)	349

As a percentage of equity	**(0.79%)**	**0.79%**	(1.28%)	1.28%

Table of Contents

46 Market risk (continued)

Concentrations of interest rate risk

The table below summarises the repricing profiles of the Group's financial instruments and other assets and liabilities at their carrying value on 31st December 2007. Items are allocated to time periods by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

As at 31st December 2007	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Trading portfolio and derivatives £m	Non-interest bearing £m	Total £m
Assets										
Cash and balances at central banks	4,370	–	–	–	–	–	–	–	1,431	5,801
Items in course of collection from other banks	194	–	–	–	–	–	–	–	1,642	1,836
Trading portfolio assets	–	–	–	–	–	–	–	193,691	–	193,691
Financial assets designated at fair value:										
Held on own account	21,436	12,587	9,208	3,526	2,706	1,339	2,753	–	3,074	56,629
Derivative financial instruments	–	–	–	–	–	–		248,088	–	248,088
Loans and advances to banks	33,770	501	500	164	181	158	–	–	4,846	40,120
Loans and advances to customers	246,776	20,481	14,452	20,312	10,864	10,082	5,193	–	17,238	345,398
Available for sale financial instruments	25,989	2,370	2,223	3,632	1,466	4,414	2,057	–	921	43,072
Reverse repurchase agreements and cash collateral on securities borrowed	175,679	3,307	2,032	802	191	118	946	–	–	183,075
Total financial assets	508,214	39,246	28,415	28,436	15,408	16,111	10,949	441,779	29,152	1,117,710
Other assets	–	–	–	–	–	–	–	–	109,651	109,651
Total assets	508,214	39,246	28,415	28,436	15,408	16,111	10,949	441,779	138,803	1,227,361
Liabilities										
Deposits from other banks	81,802	2,244	907	235	1	21	181	–	5,155	90,546
Items in course of collection due to other banks	76	–	–	–	–	–	–	–	1,716	1,792
Customer accounts	233,474	8,812	3,844	2,511	377	59	1,217	–	44,693	294,987
Trading portfolio liabilities	–	–	–	–	–	–	–	65,402	–	65,402
Financial liabilities designated at fair value:										
Held on own account	27,030	7,993	3,874	3,122	2,323	724	766	–	28,657	74,489
Derivative financial instruments	–	–	–	–	–	–	–	248,288	–	248,288
Debt securities in issue	102,883	10,034	4,529	1,821	632	209	120	–	–	120,228
Repurchase agreements and cash collateral on securities lent	163,112	1,789	2,085	37	92	4	–	–	2,310	169,429
Subordinated liabilities	5,735	695	59	650	1,134	5,465	4,410	–	2	18,150
Total financial liabilities	614,112	31,567	15,298	8,376	4,559	6,482	6,694	313,690	82,533	1,083,311
Other liabilities	–	–	–	–	–	–	–	–	111,574	111,574
Total liabilities	614,112	31,567	15,298	8,376	4,559	6,482	6,694	313,690	194,107	1,194,885
Interest rate repricing gap	(105,898)	7,679	13,117	20,060	10,849	9,629	4,255			
Cumulative gap	(105,898)	(98,219)	(85,102)	(65,042)	(54,193)	(44,564)	(40,309)			

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets or liabilities.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

46 Market risk (continued)

As at 31st December 2006	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Trading portfolio and derivatives £m	Non-interest bearing £m	Total £m
Assets										
Cash and balances at central banks	7,012	–	–	–	–	–	–	–	333	7,345
Items in course of collection from other banks	654	–	–	–	–	–	–	–	1,754	2,408
Trading portfolio assets	–	–	–	–	–	–	–	177,867	–	177,867
Financial assets designated at fair value:										
Held on own account	17,831	834	387	1,121	2,544	1,131	6,231	–	1,720	31,799
Derivative financial instruments	–	–	–	–	–	–	–	138,353	–	138,353
Loans and advances to banks	25,012	483	233	211	69	36	1	–	4,881	30,926
Loans and advances to customers	195,500	15,048	14,225	24,850	9,485	6,399	7,699	–	9,094	282,300
Available for sale financial instruments	25,899	2,427	7,780	3,737	3,234	6,701	1,091	–	834	51,703
Reverse repurchase agreements and cash collateral on securities borrowed	157,592	4,721	8,338	–	3,431	–	–	–	8	174,090
Total financial assets	429,500	23,513	30,963	29,919	18,763	14,267	15,022	316,220	18,624	896,791
Other assets	–	–	–	–	–	–	–	–	99,996	99,996
Total assets	429,500	23,513	30,963	29,919	18,763	14,267	15,022	316,220	118,620	996,787
Liabilities										
Deposits from other banks	72,353	1,377	763	351	–	7	199	–	4,512	79,562
Items in course of collection due to other banks	20	–	–	–	–	–	–	–	2,201	2,221
Customer accounts	207,023	3,965	3,963	2,371	506	43	216	–	38,667	256,754
Trading portfolio liabilities	–	–	–	–	–	–	–	71,874	–	71,874
Financial liabilities designated at fair value:										
Held on own account	20,186	5,635	3,800	1,538	1,607	1,843	774	–	18,604	53,987
Derivative financial instruments	–	–	–	–	–	–	–	140,697	–	140,697
Debt securities in issue	92,649	5,624	2,430	4,020	1,630	3,249	1,535	–	–	111,137
Repurchase agreements and cash collateral on securities lent	122,612	6,132	2,348	1,662	–	–	2,818	–	1,384	136,956
Subordinated liabilities	3,192	377	21	1,074	783	3,475	4,842	–	22	13,786
Total financial liabilities	518,035	23,110	13,325	11,016	4,526	8,617	10,384	212,571	65,390	866,974
Other liabilities	–	–	–	–	–	–	–	–	102,423	102,423
Total liabilities	518,035	23,110	13,325	11,016	4,526	8,617	10,384	212,571	167,813	969,397
Interest rate repricing gap	(88,535)	403	17,638	18,903	14,237	5,650	4,638			
Cumulative gap	(88,535)	(88,132)	(70,494)	(51,591)	(37,354)	(31,704)	(27,066)			

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts, and the related liabilities, have been omitted from the above analysis as the Group is not exposed to the interest rate risk inherent in these assets or liabilities.

Table of Contents

46 Market risk (continued)

Effective interest rates

Weighted average effective interest rates were as follows:

As at 31st December	2007 %	2006 %
Assets		
Cash and balances at central banks	4.2	4.1
Loans and advances to banks	4.5	4.1
Loans and advances to customers	7.1	6.5
Available for sale financial instruments	5.0	4.6
Reverse repurchase agreements and cash collateral on securities borrowed	4.2	4.2
Liabilities		
Deposits from other banks	4.2	4.3
Customer accounts	3.8	3.4
Debt securities in issue	5.3	5.0
Repurchase agreements and cash collateral on securities lent	3.9	4.2
Subordinated liabilities	5.9	5.9

Foreign exchange risk

The group is exposed to two sources of foreign exchange risk.

(a) Transactional foreign currency exposure

Transactional foreign exchange exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by Barclays Capital which is monitored through DVaR.

There were no material net transactional foreign currency exposures outside the trading portfolio at either 31st December 2007 or 2006. Due to the low level of non-trading exposures no reasonably possible change in foreign exchange rates would have a material effect on either the Group's profit or movements in equity for the year ended 31st December 2007 or 2006.

(b) Translational foreign exchange exposure

The Group operates in a number of economic environments resulting in structural foreign exchange exposures on net investments in branches, subsidiaries or associated undertakings, the functional currencies of which are currencies other than Sterling.

Exchange differences are created by the translation of these net assets measured in their functional currencies to Sterling, the Group's presentational currency. These exchange differences are recorded in the consolidated translation reserve and reflected in the statement of recognised income and expense. Additionally the Group's regulatory capital ratios are sensitive to foreign exchange movements in reserves, goodwill, minority interests and other non-Sterling debt capital as well as non sterling risk weighted assets.

The Group's policy is to economically hedge foreign currency net investments, where practical, after taking consideration of available markets to conduct hedging, the size of the investment and the cost of hedging; unless doing so would result in capital ratios which are overly sensitive to foreign exchange movements.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

46 Market risk (continued)

The Group uses foreign currency borrowings and derivatives to hedge its foreign currency net investments. There was no ineffectiveness arising from these hedges in the year ended 31st December 2007. The carrying value of the Group's foreign currency net investments and the foreign currency borrowings and derivatives used to hedge them as at 31st December 2007 were as follows:

At 31st December 2007 Functional currency of the operation involved	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
United States Dollar	3,273	1,000	–	2,273	3,575	(1,302)
Euro	3,690	1,506	–	2,184	2,387	(203)
Rand	3,205	–	2,599	606	165	441
Japanese Yen	2,986	180	2,773	33	–	33
Swiss Franc	2,140	–	2,131	9	–	9
Other	1,847	53	465	1,329	–	1,329
Total	17,141	2,739	7,968	6,434	6,127	307

At 31st December 2006 Functional currency of the operation involved	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
United States Dollar	4,462	2,141	–	2,321	2,361	(40)
Euro	3,409	1,185	–	2,224	2,180	44
Rand	2,849	–	2,665	184	165	19
Japanese Yen	2,754	202	2,527	25	–	25
Swiss Franc	2,071	158	1,900	13	–	13
Other	2,069	205	410	1,454	742	712
Total	17,614	3,891	7,502	6,221	5,448	773

The economic hedges 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.

The impact of a change in the exchange rate between Sterling and any of the major currencies would be:

– A higher or lower profit after tax, arising from changes in the exchange rates used to translate items in the consolidated income statement

– A higher or lower currency translation reserve within equity, representing the retranslation of non Sterling subsidiaries, branches and associated undertakings net of the revaluation of the hedges of net investments.

– A higher or lower value of available for sale investments denominated in foreign currencies, impacting the available for sale reserve.

The impact of foreign exchange rate changes on derivatives and borrowings designated as IFRS net investment hedges would be fully offset by the impact on the hedged net investments, resulting in no impact on the Group profit or equity.

Table of Contents

47 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit, endorsements and acceptances.

Barclays is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including, non-equity trading portfolio assets, derivatives as well as settlement balances with market counterparties and reverse repo loans.

Losses arising from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than impairment charges, even though the fall in value causing the loss may be attributable to credit deterioration.

Credit risk management and control responsibilities

The granting of credit is one of the Group's major sources of income and is therefore one of its most significant risks, and the Group dedicates considerable resources to controlling it effectively.

The credit risk management teams in each business are accountable to the Business Risk Directors in those businesses who, in turn, report to the heads of their businesses and also to the Group Risk Director.

The Credit Risk function provides Group-wide direction of credit risk-taking. The teams within this function manage the resolution of all significant credit policy issues and run the Credit Committee, which approves major credit decisions.

Each business segment has an embedded credit risk management team. These teams assist Group Risk in the formulation of Group Risk policy and the implementation of it across the businesses. Examples include ensuring that:

– Maximum exposure guidelines are in place relating to the exposures to any individual customer or counterparty;

– Country risk policy specifies risk appetite by country and avoids excessive concentration of credit risk by country; and

– Policies are in place to monitor exposures to individual industrial sectors.

The principal committees that review credit risk management, formulate overall Group credit policy and resolve all significant credit policy issues are the Wholesale Credit Risk Management Committee, the Retail Credit Risk Management Committee, the Risk Oversight Committee and the Board Risk Committee. All these Committees receive regular and comprehensive reports on risk issues.

The Retail Credit Risk Management Committee (RCRMC) oversees exposures, which comprise unsecured personal lending (including small businesses), mortgages and credit cards. The RCRMC monitors the risk profile and performance of the retail portfolios by receipt of key risk measures and indicators at an individual portfolio level, ensuring mitigating actions taken to address performance are appropriate and timely. Metrics reviewed will consider portfolio composition and both an overall stock and new flow level.

The Wholesale Credit Risk Management Committee (WCRMC) oversees wholesale exposures, comprising lending to businesses, banks and other financial institutions. The WCRMC monitors exposure by country, industry sector, individual large exposures and exposures to sub-investment grade countries.

The monthly Wholesale and Retail Credit Risk Management Committees exercise oversight through review and challenge of the size and constitution of the portfolios when viewed against Group risk appetite for wholesale and retail credit risks. They are chaired by the Group Wholesale and Retail Credit Risk Directors.

Corporate and commercial lending

Corporate accounts which are deemed to contain heightened levels of risk are recorded on graded problem loan lists known as early-warning or watch lists. These are updated monthly and circulated to the relevant risk control points. Once listing has taken place, exposures are closely monitored and, where appropriate, reduced.

These lists are graded in line with the perceived severity of the risk attached to the lending, and its probability of default. Businesses with exposure to corporate customers all work to three categories of increasing concern. By the time an account becomes impaired it will normally have passed through all three categories, which reflect the need for ever-increasing caution and control.

Where an obligor's financial health gives grounds for concern, it is immediately placed into the appropriate category. All obligors, regardless of financial health, are subject to a full review of all facilities on, at least, an annual basis. More frequent interim reviews may be undertaken should circumstances dictate.

Retail lending

Within the retail portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow the risk of impairment to be monitored on a portfolio basis. This applies to UK Retail Banking, Barclays Wealth, International Retail and Commercial Banking and Barclaycard.

Within Local Business, accounts that are deemed to have a heightened level of risk, or that exhibit some unsatisfactory features which could affect viability in the short or medium term, are transferred to a separate 'Caution' refer stream where a cautious approach is appropriate. Accounts on the Caution refer stream are reviewed on at least a quarterly basis at which time consideration will be given to continuing with the agreed strategy, returning the customer to a lower risk refer stream, or instigating recovery or exit action if the strategy has failed.

Debt securities

Managing credit risk associated with debt securities differs in important respects from the process for loans originated by the Group. Firstly, market prices are generally available for listed bonds and securities and these prices are a good indicator of the credit standing of the issuer. Secondly, most listed and some unlisted securities are rated by external rating agencies which is another strong indicator of overall credit quality. Where such ratings are not available or are not current, the Group will have regard to its own internal ratings for the securities.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

47 Credit risk (continued)

Settlement risk

The Group is exposed to settlement risk in its dealings with market counterparties (predominantly other financial institutions). These risks arise, for example, in foreign exchange transactions when Barclays pays away its side of the transaction to another bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. It also arises on derivative contracts where the carrying value of the financial asset is related to the credit condition of the counterparty.

Settlement risk also arises through the operation of a number of systems through which Barclays makes and receives payments on behalf of its customers.

While these exposures are of short duration, they can be large. In recent years, settlement risk has been reduced by several industry initiatives that have enabled simultaneous and final settlement of transactions to be made (such as payment-versus-payment through Continuous Linked Settlement and delivery-versus-payment in central bank money).

Barclays has worked with its peers in the development of these arrangements. Increasingly the majority of high value transactions are settled by such mechanisms. Where these mechanisms are not available, the risk is further reduced by dealing predominantly with highly-rated counterparties, holding collateral and limiting the size of the exposures according to the rating of the counterparty, with smaller exposures to those of higher risk.

Country risk

Credit risk is manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the asset, or where the counterparty is the country itself.

Barclays manages country risk by setting a country risk appetite, which is known as the Country Guideline and agreed at the Group Credit Committee. All cross-border or domestic foreign currency transactions are aggregated to give the current utilisation, in terms of country loss given default (CLGD), against country appetite. The level of CLGD incurred by a counterparty transaction will largely depend on three main factors: the country severity, the product severity and counterparty grade. The calculation and loss given default is described under 'Credit Risk measurement' below.

CLGD is incurred in the country of direct risk, defined as where the majority of operating assets are held. This may differ from the country of incorporation. However, where transactions are secured with collateral, the country risk can be transferred from the country of the borrower to the country of the collateral provider. This is only permitted where the collateral definitely covers the borrowing and is not expected to decrease over time.

Credit risk measurement

Barclays uses statistical modelling techniques throughout its business in its credit rating systems. These systems assist the Bank in frontline credit decisions on new commitments and in managing the portfolio of existing exposures. They enable a coherent approach to risk measurement across all credit exposures, retail and wholesale. The key building blocks in the measurement system are the probability of customer default (PD), exposure in the event of default (EAD), and severity of loss-given-default (LGD). Using these, Barclays builds the analyses that lead to its decision support systems in the Risk Appetite context described previously.

Where financial models are used to monitor credit risk, they are based upon customers' personal and financial performance information over recent periods as a predictor for future performance. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

For corporate and wholesale customers, Barclays also assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating. There are two different categories of default rating used. The first reflects the statistical probability of a customer in a rating class defaulting within the next 12-month period, and is referred to as a point in time rating (PIT). The second also reflects the statistical probability of a customer in a rating class defaulting, but the period of assessment is 12 months of average credit conditions for the customer type. This type of rating therefore provides a measure of risk that is independent of the current credit conditions for a particular customer type, is much more stable over time than a PIT rating and is referred to as a through the cycle (TTC) rating.

Country risk grades are assigned to all countries where the Group has, or is likely to have, exposure and are reviewed every quarter to ensure they remain appropriate. Country grades, which are derived from long-term sovereign foreign currency ratings, range from 1 (lowest probability of default) to 21 (highest probability of default). A ceiling is applied where a country is graded 12 or lower so that the counterparty cannot be graded higher than the country, unless some form of protection is available in the event of a cross-border event, such as a significant portion of a counterparty's assets or income being held or generated in a convertible currency.

As noted above, for listed debt securities, the Group has regard to both external credit ratings and internal default grades where such ratings are not available or current.

Multiple rating methodologies may be used to inform the rating decision on individual large credits, such as internal and external models, rating agency grades and, for wholesale assets, market information such as credit spreads. For smaller credits, a single source may suffice, such as the result from a rating model.

For debt securities and counterparties where third party ratings are used to inform credit decisions, the Group mainly uses those provided by Standards and Poors' or Moody's.

Barclays wholesale credit rating contains 21 grades, representing the Group's best estimate of credit risk for a counterparty based on current economic conditions.

Retail customers are not assigned internal risk ratings in this way for account management purposes, although a mapping of the PIT probability of default to one of eight Barclays Retail Grades (BRG) is used for some internal reporting purposes.

The tables below detail how external rating grades, Default Grades and Barclays Retail Grades relate to the categories of credit quality selected for the financial statements. Where applicable, the internal measure of probability of default has been presented for indicative purposes.

Table of Contents

47 Credit risk (continued)

Listed and unlisted debt securities and market counterparties where external ratings are available

External ratings	Financial statements description
AAA, AA+, AA, AA-, A+, A, A-,BBB+, BBB, BBB-	Strong
BB+, BB, BB-, B+, B	Satisfactory
B-, CCC+, CCC and lower	Weak / Substandard

Wholesale lending

Default Grade	Financial statements description	Probability of default
1-3 4-5 6-8 9-11	Strong	0.0-0.05% 0.05-0.15% 0.15-0.30% 0.30-0.60%
12-14 15-19	Satisfactory	0.60-2.15% 2.15-11.35%
20-21	Weak / Substandard	11.35% +

Retail lending

Barclays Retail Grade	Financial statements description	Probability of default
1 2 3	Strong	0.0-0.15% 0.15-0.30% 0.30-0.60%
4-5 5-7	Satisfactory	0.60-2.50% 2.50-10.00%
8	Weak / Substandard	10.00% +

Financial statement descriptions can be summarised as follows:

Strong – there is a very high likelihood of the asset being recovered in full. If it is a debt security, then it will be investment grade.

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 conservatively classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification. At the lower end of this grade there are customers that are being more carefully monitored, for example corporate customers which are indicating some evidence of some deterioration, mortgages with a high loan to value ratio, and unsecured retail loans operating outside normal product guidelines.

Weak/Sub-standard – there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency. There may also be doubts over the value of collateral or security provided. However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Credit risk mitigation, collateral, security, and other credit enhancements

The Group uses a wide variety of techniques to reduce credit risk on its lending. The most important of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing. Barclays policy is to establish that loans are within the customer's capacity to repay, rather than to rely excessively on security. As a result no security is required for a wide range of lending products.

Credit risk mitigation

Barclays actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures –the Group takes action to mitigate the risks. Such actions may, for example, include; reducing the amounts outstanding (in discussion with the customers, clients or counterparties if appropriate); using credit derivatives securitising the assets; and, on occasion, selling them.

Barclays maintains the diversification of its portfolio to avoid unwanted credit risk concentrations. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to higher-rated borrowers than to lower-rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, are reviewed regularly, and are reported to the Risk Oversight Committee and the Board Risk Committee.

Similarly, country risk policy specifies risk appetite by country and avoids excessive concentrations of credits in individual countries, whilst other policies limit lending to certain industries.

A further protection against undesirable concentration of risk is the mandate and scale framework. Mandate and scale limits, which can also be set at Group level to reflect overall risk appetite, can relate either to the stock of current exposures in the relevant portfolio or to the flow of new exposures into that portfolio. Typical limits include the proportion of lending with maturity in excess of seven years and the proportion of new mortgage business that is buy-to-let.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

47 Credit risk (continued)

Businesses may put in place other forms of credit risk mitigation, such as credit derivatives or other forms of credit protection in accordance with their procedures or policies. Hedges and mitigants are monitored and risk appetite reviewed to ensure that credit risk is kept to acceptable levels.

Collateral and security

Collateral and security can be an important mitigant of credit risk.

The Group routinely obtains collateral and security, such as in the case of a residential or commercial mortgage, a reverse repurchase agreement, or a commercial loan with a floating charge over book debts and inventories.

The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, businesses holding specific, agreed classes of collateral must ensure that they are holding a correctly perfected charge.

The principal collateral and security types are as follows:

– Personal lending – mortgages over residential properties;

– Commercial and industrial sector – charges over business assets such as premises, stock and debtors, and third party credit protection (i.e. guarantees);

– Commercial real estate sector – charges over the properties being financed; and,

– Over-The-Counter (OTC) trading exposures – cash; direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country, debt issued by supranationals and letters of credit issued by an institution with a long-term unsecured debt rating of A+/A3 or better.

Valuation of the collateral and security taken is within agreed parameters.

Before reliance is placed on third party protection in the form of bank, government or corporate guarantees or credit derivative protection from financial intermediary counterparties, a credit assessment is undertaken. Eligibility parameters for guarantees and credit derivative are similar to those applied to collateral held against OTC traded exposures.

Any collateral taken in respect of OTC trading exposures will be subject to a 'haircut' which is negotiated at the time of signing the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security.

The Group also uses various forms of specialised legal agreements to reduce risk, including entering into master netting agreement with counterparties, which the Group uses to restrict its exposure to credit losses. Group policy requires all netting arrangements to be legally documented. The ISDA Master Agreement is the Group's preferred agreement for documenting OTC activity. It provides the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other pre-determined events occur. In the normal course of events, where the master agreement is ISDA, the collateral document will be the ISDA Credit Support Annex (CSA). The collateral document must give Barclays the power to realise any collateral placed with it in the event of the failure of the counterparty, and to place further collateral when requested or in the event of insolvency, administration or similar processes, as well as in the case of early termination.

Security structures and legal covenants are subject to regular review, at least annually, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

Any properties repossessed are made available for sale in an orderly and timely fashion, with any proceeds realised being used to reduce or repay the outstanding loan. For business customers, in some circumstances, where excess funds are available after repayment in full of the outstanding loan, they are offered to any other, lower ranked, secured lenders. Any additional funds are returned to the customer. Barclays does not, as a rule, occupy repossessed properties for its business use.

Maximum exposure to credit risk before collateral held or other credit enhancements

For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that Barclays would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

The following table presents the maximum exposure at 31 December 2007 and 2006 to credit risk of balance sheet and off balance sheet financial instruments, before taking account of any collateral held or other credit enhancements and after allowance for impairment and netting where appropriate.

Table of Contents

47 Credit risk (continued)

This analysis and all subsequent analyses of credit risk include financial assets subject to credit risk only. They exclude other financial assets, mainly equity securities held in trading portfolio or available for sale as well as non-financial assets. The nominal value of off-balance sheet credit related instruments are also shown, where appropriate.

Financial assets designated at fair value held in respect of linked liabilities to customers under investment contracts have not been included as the Group is not exposed to credit risk on these assets. Credit losses in these portfolios, if any, would lead to a reduction in the linked liabilities and result in no direct loss to the Group.

	2007 £m	2006 £m
On balance sheet:		
Cash and balances at central banks	5,801	7,345
Items in course of collection from other banks	1,836	2,408
Trading portfolio:		
Treasury and other eligible bills	2,094	2,960
Debt securities	152,778	140,576
Traded Loans	1,780	1,843
Total trading portfolio	156,652	145,379
Financial assets designated at fair value held on own account:		
Loans and advances	23,491	13,196
Debt securities	24,217	12,100
Other financial assets	3,545	2,792
Total financial assets designated at fair value held on own account	51,253	28,088
Derivative financial investments	248,088	138,353
Loans and advances to banks	40,120	30,926
Loans and advances to customers:		
Residential mortgage loans	111,955	94,511
Credit card receivables	14,289	13,399
Other personal lending	24,968	20,511
Wholesale and corporate loans and advances	183,109	143,836
Finance lease receivables	11,077	10,043
Total loans and advances to customers	345,398	282,300
Available for sale financial investments:		
Treasury and other eligible bills	2,723	2,420
Debt securities	38,673	47,912
Total available for sale financial investments:	41,396	50,332
Reverse repurchase agreements	183,075	174,090
Other assets	3,966	4,097
Total on balance sheet	1,077,585	863,318
Off balance sheet:		
Acceptances and endorsements	365	287
Guarantees and letters of credit pledged as collateral security	35,692	31,252
Commitments	192,639	205,504
Total off balance sheet	228,696	237,043
Total maximum exposure at 31st December	1,306,281	1,100,361

229

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

47 Credit risk (continued)

Whilst the Group's maximum exposure to credit risk is the carrying value of the assets, or, in the case of off-balance sheet items the amount guaranteed, committed, accepted or endorsed, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the Group's exposure, described below for each class of financial instrument:

Asset	Nature of collateral obtained or other credit risk mitigation
Cash with central banks, items in the course of collection, and loans and advances to banks	Due to the nature of the counterparties, collateral is generally not sought on these balances which are considered to be low risk.
Trading portfolio	The credit risk of these assets is reflected in their fair values. No collateral or enhancements are obtained directly from the issuer or counterparty but may be implicit in the terms of the instrument.
Financial assets designated at fair value held on own account	The credit risk of these assets is reflected in their fair values. Debt securities may be collateralised, according to their terms. Loans and advances included in this category may be collateralised.
Derivatives	Credit risk is also minimised where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset. Collateral will also be sought, depending on the creditworthiness of the counterparty and/or nature of the transaction.
Loans and advances to customers	
– Residential mortgage loans	These are secured by a fixed charge over the property. In addition, portfolios may be securitised.
– Credit card receivables	This lending is generally unsecured. Balances may be securitised.
– Other personal lending	In general this is unsecured. For certain personal lending, a charge over the borrower's property or other assets may be sought.
– Wholesale and corporate loans and advances	Various forms of collateral may be sought for these loans, often in the form of a fixed charge over the borrower's property and a floating charge over the current assets of a corporate borrower. Loan covenants may be put in place to safeguard the bank's financial position. If the exposure is sufficiently large, either individually or at the portfolio level, credit protection in the form of guarantees, credit derivatives or insurance may be taken out.
– Finance lease receivables	The net investment in the lease is secured through retention of legal title to the leased assets.
Available for sale assets	No collateral or enhancements are obtained although collateral may be inherent in the structure of the asset.
Reverse repurchase agreements and cash collateral on securities borrowed	These loans are fully collateralised with the securities legally transferred to the Group. The level of collateral is monitored daily and further collateral calls made when required.
Off balance sheet	The Group applies the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. Collateral may be sought, depending on the strength of the counterparty and/or nature of the transaction.
Acceptances and endorsements	Amounts paid are normally repaid by the customer on presentation.
Guarantees and letters of credit pledged as security	The Group is only required to meet its obligations should the customer default, in which case the Group will generally have recourse to the customer.
Commitments	These are commitments to future lending and are subject to the Group's normal lending policies including taking collateral depending on the customers' circumstances.

Financial assets that would be past due or impaired had their terms not been renegotiated

Financial assets are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue (delinquent) and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged, otherwise, the product type in accordance with the manner in which the Group manages credit risk.

Table of Contents

47 Credit risk (continued)

Analyses of the Group's credit exposure are set out below:

Credit risk concentrations by geographical sector

	2007					
	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
On balance sheet:						
Cash and balances at central banks	1,458	2,170	206	1,406	561	5,801
Items in the course of collection from other banks	1,638	75	–	110	13	1,836
Trading portfolio	28,959	41,675	53,208	877	31,933	156,652
Financial assets designated at fair value held on own account	15,713	5,907	20,396	958	8,279	51,253
Derivative financial instruments	60,534	75,017	82,975	2,229	27,333	248,088
Loans and advances to banks	5,515	11,102	13,443	2,581	7,479	40,120
Loans and advances to customers	187,824	56,189	39,944	38,653	22,788	345,398
Available for sale financial investments	5,934	18,354	7,818	2,944	6,346	41,396
Reverse repurchase agreements	42,160	51,734	67,018	2,156	20,007	183,075
Other assets	1,813	617	424	698	414	3,966
Total on balance sheet	351,548	262,840	285,432	52,612	125,153	1,077,585
Off balance sheet:						
Acceptances and endorsements	227	5	5	34	94	365
Guarantees and letters of credit pledged as collateral security	7,377	1,468	23,696	1,286	1,865	35,692
Commitments	90,964	23,946	48,657	20,471	8,601	192,639
Total off balance sheet	98,568	25,419	72,358	21,791	10,560	228,696
Total	450,116	288,259	357,790	74,403	135,713	1,306,281

Credit risk concentrations by geographical sector

	2006					
	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
On balance sheet:						
Cash and balances at central banks	4,367	2,275	109	515	79	7,345
Items in the course of collection from other banks	2,296	21	–	82	9	2,408
Trading portfolio assets	27,900	30,508	55,674	762	30,535	145,379
Financial assets designated at fair value held on own account	9,969	4,559	10,951	244	2,365	28,088
Derivative financial instruments	44,022	41,424	35,485	1,639	15,783	138,353
Loans and advances to banks	6,227	8,511	9,056	2,219	4,913	30,926
Loans and advances to customers	168,043	43,121	25,577	31,274	14,285	282,300
Available for sale financial investments	9,262	22,288	9,132	2,287	7,363	50,332
Reverse repurchase agreements	33,544	41,725	73,415	1,147	24,259	174,090
Other assets	1,288	1,433	237	982	157	4,097
Total on balance sheet	306,918	195,865	219,636	41,151	99,748	863,318
Off balance sheet:						
Acceptances and endorsements	220	6	–	47	14	287
Guarantees and letters of credit pledged as collateral security	5,210	3,489	19,682	1,196	1,675	31,252
Commitments	88,731	27,355	56,546	20,880	11,992	205,504
Total off balance sheet	94,161	30,850	76,228	22,123	13,681	237,043
Total	401,079	226,715	295,864	63,274	113,429	1,100,361

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

47 Credit risk (continued)

Credit risk concentrations by industrial sector

	2007									
	Government and Central Banks £m	Financial Services £m	Transport, Postal and communication and Business and other services £m	Agriculture, Manufacturing and Wholesale and retail trade £m	Construction and Property £m	Energy and water £m	Residential mortgage loans £m	Other personal lending £m	Finance lease receivables £m	Total £m
On balance sheet:										
Cash and balances at central banks	5,801	–	–	–	–	–	–	–	–	5,801
Items in the course of collection from other banks	8	1,828	–	–	–	–	–	–	–	1,836
Trading portfolio assets	58,608	83,790	4,434	3,928	924	4,072	895	1	–	156,652
Financial assets designated at fair value held on own account	10,914	23,742	570	699	11,325	396	3,509	98	–	51,253
Derivative financial instruments	2,886	227,609	2,771	5,567	1,106	8,031	87	31	–	248,088
Loans and advances to banks	7,881	32,239	–	–	–	–	–	–	–	40,120
Loans and advances to customers	2,036	70,699	41,678	37,722	22,288	8,623	111,955	39,320	11,077	345,398
Available for sale financial investments	8,880	29,693	2,142	249	167	246	–	19	–	41,396
Reverse repurchase agreements	1,713	179,459	416	735	752	–	–	–	–	183,075
Other assets	270	1,506	542	307	168	5	112	1,056	–	3,966
Total on balance sheet	98,997	650,565	52,553	49,207	36,730	21,373	116,558	40,525	11,077	1,077,585
Off balance sheet:										
Acceptances and endorsements	–	125	111	91	21	4	–	13	–	365
Guarantees and letters of credit pledged as collateral security	51	17,021	12,847	1,867	538	2,687	1	680	–	35,692
Commitments	4,511	30,492	26,370	32,388	11, 282	9,961	10,969	66,666	–	192,639
Total off balance sheet	4,562	47,638	39,328	34,346	11,841	12,652	10,970	67,359	–	228,696
Total	103,559	698,203	91,881	83,553	48,571	34,025	127,528	107,884	11,077	1,306,281

Table of Contents

47 Credit risk (continued)

Credit risk concentrations by industrial sector

	2006									
	Government and Central Banks £m	Financial Services £m	Transport, Postal and communication and Business and other services £m	Agriculture, Manufacturing and Wholesale and retail trade £m	Construction and Property £m	Energy and water £m	Residential mortgage loans £m	Other personal lending £m	Finance lease receivables £m	Total £m
On balance sheet:										
Cash and balances at central banks	7,345	–	–	–	–	–	–	–	–	7,345
Items in the course of collection from other banks	5	2,403	–	–	–	–	–	–	–	2,408
Trading portfolio assets	56,222	78,322	2,793	3,333	792	3,043	871	3	–	145,379
Financial assets designated at fair value held on own account	6,412	12,101	269	325	6,797	162	2,022	–	–	28,088
Derivative financial instruments	1,701	119,812	2,496	5,945	642	7,681	53	23	–	138,353
Loans and advances to banks	2,221	28,705	–	–	–	–	–	–	–	30,926
Loans and advances to customers	2,426	45,033	34,543	34,755	20,542	6,810	94,511	33,538	10,142	282,300
Available for sale financial investments	10,055	39,105	733	9	141	257	31	1	–	50,332
Reverse repurchase agreements	1,205	171,146	107	435	918	20	–	259	–	174,090
Other assets	43	2,637	469	78	97	5	–	768	–	4,097
Total on balance sheet	87,635	499,264	41,410	44,880	29,929	17,978	97,488	34,592	10,142	863,318
Off balance sheet:										
Acceptances and endorsements	11	99	38	114	21	1	1	2	–	287
Guarantees and letters of credit pledged as collateral security	12	20,999	4,313	1,915	907	2,900	9	197	–	31,252
Commitments	4,914	49,917	23,807	29,164	15,263	12,401	19,375	50,663	–	205,504
Total off balance sheet	4,937	71,015	28,158	31,193	16,191	15,302	19,385	50,862	–	237,043
Total	92,572	570,279	69,568	76,073	46,120	33,280	116,873	85,454	10,142	1,100,361

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

47 Credit risk (continued)

Financial assets subject to credit risk

For the purposes of the Group's disclosures regarding credit quality, its financial assets have been analysed as follows:

	As at 31st December 2007					
	Neither past due nor individually impaired £m	Past due but not individually impaired £m	Individually impaired £m	Total £m	Impairment allowance £m	Total carrying value £m
Cash and balances at central banks	5,801	–	–	5,801	–	5,801
Items in the course of collection from other banks	1,836	–	–	1,836	–	1,836
Trading portfolio	156,652	–	–	156,652	–	156,652
Financial assets designated at fair value held on own account	50,896	357	–	51,253	–	51,253
Derivatives	248,088	–	–	248,088	–	248,088
Loans and advances to banks	37,601	2,522	–	40,123	(3)	40,120
Loans and advances to customers	324,318	16,005	8,844	349,167	(3,769)	345,398
Available for sale financial investments	41,304	92	–	41,396	–	41,396
Reverse repurchase agreements	183,075	–	–	183,075	–	183,075
Other assets	3,966	–	–	3,966	–	3,966
Total	1,053,537	18,976	8,844	1,081,357	(3,772)	1,077,585

	As at 31st December 2006					
	Neither past due nor individually impaired £m	Past due but not individually impaired £m	Individually impaired £m	Total £m	Impairment allowance £m	Total carrying value £m
Cash and balances at central banks	7,345	–	–	7,345	–	7,345
Items in the course of collection from other banks	2,408	–	–	2,408	–	2,408
Trading portfolio	145,379	–	–	145,379	–	145,379
Financial assets designated at fair value held on own account	28,088	–	–	28,088	–	28,088
Derivatives	138,353	–	–	138,353	–	138,353
Loans and advances to banks	29,355	1,575	–	30,930	(4)	30,926
Loans and advances to customers	270,321	10,989	4,321	285,631	(3,331)	282,300
Available for sale financial investments	50,156	176	–	50,332	–	50,332
Reverse repurchase agreements	174,090	–	–	174,090	–	174,090
Other assets	4,097	–	–	4,097	–	4,097
Total	849,592	12,740	4,321	866,653	(3,335)	863,318

Financial assets designated at fair value, derivatives, and trading portfolios are not subject to impairment allowances as credit losses are fully reflected in their fair values.

The impairment allowance above includes allowances against financial assets that have been individually impaired and those subject to collective impairment. Assets subject to a collective impairment allowance are included in financial assets neither past due nor individually impaired or financial assets past due but not individually impaired, as appropriate.

Table of Contents

47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired

The credit quality of financial assets subject to credit risk, that were neither past due nor impaired, based on the credit ratings on page 227, was as follows:

	2007			
	Strong £m	Satisfactory £m	Weak/sub-standard £m	Total £m
Cash and balances at central banks	5,801	–	–	5,801
Items in the course of collection from other banks	1,713	123	–	1,836
Trading portfolio:				
Treasury bills and other eligible bills	1,984	110	–	2,094
Debt securities	143,161	8,958	659	152,778
Traded loans	223	1,228	329	1,780
Total trading portfolio	145,368	10,296	988	156,652
Financial assets designated at fair value held on own account				
Loans and advances	13,844	6,186	3,104	23,134
Debt securities	10,010	14,207	–	24,217
Other financial assets	3,541	4	–	3,545
Total financial assets designated at fair value held on own account	27,395	20,397	3,104	50,896
Derivative financial instruments	243,491	3,630	967	248,088
Loans and advances to banks	35,635	1,955	11	37,601
Loans and advances to customers:				
Residential mortgage loans	62,748	41,144	1,761	105,653
Credit card receivables	–	12,582	5	12,587
Other personal lending	2,882	19,915	889	23,686
Wholesale and corporate loans and advances	114,695	54,380	2,427	171,502
Finance lease receivables	4,586	6,036	268	10,890
Total loans and advances to customers	184,911	134,057	5,350	324,318
Available for sale financial investments:				
Debt securities	36,623	1,528	430	38,581
Treasury bills and other eligible bills	2,130	593	–	2,723
Total available for sale financial investments:	38,753	2,121	430	41,304
Reverse repurchase agreements	180,637	2,391	47	183,075
Other assets	2,410	1,452	104	3,966
Total financial assets neither past due nor individually impaired	866,114	176,422	11,001	1,053,537

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

47 Credit risk (continued)

(a) Credit quality of financial assets neither past due nor individually impaired (continued)

	2006			
	Strong £m	Satisfactory £m	Weak/sub-standard £m	Total £m
Cash and balances at central banks	7,345	–	–	7,345
Items in the course of collection from other banks	1,814	594	–	2,408
Trading portfolio:				
Treasury bills and other eligible bills	2,947	13	–	2,960
Debt securities	133,230	5,907	1,439	140,576
Traded loans	405	1,425	13	1,843
Total trading portfolio	136,582	7,345	1,452	145,379
Financial assets designated at fair value:				
Loans and advances	10,586	2,228	382	13,196
Debt securities	5,307	6,793	–	12,100
Other financial assets	2,637	155	–	2,792
Total financial assets designated at fair value	18,530	9,176	382	28,088
Derivative financial instruments held on own account	133,980	4,194	179	138,353
Loans and advances to banks	29,008	336	11	29,355
Loans and advances to customers:				
Residential mortgage loans	53,760	34,019	1,316	89,095
Credit card receivables	–	11,858	49	11,907
Other personal lending	2,832	16,652	110	19,594
Wholesale and corporate loans and advances	92,912	44,583	2,295	139,790
Finance lease receivables	4,481	5,349	105	9,935
Total loans and advances to customers	153,985	112,461	3,875	270,321
Available for sale financial investments:				
Debt securities	47,687	49	–	47,736
Treasury bills and other eligible bills	2,313	107	–	2,420
Total available for sale financial investments:	50,000	156	–	50,156
Reverse repurchase agreements	171,725	856	1,509	174,090
Other assets	2,548	1,546	3	4,097
Total financial assets neither past due nor individually impaired	705,517	136,664	7,411	849,592

Table of Contents

47 Credit risk (continued)

(b) Financial assets that are past due but not individually impaired

An age analysis of financial assets that are past due but not individually impaired is set out below.

For the purposes of this analysis an asset is considered past due and included below when any payment due under the strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest or both, overdue.

The Group expends considerable effort in monitoring overdue assets. Assets may be overdue for a number of reasons, including late processing of payments or documentation, for example, over weekends and holiday periods. Where assets are considered to be uncollectable they are subject to individual impairment.

Trading portfolio and derivative assets are measured on a fair value basis such that their carrying amount reflects expected defaults. Amounts that are past due as a result of counterparty credit issues are not significant.

	2007					
	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
Financial assets designated at fair value held on own account						
Loans and advances	261	4	1	24	67	357
Total financial assets designated at fair value held on own account	261	4	1	24	67	357
Loans and advances to banks	2,031	305	186	–	–	2,522
Loans and advances to customers:						
Residential mortgage loans	3,609	1,349	456	215	184	5,813
Credit card receivables	558	155	107	205	1	1,026
Other personal lending	271	199	193	152	205	1,020
Wholesale and corporate loans and advances	6,970	622	267	62	66	7,987
Finance lease receivables	75	28	18	38	–	159
Total loans and advances to customers	11,483	2,353	1,041	672	456	16,005
Available for sale financial investments:						
Debt securities	92	–	–	–	–	92
Total available for sale financial investments:	92	–	–	–	–	92
Total financial assets past due but not individually impaired	13,867	2,662	1,228	696	523	18,976

	2006					
	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
Financial assets designated at fair value held on own account						
Loans and advances	–	–	–	–	–	–
Total financial assets designated at fair value held on own account	–	–	–	–	–	–
Loans and advances to banks	1,004	234	337	–	–	1,575
Loans and advances to customers:						
Residential mortgage loans	3,394	1,124	280	208	150	5,156
Credit card receivables	622	202	144	304	–	1,272
Other personal lending	276	118	119	253	1	767
Wholesale and corporate loans and advances	3,322	130	180	20	53	3,705
Finance lease receivables	35	10	22	22	–	89
Total loans and advances to customers	7,649	1,584	745	807	204	10,989
Available for sale financial investments:						
Debt securities	131	22	–	23	–	176

Total available for sale financial investments:	131	22	–	23	–	176
Total financial assets past due but not individually impaired	8,784	1,840	1,082	830	204	12,740

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

47 Credit risk (continued)

(c) Impaired financial assets
Financial assets individually assessed as impaired

An analysis of financial assets individually assessed as impaired is as follows:

	2007			2006		
	Original carrying amount £m	Impairment allowance £m	Revised carrying amount £m	Original carrying amount £m	Impairment allowance £m	Revised carrying amount £m
Loans and advances to customers:						
Residential mortgage loans	621	(88)	533	384	(75)	309
Credit card receivables	1,517	(725)	792	1,250	(839)	411
Other personal lending	1,635	(1,030)	605	1,289	(954)	335
Wholesale and corporate loans and advances	4,930	(944)	3,986	1,280	(589)	691
Finance lease receivables	141	(102)	39	118	(79)	39
Total loans and advances to customers individually impaired	8,844	(2,889)	5,955	4,321	(2,536)	1,785
Collective impairment allowance		(883)			(799)	
Total impairment allowance		(3,772)			(3,335)	

In addition to the above, there are impaired available for sale debt securities with a carrying value at 31st December 2007 of £432m, after a write-down of £13m. In 2006, all impaired available for sale debt securities had been disposed of prior to 31st December.

The movements on the impairment allowance during the year were as follows:

	2007							
	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31st December £m
Loans and advances to banks	4	–	–	–	(1)	13	(13)	3
Loans and advances to customers:								
Residential mortgage loans	124	–	–	2	(5)	5	6	132
Credit card receivables	1,030	(75)	(60)	4	(819)	103	658	841
Other personal lending	1,139	–	(53)	10	(668)	54	891	1,373
Wholesale and corporate loans and advances	939	1	–	37	(440)	46	727	1,310
Finance lease receivables	99	1	–	–	(30)	6	37	113
Total loans and advances to customers	3,331	(73)	(113)	53	(1,962)	214	2,319	3,769
Total impairment allowance	3,335	(73)	(113)	53	(1,963)	227	2,306	3,772

	2006							
	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31st December £m
Loans and advances to banks	4	–	–	–	–	33	(33)	4
Loans and advances to customers:								
Residential mortgage loans	139	–	(8)	(8)	(51)	14	38	124
Credit card receivables	978	–	(66)	(21)	(887)	101	925	1,030
Other personal lending	975	–	(22)	(42)	(557)	63	722	1,139
Wholesale and corporate loans and advances	1,253	(12)	(2)	(69)	(626)	41	354	939
Finance lease receivables	101	(11)	–	(13)	(53)	7	68	99
Total loans and advances to customers	3,446	(23)	(98)	(153)	(2,174)	226	2,107	3,331

Total impairment allowance	3,450	(23)	(98)	(153)	(2,174)	259	2,074	3,335

Table of Contents

47 Credit risk (continued)

Collateral and other credit enhancements held

Financial assets that are past due or individually assessed as impaired may be partially or fully collateralised or subject to other forms of credit enhancement.

Assets in these categories subject to collateralisation are mainly corporate and residential mortgage loans.

For corporate loans, security may be in the form of floating charges where the value of the collateral varies with the level of assets such as inventory and receivables held by the customer. For these and other reasons collateral given is only accurately valued on origination of the loan or in the course of enforcement actions and as a result it is not practicable to estimate the fair value of the collateral held.

A description and the estimated fair value of collateral held in respect of residential mortgage loans that are past due or individually assessed as impaired was as follows:

	2007 Fair value £m	2006 Fair value £m
Nature of assets		
– Residential Property	6,488	6,183
Total	6,488	6,183

Collateral included in the above table reflects the Group's interest in the property in the event of default.That held in the form of charges against residential property in the UK is restricted to the outstanding loan balance. In other territories, where the Group is not obliged to return any sale proceeds to the mortgagee, the full estimated fair value has been included.

Collateral and other credit enhancements obtained

The carrying value of assets held by the Group as at 31st December 2007 as a result of the enforcement of collateral was as follows:

	2007 Carrying Amount £m	2006 Carrying Amount £m
Nature of assets		
– Residential Property	34	12
– Commercial and industrial property	1	2
– Other credit enhancements	–	–
Total	35	14

The Group does not use assets obtained in its operations. Assets obtained are normally sold, generally at auction, or realised in an orderly manner for the maximum benefit of the Group, the borrower and the borrower's other creditors in accordance with the relevant insolvency regulations.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

48 Liquidity risk

Liquidity risk management and measurement

This is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to meet its obligations is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Intraday liquidity

The need to monitor, manage and control intraday liquidity in real time is recognised by the Group as a mission critical process: any failure to meet specific intraday commitments would have significant consequences.

The Group policy is that each operation must ensure that it has access to sufficient intraday liquidity to meet any obligations it may have to clearing and settlement systems. Major currency payment flows and payment system collateral are monitored and managed in real time to ensure that at all times there is sufficient collateral to make payments.

Day to day funding

Day to day funding is managed by short-term mismatch limits for the next day, week and month which control cash flows to ensure that requirements can be met. These requirements include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets and monitors and manages the wholesale money market capacity for the Group's name to enable that to happen.

In addition to cash flow management, Barclays Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Liquid Assets

The Group maintains a portfolio of highly marketable assets including UK, US and Euro-area government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The Group accesses secured funding markets in these assets on a regular basis to ensure market access. The Group does not rely on committed funding lines for protection against unforeseen interruption to cash flow.

Diversification of liquidity sources

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, provider, product and term. In addition, to avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the Group's reputation and relationship with those clients, the strength of earnings and the Group's financial position.

Structural liquidity

An important source of structural liquidity is provided by our core retail deposits in the UK, Europe and Africa, mainly current accounts and savings accounts. Although current accounts are repayable on demand and savings accounts at short notice, the Group's broad base of customers – numerically and by depositor type – helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group's operations and liquidity needs.

The Group policy is to fund the balance sheet of the retail and commercial bank on a global basis with customer deposits without recourse to the wholesale markets. This provides protection from the liquidity risk of wholesale market funding. The exception to this policy is ABSA, which has a large portion of wholesale funding due to the structural nature of the South African financial sector.

Stress tests

Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk.

Treasury develops and monitors a range of stress tests on the Group's projected cash flows. These stress scenarios include Barclays-specific scenarios such an unexpected rating downgrade and operational problems, and external scenarios such as Emerging Market crises, payment system disruption and macroeconomic shocks. The output informs both the liquidity mismatch limits and the Group's contingency funding plan. This is maintained by Treasury and is aligned with the Group and country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems.

The ability to raise funds is in part dependent on maintaining the Bank's credit rating. The funding impact of a credit downgrade is regularly estimated. Whilst the impact of a single downgrade may affect the price at which funding is available, the effect on liquidity is not considered significant in overall Group terms.

Table of Contents

48 Liquidity risk (continued)

Contractual maturity of financial assets and liabilities

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 which 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.

At 31st December 2007	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	4,785	1,016	–	–	–	–	–	–	5,801
Items in course of collection from other banks	1,651	185	–	–	–	–	–	–	1,836
Trading portfolio assets	193,691	–	–	–	–	–	–	–	193,691
Financial assets designated at fair value:									
– held on own account	1,901	3,202	657	3,029	13,882	7,022	10,637	16,299	56,629
Derivative financial instruments:									
– held for trading	246,950	–	–	–	–	–	–	–	246,950
– designated for risk management	–	76	92	39	260	105	317	249	1,138
Loans and advances to banks	5,882	22,143	446	3,189	1,259	1,035	5,680	486	40,120
Loans and advances to customers	43,469	62,294	12,793	19,307	35,195	30,926	47,297	94,117	345,398
Available for sale financial instruments	994	9,009	4,544	2,377	10,831	6,466	5,268	3,583	43,072
Reverse repurchase agreements and cash collateral on securities borrowed	–	158,475	7,369	7,835	4,921	4,348	127	–	183,075
Total financial assets	499,323	256,400	25,901	35,776	66,348	49,902	69,326	114,734	1,117,710
Other assets	–	–	–	–	–	–	–	109,651	109,651
Total assets	499,323	256,400	25,901	35,776	66,348	49,902	69,326	224,385	1,227,361
Liabilities									
Deposits from other banks	16,288	69,049	1,977	991	651	1,171	231	188	90,546
Items in the course of collection due to other banks	1,781	11	–	–	–	–	–	–	1,792
Customer accounts	174,269	101,667	5,692	4,097	1,656	1,240	993	5,373	294,987
Trading portfolio liabilities	65,402	–	–	–	–	–	–	–	65,402
Financial liabilities designated at fair value:									
– held on own account	655	18,022	8,331	6,933	10,830	11,601	12,625	5,492	74,489
Derivative financial instruments:									
– held for trading	247,378	–	–	–	–	–	–	–	247,378
– designated for risk management	–	51	43	82	310	150	215	59	910
Debt securities in issue	698	70,760	11,798	6,945	13,308	7,696	3,123	5,900	120,228
Repurchase agreements and cash collateral on securities lent	–	160,822	2,906	5,547	40	92	22	–	169,429
Subordinated liabilities	–	–	–	–	250	934	7,511	9,455	18,150
Total financial liabilities	506,471	420,382	30,747	24,595	27,045	22,884	24,720	26,467	1,083,311
Other liabilities	–	–	–	–	–	–	–	111,574	111,574
Total liabilities	506,471	420,382	30,747	24,595	27,045	22,884	24,720	138,041	1,194,885
Cumulative liquidity gap	(7,148)	(171,130)	(175,976)	(164,795)	(125,492)	(98,474)	(53,868)	32,476	32,476

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

48 Liquidity risk (continued)

At 31st December 2006	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	7,050	295	–	–	–	–	–	–	7,345
Items in course of collection from other banks	1,782	626	–	–	–	–	–	–	2,408
Trading portfolio assets	177,867	–	–	–	–	–	–	–	177,867
Financial assets designated at fair value:									
– held on own account	1,899	1,975	295	942	5,692	5,239	4,018	11,739	31,799
Derivative financial instruments:									
– held for trading	137,273	–	–	–	–	–	–	–	137,273
– designated for risk management	–	72	88	37	249	100	296	238	1,080
Loans and advances to banks	2,887	18,806	800	3,063	1,595	1,130	1,012	1,633	30,926
Loans and advances to customers	32,492	44,424	9,901	15,508	31,986	27,668	38,036	82,285	282,300
Available for sale financial instruments	564	9,084	2,516	8,733	13,854	4,621	6,999	5,332	51,703
Reverse repurchase agreements and cash collateral on securities borrowed	–	149,872	4,670	11,025	1,375	6,939	168	41	174,090
Total financial assets	361,814	225,154	18,270	39,308	54,751	45,697	50,529	101,268	896,791
Other assets	–	–	–	–	–	–	–	99,996	99,996
Total assets	361,814	225,154	18,270	39,308	54,751	45,697	50,529	201,264	996,787
Liabilities									
Deposits from other banks	19,163	55,534	1,418	891	593	1,406	367	190	79,562
Items in the course of collection due to other banks	2,154	67	–	–	–	–	–	–	2,221
Customer accounts	153,642	89,079	5,594	3,604	1,655	1,436	807	937	256,754
Trading portfolio liabilities	71,874	–	–	–	–	–	–	–	71,874
Financial liabilities designated at fair value:									
– held on own account	6	13,958	6,297	5,143	7,090	8,447	10,978	2,068	53,987
Derivative financial instruments:									
– held for trading	139,746	–	–	–	–	–	–	–	139,746
– designated for risk management	–	306	13	59	230	284	51	8	951
Debt securities in issue	17	70,805	8,669	5,311	10,408	3,798	4,017	8,112	111,137
Repurchase agreements and cash collateral on securities lent	–	121,278	6,362	2,659	2,305	–	–	4,352	136,956
Subordinated liabilities	–	–	–	–	236	911	4,623	8,016	13,786
Total financial liabilities	386,602	351,027	28,353	17,667	22,517	16,282	20,843	23,683	866,974
Other liabilities	–	–	–	–	–	–	–	102,423	102,423
Total liabilities	386,602	351,027	28,353	17,667	22,517	16,282	20,843	126,106	969,397
Cumulative liquidity gap	(24,788)	(150,661)	(160,744)	(139,103)	(106,869)	(77,454)	(47,768)	27,390	27,390

Table of Contents

48 Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e nominal values), whereas the Group manages the inherent liquidity risk based on discounted expected cash inflows. Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

At 31st December 2007	On demand £m	Within one year £m	Over one year but less than five years £m	Over five years £m	Total £m
Deposits from other banks	16,288	72,533	2,099	275	91,195
Items in the course of collection due to other banks	1,781	11	–	–	1,792
Customer accounts	174,269	112,875	3,739	10,280	301,163
Trading portfolio liabilities	65,402	–	–	–	65,402
Financial liabilities designated at fair value:					
– held on own account	655	34,008	25,870	31,868	92,401
Derivative financial instruments:					
– held for trading	247,378	–	–	–	247,378
– designated for risk management	–	226	479	186	891
Debt securities in issue	698	91,201	22,926	15,020	129,845
Repurchase agreements and cash collateral on securities lent	–	169,725	146	23	169,894
Subordinated liabilities	–	463	4,964	17,875	23,302
Other financial liabilities	–	2,968	1,456	–	4,424
Total financial liabilities	506,471	484,010	61,679	75,527	1,127,687
Off balance sheet items					
Loan commitments	183,784	3,111	4,513	963	192,371
Other commitments	453	200	145	12	810
Total off balance sheet items	184,237	3,311	4,658	975	193,181
Total financial liabilities and off balance sheet items	690,708	487,321	66,337	76,502	1,320,868

At 31st December 2006	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
Deposits from other banks	19,163	58,101	2,317	590	80,171
Items in the course of collection due to other banks	2,154	68	–	–	2,222
Customer accounts	153,642	99,165	3,593	2,836	259,236
Trading portfolio liabilities	71,874	–	–	–	71,874
Financial liabilities designated at fair value:					
– held on own account	6	27,539	13,861	19,827	61,233
Derivative financial instruments:					
– held for trading	139,746	–	–	–	139,746
– designated for risk management	–	378	584	199	1,161
Debt securities in issue	17	89,222	13,932	15,668	118,839
Repurchase agreements and cash collateral on securities lent	–	137,040	366	–	137,406
Subordinated liabilities	–	837	7,487	9,411	17,735
Other financial liabilities	–	3,138	1,072	–	4,210
Total financial liabilities	386,602	415,488	43,212	48,531	893,833
Off balance sheet items					
Loan commitments	192,293	10,939	1,255	624	205,111
Other commitments	313	370	38	56	777
Total off balance sheet items	192,606	11,309	1,293	680	205,888

Total financial liabilities and off balance sheet items	579,208	426,797	44,505	49,211	1,099,721

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. Any request for funds from investors would be met simultaneously from the linked assets.

The balances in the above table will 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.

The principal due under perpetual subordinated liability instruments has been included in the over five years category. Further interest payments have not been included on this amount, which according to their strict contractual terms, could carry on indefinitely.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

49 Fair value of financial instruments

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

The following table summarises the carrying amounts of financial assets and financial liabilities presented on the Group's balance sheet, and their fair values:

		2007		2006	
	Notes	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets:					
Cash and balances at central banks	a	5,801	5,801	7,345	7,345
Items in the course of collection from other banks	a	1,836	1,836	2,408	2,408
Trading portfolio assets					
– Treasury and other eligible bills	b	2,094	2,094	2,960	2,960
– Debt securities	b	152,778	152,778	140,576	140,576
– Equity securities	b	36,307	36,307	31,548	31,548
– Traded Loans	b	1,780	1,780	1,843	1,843
– Commodities	b	732	732	940	940
Financial assets designated at fair value:					
held in respect of linked liabilities under investment contracts	b	90,851	90,851	82,798	82,798
held under own account:					
– Equity securities	b	5,376	5,376	3,711	3,711
– Loans and advances	b	23,491	23,491	13,196	13,196
– Debt securities	b	24,217	24,217	12,100	12,100
– Other financial assets designated at fair value	b	3,545	3,545	2,793	2,793
Derivative financial instruments	b	248,088	248,088	138,353	138,353
Loans and advances to banks	c	40,120	40,106	30,926	30,895
Loans and advances to customers:					
– Residential mortgage loans	c	111,955	111,951	94,511	94,511
– Credit card receivables	c	14,289	14,289	13,399	13,399
– Other personal lending	c	24,968	24,968	20,511	20,488
– Wholesale and corporate loans and advances	c	183,109	181,589	143,835	143,621
– Finance lease receivables	c	11,077	11,066	10,044	10,042
Available for sale financial instruments					
– Treasury and other eligible bills	b	2,723	2,723	2,420	2,420
– Debt securities	b	38,673	38,673	47,912	47,912
– Equity securities	b	1,676	1,676	1,371	1,371
Reverse repurchase agreements and cash collateral on securities borrowed	c	183,075	183,075	174,090	174,090
Financial liabilities:					
Deposits from banks	d	90,546	90,508	79,562	79,436
Items in the course of collection due to other banks	a	1,792	1,792	2,221	2,221
Customer accounts:					
– Current and demand accounts	d	80,006	80,006	77,216	77,216
– Savings accounts	d	74,599	74,599	65,784	65,792
– Other time deposits	d	140,382	141,917	113,754	113,653
Trading portfolio liabilities:					
– Treasury and other eligible bills	b	486	486	608	608
– Debt securities	b	50,506	50,506	58,142	58,142
– Equity securities	b	13,702	13,702	12,697	12,697
– Commodities	b	708	708	427	427
Financial liabilities designated at fair value:					
– Liabilities to customers under investment contracts	b	92,639	92,639	84,637	84,637
– Held on own account	b	74,489	74,489	53,987	53,987
Derivative financial instruments	b	248,288	248,288	140,697	140,697
Debt securities in issue	e	120,228	120,176	111,137	111,131
Repurchase agreements and cash collateral on securities lent	d	169,429	169,429	136,956	136,956
Subordinated liabilities	f	18,150	17,410	13,786	13,976

Table of Contents

49 Fair value of financial instruments (continued)

Notes

a Fair value approximates carrying value due to the short-term nature of these financial assets and liabilities.

b Financial instruments at fair value (including those held for trading, designated at fair value, derivatives and available for sale) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics. These estimates are calibrated against industry standards, economic models and observed transaction prices. Changes to assumptions or estimated levels can potentially impact the fair value of an instrument as reported. The effect of changing these assumptions, for those financial instruments for which the fair values were measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable market prices, to a range of reasonably possible alternative assumptions, would be to increase the fair value by up to £1.5bn (2006: £0.1bn) or to decrease the fair value by up to £1.2bn (2006: £0.1bn).

These variations in the assumptions have been estimated on a product by product basis and form part of the Bank's internal control processes over the determination of fair value.

The valuation model used for a particular instrument, the quality and liquidity of market data used for pricing, other fair value adjustments not specifically captured by the model, market data and assumptions or estimates in these are all subject to internal review and approval procedures and consistent application between accounting periods.

The amount that has yet to be recognised in income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, was as follows:

At 31st December	2007 £m	2006 £m
At 1st January	534	260
New transactions	134	359
Amounts recognised in profit or loss during the year	(514)	(85)
At 31st December	154	534

The net asset fair value position of the related financial instruments increased by £2,842m for the year ended 31st December 2007 (31st December 2006: £2,814m). In many cases these changes in fair values were offset by changes in fair values of other financial instruments, which were priced in active markets or valued by using a valuation technique which is supported by observable market prices or rates, or by transactions which have been realised.

c The fair value for loans and advances, and other lending (including reverse repurchase agreements and cash collateral on securities borrowed) is calculated using discounted cash flows, applying either market rates where practicable or, where the counterparty is a bank, rates currently offered by other financial institutions for placings with similar characteristics. In many cases the fair value approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently.

d The fair value of customer accounts other deposits and other borrowings (including repurchase agreements and cash collateral on securities lent) is estimated using market rates at the balance sheet date. The fair value of these instruments approximate to carrying amount in most cases because, in general, they are short term in nature and reprice frequently.

e Fair values of short-term debt securities in issue are approximately equal to their carrying amount. Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable, are estimated using other valuation techniques.

f The calculated fair values for dated and undated convertible and non-convertible loan capital were based upon quoted market rates for the issue concerned or equivalent issues with similar terms and conditions.

The Group considers that, given the lack of an established market, the diversity of fee structures and the difficulty of separating the value of the instruments from the value of the overall transaction, it is not meaningful to provide an estimate of the fair value of financial commitments and contingent liabilities.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

50 Capital Management

Barclays operates a centralised capital management model, considering both regulatory and economic capital. The capital management strategy is to continue to maximise shareholder value through optimising both the level and mix of capital resources. Decisions on the allocation of capital resources are conducted as part of the strategic planning review.

The Group's capital management objectives are to:

– Support the Group's AA credit rating.

– Maintain sufficient capital resources to support the Group's risk appetite and economic capital requirements.

– Maintain sufficient capital resources to meet the FSA's minimum regulatory capital requirements and the US Federal Reserve Bank's requirements that a financial holding company be well capitalised.

– Ensure locally regulated subsidiaries can meet their minimum capital requirements.

External Regulatory Capital Requirements

The Group is subject to minimum capital requirements imposed by the Financial Services Authority (FSA), following guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee) and implemented in the UK via European Union Directives.

Minimum requirements under FSA's Basel rules are expressed as a ratio of capital resources to risk weighted assets (Risk Asset Ratio). Risk weighted assets are a function of risk weights applied to the Group's assets using calculations developed by the Basel Committee on Banking Supervision.

Under Basel II, effective from 1st January 2008, the Group has been granted approval by the FSA to adopt the advanced approaches to credit and operational risk management. Pillar 1 risk weighted assets will be generated using the Group's risk models. Pillar 1 minimum capital requirements under Basel II are Pillar 1 risk weighted assets multiplied by 8%, the internationally agreed minimum ratio.

Under Pillar 2 of Basel II, the Group is subject to an overall regulatory capital requirement based on individual capital guidance ('ICG') received from the FSA. The ICG imposes additional capital requirements in excess of Pillar 1 minimum capital requirements. Barclays received its ICG from the FSA in December 2007.

Outside the UK, the Group has operations (and main regulators) located in continental Europe, in particular France, Germany, Spain, Portugal and Italy (local central banks and other regulatory authorities); Asia Pacific (various regulatory authorities including the Hong Kong Monetary Authority, the Japanese FSA and the Monetary Authority of Singapore); Africa, where the Group's operations are headquartered in Johannesburg, South Africa (The South African Reserve Bank and the Financial Services Board (FSB)) and the United States of America (the Board of Governors of the Federal Reserve System (FRB) and the Securities and Exchange Commission).

The Group manages its capital resources to ensure that those Group entities that are subject to local capital adequacy regulation in individual countries meet their minimum capital requirements. Local management manages compliance with subsidiary entity minimum regulatory capital requirements with reporting to local Asset and Liability Committees and to Treasury Committee, as required.

Regulatory Capital Ratios

The table below provides details under Basel I of the Group's capital ratios and risk weighted assets at 31st December 2007 and 2006.

	2007 %	2006 %
Capital Ratios		
Tier 1 ratio	7.8	7.7
Risk asset ratio	12.1	11.7

	£m	£m
Total risk weighted assets	353,476	297,833

The table below provides details of the regulatory capital resources managed by the Group.

	2007 £m	2006 £m
Total qualifying Tier 1 capital	27,408	23,005
Total qualifying Tier 2 capital	17,123	14,036
Total deductions	(1,889)	(2,330)
Total net capital resources	42,642	34,711

Insurance businesses

Insurance businesses are subject to separate regulation regarding Capital management and have constraints on the transfer of capital. Capital resource requirements are assessed at company level in accordance with local laws and regulations. However, the requirement is that each life fund should be able to meet its own liabilities. In the event that this should not be the case, shareholders' equity would be required to meet its liabilities to the extent that they could not otherwise be met.

The capital resource requirement of the insurance businesses at 31st December 2007 was £216m (31st December 2006: £225m).

Table of Contents

51 Segmental reporting

Business segments

The Group reports the results of its operations through seven business segments: UK Banking, Barclaycard, International Retail and Commercial Banking, Barclays Capital, Barclays Global Investors, Barclays Wealth, and Head Office and other operations.

UK Banking provides banking solutions to Barclays UK retail and commercial banking customers. Barclaycard provides credit card services across Europe and the United States. International Retail and Commercial Banking provides banking services to personal and corporate customers in Europe, Africa and the Middle East. Barclays Capital conducts the Group's investment banking business providing corporate, institutional and government clients with financing and risk management products. Barclays Global Investors provides investment management products and services to international institutional clients. Barclays Wealth provides banking and asset management services to affluent and high net worth clients. Head Office functions and other operations comprise all the Group's central function costs and other central items including businesses in transition.

During 2007 Barclays realigned a number of reportable business segments to better reflect the type of client served, the nature of the products offered and the associated risks and rewards. The changes have no impact on the Group Income Statement or Balance Sheet, and are summarised as follows:

UK Retail Banking. The unsecured lending business, previously managed and reported within Barclaycard and the Barclays Financial Planning business, previously managed and reported within Barclays Wealth are now managed and reported within UK Retail Banking. The changes combine these products with related products already offered by UK Retail Banking. In the UK certain UK Premier customers are now managed and reported within Barclays Wealth.

Barclaycard. The unsecured lending portfolio, previously managed and reported within Barclaycard, is now managed and reported within UK Retail Banking.

International Retail and Commercial Banking – excluding Absa. A number of high net worth customers are now managed and reported within Barclays Wealth in order to better match client profiles to wealth services.

Barclays Wealth. In the UK and Western Europe certain Premier and high net worth customers are now managed and reported within Barclays Wealth having been previously reported within UK Retail Banking and International Retail and Commercial Banking – excluding Absa.

The Barclays Financial Planning business previously managed and reported within Barclays Wealth, is now managed and reported within UK Retail Banking. Finally with effect from 1st January 2007 Barclays Wealth – closed life assurance activities continues to be managed within Barclays Wealth and for reporting purposes has been combined rather than being reported separately.

The structure and reporting remains unchanged for Barclays Commercial Bank, International Retail and Commercial Banking – Absa, Barclays Capital and Barclays Global Investors.

All transactions between business segments are conducted on an arms length basis. Internal charges and transfer pricing adjustments are reflected in the performance of each business. Head office functions and other operations contains a centralised treasury function, which deals with the Group's funding requirements. The funding requirements of each business segment reflects funding at market rates and not internally generated transfer prices and is therefore not separately disclosed within inter-segment net income.

Table of Contents

Notes to the accounts
For the year ended 31st December 2007

51 Segmental reporting (continued)

As at 31st December 2007	UK Banking £m	Barclaycard £m	International Retail and Commercial Banking £m	Barclays Capital £m	Barclays Global Investors £m	Barclays Wealth £m	Head office functions and other operations £m	Total £m
Income from external customers, net of insurance claims	6,913	2,340	3,510	6,934	1,915	1,343	45	23,000
Inter-segment income	(62)	146	13	185	11	(56)	(237)	–
Total income net of insurance claims	6,851	2,486	3,523	7,119	1,926	1,287	(192)	23,000
Impairment charge and other credit provisions	(849)	(838)	(252)	(846)	–	(7)	(3)	(2,795)
Segment expenses – external	(2,521)	(909)	(3,494)	(3,989)	(1,180)	(829)	(277)	(13,199)
Inter-segment expenses	(849)	(192)	1,138	16	(12)	(144)	43	–
Total expenses	(3,370)	(1,101)	(2,356)	(3,973)	(1,192)	(973)	(234)	(13,199)
Share of post-tax results of associates and joint ventures	7	(7)	7	35	–	–	–	42
Profit on disposal of subsidiaries, associates and joint ventures	14	–	13	–	–	–	1	28
Business segment performance before tax	2,653	540	935	2,335	734	307	(428)	7,076
Additional information								
Depreciation and amortisation	107	57	242	181	22	18	26	653
Impairment loss – intangible assets	13	–	1	–	–	–	–	14
Capital expenditure [a]	393	105	456	407	687	196	55	2,299
Investments in associates and joint ventures	(6)	19	108	171	–	–	85	377
Total assets	161,777	22,164	89,457	839,662	89,224	18,024	7,053	1,227,361
Total liabilities	166,988	1,559	48,809	811,516	87,101	43,988	34,924	1,194,885

As at 31st December 2006	UK Banking £m	Barclaycard £m	International Retail and Commercial Banking £m	Barclays Capital £m	Barclays Global Investors £m	Barclays Wealth £m	Head office functions and other operations £m	Total £m
Income from external customers, net of insurance claims	6,804	2,355	3,220	6,206	1,670	1,198	142	21,595
Inter-segment income	(63)	159	29	61	(5)	(38)	(143)	–
Total income net of insurance claims	6,741	2,514	3,249	6,267	1,665	1,160	(1)	21,595
Impairment charge and other credit provisions	(887)	(1,067)	(167)	(42)	–	(2)	11	(2,154)
Segment expenses – external	(2,626)	(712)	(2,177)	(3,988)	(940)	(772)	(1,459)	(12,674)
Inter-segment expenses	(763)	(269)	15	(21)	(11)	(141)	1,190	–
Total expenses	(3,389)	(981)	(2,162)	(4,009)	(951)	(913)	(269)	(12,674)
Share of post-tax results of associates and joint ventures	5	(8)	49	–	–	–	–	46
Profit on disposal of subsidiaries, associates and joint ventures	76	–	247	–	–	–	–	323
Business segment performance before tax	2,546	458	1,216	2,216	714	245	(259)	7,136
Additional information								
Depreciation and amortisation	96	45	180	132	13	10	115	591
Impairment loss – intangible assets	–	–	7	–	–	–	–	7
Capital expenditure [a]	232	84	206	246	406	45	152	1,371
Investments in associates and joint ventures	12	89	56	71	–	–	–	228
Total assets	147,576	20,082	68,588	657,922	80,515	15,022	7,082	996,787
Total liabilities	156,906	1,812	37,031	632,208	79,366	37,652	24,422	969,397

Note

a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

Table of Contents

51 Segmental reporting (continued)

As at 31st December 2005	UK Banking £m	Barclaycard £m	International Retail and Commercial Banking £m	Barclays Capital £m	Barclays Global Investors £m	Barclays Wealth £m	Head office functions and other operations £m	Total £m
Income from external customers, net of insurance claims	6,240	2,138	1,904	4,388	1,318	1,051	294	17,333
Inter-segment income	(4)	161	12	117	–	(17)	(269)	–
Total income net of insurance claims	6,236	2,299	1,916	4,505	1,318	1,034	25	17,333
Impairment charge and other credit provisions	(671)	(753)	(33)	(111)	–	(2)	(1)	(1,571)
Segment expenses – external	(2,663)	(736)	(1,338)	(2,952)	(769)	(765)	(1,304)	(10,527)
Inter-segment expenses	(663)	(172)	2	(11)	(10)	(103)	957	–
Total expenses	(3,326)	(908)	(1,336)	(2,963)	(779)	(868)	(347)	(10,527)
Share of post-tax results of associates and joint ventures	(3)	1	46	–	1	–	–	45
Business segment performance before tax	2,236	639	593	1,431	540	164	(323)	5,280
Additional information								
Depreciation and amortisation	54	40	111	99	10	8	119	441
Impairment loss – intangible assets	–	6	3	–	–	–	–	9
Capital expenditure [a]	78	153	2,580	294	155	14	192	3,466
Investments in associates and joint ventures	31	80	415	20	–	–	–	546
Total assets	137,981	18,236	63,383	601,193	80,900	13,401	9,263	924,357
Total liabilities	140,658	1,561	34,458	576,350	80,115	34,802	31,983	899,927

Geographic segments

Year ended 31st December 2007	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
Total income net of insurance claims	13,127	3,374	2,209	3,188	1,102	23,000
Total assets (by location of asset)	429,443	285,719	301,973	56,117	154,109	1,227,361
Capital expenditure (by location of asset) [a]	894	303	789	225	88	2,299

Year ended 31st December 2006	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
Total income net of insurance claims	12,154	2,882	2,840	2,791	928	21,595
Total assets (by location of asset)	406,328	203,929	229,779	44,696	112,055	996,787
Capital expenditure (by location of asset) [a]	569	62	565	136	39	1,371

Year ended 31st December 2005	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
Total income net of insurance claims	10,697	1,995	2,421	1,445	775	17,333
Total assets (by location of asset)	348,703	196,965	230,200	48,803	99,686	924,357
Capital expenditure (by location of asset) [a]	449	119	276	2,586	36	3,466

Note

a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

Table of Contents

Barclays Bank PLC data
Consolidated income statement

Consolidated income statement
For the year ended 31st December

	Notes	2007 £m	2006 £m	2005 £m
Continuing operations				
Interest income	a	25,308	21,805	17,232
Interest expense	a	(15,707)	(12,662)	(9,157)
Net interest income		9,601	9,143	8,075
Fee and commission income	b	8,682	8,005	6,430
Fee and commission expense	b	(970)	(828)	(725)
Net fee and commission income		7,712	7,177	5,705
Net trading income	c	3,759	3,632	2,321
Net investment income	c	1,216	962	858
Principal transactions		4,975	4,594	3,179
Net premiums from insurance contracts	5	1,011	1,060	872
Other income	d	224	257	178
Total income		23,523	22,231	18,009
Net claims and benefits incurred on insurance contracts	5	(492)	(575)	(645)
Total income net of insurance claims		23,031	21,656	17,364
Impairment charges	7	(2,795)	(2,154)	(1,571)
Net income		20,236	19,502	15,793
Staff costs	8	(8,405)	(8,169)	(6,318)
Administration and general expenses	9	(4,141)	(3,914)	(3,768)
Depreciation of property, plant and equipment	23	(467)	(455)	(362)
Amortisation of intangible assets	22	(186)	(136)	(79)
Operating expenses		(13,199)	(12,674)	(10,527)
Share of post-tax results of associates and joint ventures	20	42	46	45
Profit on disposal of subsidiaries, associates and joint ventures		28	323	–
Profit before tax		7,107	7,197	5,311
Tax	10	(1,981)	(1,941)	(1,439)
Profit after tax		5,126	5,256	3,872
Profit attributable to minority interests		377	342	177
Profit attributable to equity holders		4,749	4,914	3,695
		5,126	5,256	3,872

The note numbers refer to the notes on pages 166 to 249, whereas the note letters refer to those on pages 254 to 262.

Table of Contents

Barclays Bank PLC data
Consolidated balance sheet

Consolidated balance sheet
As at 31st December

	Notes	2007 £m	2006 £m
Assets			
Cash and balances at central banks		5,801	6,795
Items in the course of collection from other banks		1,836	2,408
Trading portfolio assets	e	193,726	177,884
Financial assets designated at fair value:			
– held on own account	13	56,629	31,799
– held in respect of linked liabilities to customers under investment contracts	13	90,851	82,798
Derivative financial instruments	14	248,088	138,353
Loans and advances to banks	15	40,120	30,926
Loans and advances to customers	15	345,398	282,300
Available for sale financial investments	f	43,256	51,952
Reverse repurchase agreements and cash collateral on securities borrowed	17	183,075	174,090
Other assets	g	5,153	5,850
Current tax assets	19	518	557
Investments in associates and joint ventures	20	377	228
Goodwill	21	7,014	6,092
Intangible assets	22	1,282	1,215
Property, plant and equipment	23	2,996	2,492
Deferred tax assets	19	1,463	764
Total assets		1,227,583	996,503
Liabilities			
Deposits from banks		90,546	79,562
Items in the course of collection due to other banks		1,792	2,221
Customer accounts		295,849	256,754
Trading portfolio liabilities	e	65,402	71,874
Financial liabilities designated at fair value	24	74,489	53,987
Liabilities to customers under investment contracts	13	92,639	84,637
Derivative financial instruments	14	248,288	140,697
Debt securities in issue		120,228	111,137
Repurchase agreements and cash collateral on securities lent	17	169,429	136,956
Other liabilities	h	10,514	10,337
Current tax liabilities	19	1,311	1,020
Insurance contract liabilities, including unit-linked liabilities	26	3,903	3,878
Subordinated liabilities	27	18,150	13,786
Deferred tax liabilities	19	855	282
Provisions	28	830	462
Retirement benefit liabilities	30	1,537	1,807
Total liabilities		1,195,762	969,397
Shareholders' equity			
Called up share capital	i	2,382	2,363
Share premium account	i	10,751	9,452
Other reserves	j	(170)	(484)
Other shareholders' equity	k	2,687	2,534
Retained earnings	j	14,222	11,556
Shareholders' equity excluding minority interests		29,872	25,421
Minority interests	l	1,949	1,685
Total shareholders' equity		31,821	27,106
Total liabilities and shareholders' equity		1,227,583	996,503

The note numbers refer to the notes on pages 166 to 249, whereas the note letters refer to those on pages 254 to 262.

These financial statements have been approved for issue by the Board of Directors on 7th March 2008.

Table of Contents

Barclays Bank PLC data
Consolidated statement of recognised income and expense

Consolidated statement of recognised income and expense
For the year ended 31st December

	2007 £m	2006 £m	2005 £m
Available for sale reserve:			
– Net gains/(losses) from changes in fair value	389	107	(217)
– Losses transferred to net profit due to impairment	13	86	–
– Net gains transferred to net profit on disposal	(563)	(327)	(120)
– Net losses transferred to net profit due to fair value hedging	68	14	260
Cash flow hedging reserve:			
– Net gains/(losses) from changes in fair value	106	(437)	(50)
– Net losses/(gains) transferred to net profit	253	(50)	(69)
Currency translation differences	54	(781)	300
Tax	54	253	50
Other	22	25	(102)
Amounts included directly in equity	396	(1,110)	52
Profit after tax	5,126	5,256	3,872
Total recognised income and expense for the year	5,522	4,146	3,924
Attributable to:			
Equity holders	5,135	4,132	3,659
Minority interests	387	14	265
	5,522	4,146	3,924

Table of Contents

Barclays Bank PLC data
Consolidated cash flow statement

Consolidated cash flow statement
For the year ended 31st December

	2007 £m	2006 £m	2005 £m
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax	7,107	7,197	5,311
Adjustment for non-cash items:			
Allowance for impairment	2,795	2,154	1,571
Depreciation and amortisation and impairment of property, plant, equipment and intangibles	669	612	450
Other provisions, including pensions	753	558	654
Net profit from associates and joint ventures	(42)	(46)	(45)
Net profit on disposal of investments and property, plant and equipment	(862)	(778)	(530)
Net profit from disposal of associates and joint ventures	(26)	(263)	–
Net profit from disposal of subsidiaries	(2)	(60)	–
Other non-cash movements	(1,471)	1,661	1,505
Changes in operating assets and liabilities:			
Net (increase) in loans and advances to banks and customers	(77,987)	(27,385)	(63,177)
Net increase in deposits and debt securities in issue	91,451	46,944	67,012
Net (increase)/decrease in derivative financial instruments	(2,144)	1,196	841
Net (increase) in trading portfolio assets	(18,245)	(18,333)	(42,585)
Net (decrease)/increase in trading liabilities	(6,472)	310	9,888
Net (increase)/decrease in financial investments	(4,379)	1,538	27,129
Net (increase)/decrease in other assets	1,296	(1,527)	(411)
Net (decrease) in other liabilities	(1,056)	(1,580)	(2,852)
Tax paid	(1,583)	(2,141)	(1,082)
Net cash from operating activities	(10,198)	10,057	3,679
Purchase of available for sale investments	(26,947)	(47,109)	(53,626)
Proceeds from sale or redemption of available for sale investments	38,423	46,069	51,114
Purchase of intangible assets	(263)	(212)	(91)
Purchase of property, plant and equipment	(1,241)	(654)	(588)
Proceeds from sale of property, plant and equipment	617	786	98
Acquisition of subsidiaries, net of cash acquired	(270)	(248)	(2,115)
Disposal of subsidiaries, net of cash disposed	383	(15)	–
Increase in investment in subsidiaries	(668)	(432)	(160)
Decrease in investment in subsidiaries	57	44	49
Acquisition of associates and joint ventures	(220)	(162)	(176)
Disposal of associates and joint ventures	145	739	40
Other cash flows associated with investing activities	–	17	23
Net cash used in investing activities	10,016	(1,177)	(5,432)
Dividends paid	(3,418)	(2,373)	(2,325)
Proceeds from borrowings and issuance of debt securities	4,625	2,493	1,179
Repayments of borrowings and redemption of debt securities	(683)	(366)	(464)
Issue of shares and other equity instruments	1,355	585	2,383
Capital injection from Barclays PLC	1,434	–	–
Net issues of shares to minority interests	199	226	20
Net cash from financing activities	3,512	565	793
Exchange (loss)/gain on foreign currency cash and cash equivalents	(654)	552	(237)
Net increase/(decrease) in cash and cash equivalents	2,676	9,997	(1,197)
Cash and cash equivalents at beginning of year	30,402	20,405	21,602
Cash and cash equivalents at end of year	33,078	30,402	20,405
Cash and cash equivalents comprise:			
Cash in hand	5,801	6,795	3,506
Loans and advances to banks	40,120	30,926	31,105
Less: amounts with original maturity greater than three months	(19,376)	(15,892)	(17,987)
	20,744	15,034	13,118
Available for sale financial investments	43,256	51,952	53,703

Less: non-cash and amounts with original maturity greater than three months	(41,872)	(50,933)	(53,487)
	1,384	1,019	216
Trading portfolio assets	193,726	177,884	155,730
Less: non-cash and amounts with maturity greater than three months	(188,591)	(170,346)	(152,190)
	5,135	7,538	3,540
Other	14	16	25
	33,078	30,402	20,405

In 2005, the opening cash and cash equivalents balance was adjusted to reflect the adoption of IAS 32 and IAS 39.

Table of Contents

Barclays Bank PLC data
Notes to the accounts

a Net interest income

	2007 £m	2006 £m	2005 £m
Cash and balances with central banks	145	91	9
Available for sale investments	2,580	2,811	2,272
Loans and advances to banks	1,416	903	690
Loans and advances to customers	19,559	16,290	12,944
Other	1,608	1,710	1,317
Interest income	25,308	21,805	17,232
Deposits from banks	(2,720)	(2,819)	(2,056)
Customer accounts	(4,110)	(3,076)	(2,715)
Debt securities in issue	(6,651)	(5,282)	(3,268)
Subordinated liabilities	(878)	(777)	(605)
Other	(1,348)	(708)	(513)
Interest expense	(15,707)	(12,662)	(9,157)
Net interest income	9,601	9,143	8,075

Interest income includes £113m (2006: £98m, 2005: £76m) accrued on impaired loans.

Other interest income principally includes interest income relating to reverse repurchase agreements. Similarly, other interest expense principally includes interest expense relating to repurchase agreements and hedging activity.

Included in net interest income is hedge ineffectiveness as detailed in Note 14.

b Net fee and commission income

	2007 £m	2006 £m	2005 £m
Fee and commission income			
Brokerage fees	109	70	64
Investment management fees	1,787	1,535	1,250
Securities lending	241	185	151
Banking and credit related fees and commissions	6,367	6,031	4,805
Foreign exchange commissions	178	184	160
Fee and commission income	8,682	8,005	6,430
Brokerage fees paid	(970)	(828)	(725)
Fee and commission expense	(970)	(828)	(725)
Net fee and commission income	7,712	7,177	5,705

Table of Contents

c Principal transactions

	2007 £m	2006 £m	2005 £m
Rates related business	4,162	2,866	1,732
Credit related business	(403)	766	589
Net trading income	3,759	3,632	2,321
Gain from disposal of available for sale assets/investment securities	560	307	120
Dividend income on equity investments	26	15	22
Net gain from financial instruments designated at fair value	293	447	389
Other investment income	337	193	327
Net investment income	1,216	962	858
Principal transactions	4,975	4,594	3,179

Net trading income includes the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income and expense from these instruments and the related funding cost.

Of the total net trading income, a £756m loss (2006: £947m gain, 2005: £498m gain) was made on securities and £640m gain (2006: £480m, 2005: £340m) was earned in foreign exchange dealings.

The net gain on financial assets designated at fair value included within principal transactions was £78m (2006: £489m, 2005: £391m) of which losses of £215m (2006: £42m gain, 2005: £2m gain) were included in net trading income and gains of £293m (2006: £447m, 2005: £389m) were included in net investment income.

The net loss on financial liabilities designated at fair value included within principal transactions was £231m (2006: £920m, 2005: £666m) all of which was included within net trading income.

The net gain from widening of credit spreads relating to Barclays Capital issued notes held at fair value was £658m (2006: £nil, 2005: £nil).

d Other income

	2007 £m	2006 £m	2005 £m
Increase in fair value of assets held in respect of linked liabilities to customers under investment contracts	5,592	7,417	9,234
Increase in liabilities to customers under investment contracts	(5,592)	(7,417)	(9,234)
Property rentals	53	55	54
Other income	171	202	124
Other income	224	257	178

Included in other income are sub-lease receipts of £18m (2006: £18m, 2005: £18m).

Included in other income in 2007 is a loss on the part disposal of Monument credit card portfolio and gains on reinsurance transactions in 2007 and 2006.

e Trading portfolio assets

	2007 £m	2006 £m
Trading portfolio assets		
Treasury and other eligible bills	2,094	2,960
Debt securities	152,778	140,576
Equity securities	36,342	31,565
Traded loans	1,780	1,843
Commodities	732	940
Trading portfolio assets	193,726	177,884

Table of Contents

Barclays Bank PLC data
Notes to the accounts

f Available for sale financial investments

	2007 £m	2006 £m
Debt securities	38,673	47,912
Treasury bills and other eligible bills	2,723	2,420
Equity securities	1,860	1,620
Available for sale financial investments	43,256	51,952

Movement in available for sale financial investments	2007 £m	2006 £m
At beginning of year	51,952	53,703
Exchange and other adjustments	1,499	(3,999)
Acquisitions and transfers	26,950	47,109
Disposals (sale and redemption)	(37,498)	(44,959)
Gains from changes in fair value recognised in equity	391	182
Impairment	(13)	(86)
Amortisation of discounts/premium	(25)	2
At end of year	43,256	51,952

g Other assets

	2007 £m	2006 £m
Sundry debtors	4,045	4,298
Prepayments	551	658
Accrued income	400	722
Reinsurance assets	157	172
Other assets	5,153	5,850

Included in the above Group balances are £4,541m (2006: £5,065m) expected to be recovered within no more than 12 months after the balance sheet date; and balances of £612m (2006: £785m) expected to be recovered more than 12 months after the balance sheet date.

Other assets comprise £3,966m (2006: £4,097m) of receivables which meet the definition of financial assets.

h Other liabilities

	2007 £m	2006 £m
Accruals and deferred income	6,075	6,127
Sundry creditors	4,356	4,118
Obligations under finance leases	83	92
Other liabilities	10,514	10,337

Included in the above are balances of £9,058m (2006: £9,265m) expected to be settled within no more than 12 months after the balance sheet date; and balances of £1,456m (2006: £1,072m) expected to be settled more than 12 months after the balance sheet date.

Accruals and deferred income included £102m (2006: £107m) in relation to deferred income from investment contracts and £677m (2006: £822m) in relation to deferred income from insurance contracts for the Group.

Table of Contents

i Called up share capital

Ordinary Shares

The authorised ordinary share capital of the Bank, as at 31st December 2007, was 3,000 million (2006: 3,000 million) ordinary shares of £1 each.

During the year, the Bank issued 7 million ordinary shares with an aggregate nominal value of £7m, for cash consideration of £111m.

Preference Shares

The authorised preference share capital of Barclays Bank PLC, as at 31st December 2007, was 1,000 Preference Shares (2006: 1,000) of £1; 400,000 Preference Shares of €100 each (2006: 400,000); 400,000 Preference Shares of £100 each (2006: 400,000); 400,000 Preference Shares of US$100 each (2006: 400,000); 150 million Preference Shares of US$0.25 each (2006: 80 million).

The issued preference share capital of Barclays Bank PLC, as at 31st December 2007, comprised 1,000 (2006: 1,000) Sterling Preference Shares of £1 each; 240,000 (2006: 240,000) Euro Preference Shares of €100 each; 75,000 (2006: 75,000) Sterling Preference Shares of £100 each; 100,000 (2006: 100,000) US Dollar Preference Shares of US$100 each; 131 million (2006: 30 million) US Dollar Preference Shares of US$0.25 each.

	2007 £m	2006 £m
Called up share capital, allotted and fully paid		
At beginning of year	2,329	2,318
Issued for cash	7	11
At end of year	2,336	2,329
Called up preference share capital, allotted and fully paid		
At beginning of year	34	30
Issued for cash	12	4
At end of year	46	34
Called up share capital	2,382	2,363

Share premium

	2007 £m	2006 £m
At beginning of year	9,452	8,882
Ordinary shares issued for cash	104	168
Preference shares issued for cash	1,195	402
At end of year	10,751	9,452

Sterling £1 Preference Shares

1,000 Sterling cumulative callable preference shares of £1 each (the '£1 Preference Shares') were issued on 31st December 2004 at nil premium.

The £1 Preference Shares entitle the holders thereof to receive sterling cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a rate reset semi-annually equal to the sterling interbank offered rate for six-month sterling deposits.

Barclays Bank PLC shall be obliged to pay such dividends if (1) it has profits available for the purpose of distribution under the Companies Act 1985 as at each dividend payment date and (2) it is solvent on the relevant dividend payment date, provided that a capital regulations condition is satisfied on such dividend payment date. The dividends shall not be due and payable on the relevant dividend payment date except to the extent that Barclays Bank PLC could make such payment and still be solvent immediately thereafter. Barclays Bank PLC shall be considered solvent on any date if (1) it is able to pay its debts to senior creditors as they fall due and (2) its auditors have reported within the previous six months that its assets exceed its liabilities.

If Barclays Bank PLC shall not pay, or shall pay only in part, a dividend for a period of seven days or more after the due date for payment, the holders of the £1 Preference Shares may institute proceedings for the winding-up of Barclays Bank PLC. No remedy against Barclays Bank PLC shall be available to the holder of any £1 Preference Shares for the recovery of amounts owing in respect of £1 Preference Shares other than the institution of proceedings for the winding-up of Barclays Bank PLC and/or proving in such winding-up.

On a winding-up or other return of capital (other than a redemption or purchase by Barclays Bank PLC of any of its issued shares, or a reduction of share capital, permitted by the Articles of Barclays Bank PLC and under applicable law), the assets of Barclays Bank PLC available to shareholders shall be applied in priority to any payment to the holders of ordinary shares and any other class of shares in the capital of Barclays Bank PLC then in issue ranking junior to the £1 Preference Shares on such a return of capital and pari passu on such a return of capital with the holders of any other class of shares in the capital of Barclays Bank PLC then in issue (other than any class of shares in the capital of Barclays Bank PLC then in issue ranking in priority to the £1 Preference Shares on a winding-up or other such return of capital), in payment to the holders of the £1 Preference Shares of a sum equal to the aggregate of: (1) an amount equal to the dividends accrued thereon for the then current dividend period (and any accumulated arrears thereof) to the date of the commencement of the winding-up or other such return of capital; and (2) an amount equal to £1 per £1 Preference Share.

After payment of the full amount of the liquidating distributions to which they are entitled, the holders of the £1 Preference Shares will have no right or claim to any of the remaining assets of Barclays Bank PLC and will not be entitled to any further participation in such return of capital. The £1 Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, subject to the Companies Act and its Articles. Holders of the £1 Preference Shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC.

Table of Contents

Barclays Bank PLC data
Notes to the accounts

i Called up share capital (continued)

Euro Preference Shares
100,000 Euro 4.875% non-cumulative callable preference shares of €100 each (the '4.875% Preference Shares') were issued on 8th December 2004 for a consideration of €993.6m (£688.4m), of which the nominal value was €10m and the balance was share premium. The 4.875% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.875% per annum on the amount of €10,000 per preference share until 15th December 2014, and thereafter quarterly at a rate reset quarterly equal to 1.05% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.875% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2014, and on each dividend payment date thereafter at €10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

140,000 Euro 4.75% non-cumulative callable preference shares of €100 each (the '4.75% Preference Shares') were issued on 15th March 2005 for a consideration of €1,383.3m (£966.7m), of which the nominal value was €14m and the balance was share premium. The 4.75% Preference Shares entitle the holders thereof to receive Euro non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 4.75% per annum on the amount of €10,000 per preference share until 15th March 2020, and thereafter quarterly at a rate reset quarterly equal to 0.71% per annum above the Euro interbank offered rate for three-month Euro deposits.

The 4.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th March 2020, and on each dividend payment date thereafter at €10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

Sterling Preference Shares
75,000 Sterling 6.0% non-cumulative callable preference shares of £100 each (the '6.0% Preference Shares') were issued on 22nd June 2005 for a consideration of £732.6m, of which the nominal value was £7.5m and the balance was share premium. The 6.0% Preference Shares entitle the holders thereof to receive Sterling non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, annually at a fixed rate of 6.0% per annum on the amount of £10,000 per preference share until 15th December 2017, and thereafter quarterly at a rate reset quarterly equal to 1.42% per annum above the London interbank offered rate for three-month Sterling deposits.

The 6.0% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2017, and on each dividend payment date thereafter at £10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

US Dollar Preference Shares
100,000 US Dollar 6.278% non-cumulative callable preference shares of US$100 each (the '6.278% Preference Shares'), represented by 100,000 American Depositary Shares, Series 1, were issued on 8th June 2005 for a consideration of US$995.4m (£548.1m), of which the nominal value was US$10m and the balance was share premium. The 6.278% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, semi-annually at a fixed rate of 6.278% per annum on the amount of US$10,000 per preference share until 15th December 2034, and thereafter quarterly at a rate reset quarterly equal to 1.55% per annum above the London interbank offered rate for three-month US Dollar deposits.

The 6.278% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th December 2034, and on each dividend payment date thereafter at US$10,000 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

30 million US Dollar 6.625% non-cumulative callable preference shares of US$0.25 each (the '6.625% Preference Shares'), represented by 30 million American Depositary Shares, Series 2, were issued on 25th and 28th April 2006 for a consideration of US$727m (£406m), of which the nominal value was US$7.5m and the balance was share premium. The 6.625% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 6.625% per annum on the amount of US$25 per preference share.

The 6.625% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole but not in part only, on 15th September 2011, and on each dividend payment date thereafter at US$25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

55 million US Dollar 7.1% non-cumulative callable preference shares of US$0.25 each (the '7.1% Preference Shares'), represented by 55 million American Depositary Shares, Series 3, were issued on 13th September 2007 for a consideration of US$1,335m (£657m), of which the nominal value was US$13.75m and the balance was share premium. The 7.1% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.1% per annum on the amount of US$25 per preference share.

The 7.1% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on 15th December 2012, and on each dividend payment date thereafter at US$25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

46 million US Dollar 7.75% non-cumulative callable preference shares of US$0.25 each (the '7.75% Preference Shares'), represented by 46 million American Depositary Shares, Series 4, were issued on 7th December 2007 for a consideration of US$1,116m (£550m), of which the nominal value was US$11.5m and the balance was share premium. The 7.75% Preference Shares entitle the holders thereof to receive US Dollar non-cumulative cash dividends out of distributable profits of Barclays Bank PLC, quarterly at a fixed rate of 7.75% per annum on the amount of US$25 per preference share.

The 7.75% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on 15th December 2013, and on each dividend payment date thereafter at US$25 per share plus any dividends accrued for the then current dividend period to the date fixed for redemption.

Table of Contents

i Called up share capital (continued)

No redemption or purchase of any 4.875% Preference Shares, the 4.75% Preference Shares, the 6.0% Preference Shares, the 6.278% Preference Shares, the 6.625% Preference Shares, the 7.1% Preference Shares and the 7.75% Preference Shares (together the 'Preference Shares') may be made by Barclays Bank PLC without the prior notification to the UK FSA and any such redemption will be subject to the Companies Act and the Articles of Barclays Bank PLC.

On a winding-up of Barclays Bank PLC or other return of capital (other than a redemption or purchase of shares of Barclays Bank PLC, or a reduction of share capital), a holder of Preference Shares will rank in the application of assets of Barclays Bank PLC available to shareholders (1) junior to the holder of any shares of Barclays Bank PLC in issue ranking in priority to the Preference Shares, (2) equally in all respects with holders of other preference shares and any other shares of Barclays Bank PLC in issue ranking pari passu with the Preference Shares and (3) in priority to the holders of ordinary shares and any other shares of Barclays Bank PLC in issue ranking junior to the Preference Shares.

The holders of the £400m 6% Callable Perpetual Core Tier One Notes and the US$1,000m 6.86% Callable Perpetual Core Tier One Notes of Barclays Bank PLC (together, the 'TONs') and the holders of the US$1,250m 8.55% Step-up Callable Perpetual Reserve Capital Instruments, the US$750m 7.375% Step-up Callable Perpetual Reserve Capital Instruments, the €850m 7.50% Step-up Callable Perpetual Reserve Capital Instruments, the £500m 5.3304% Step-up Callable Perpetual Reserve Capital Instruments, the US$1,350m 5.926% Step-up Callable Perpetual Reserve Capital Instruments, the £500m 6.3688% Step-up Callable Perpetual Reserve Capital Instruments and the US$1,250m 7.434% Step-up Callable Perpetual Reserve Capital Instruments of Barclays Bank PLC (together, the 'RCIs') would, for the purposes only of calculating the amounts payable in respect of such securities on a winding-up of Barclays Bank PLC, subject to limited exceptions and to the extent that the TONs and the RCIs are then in issue, rank pari passu with the holders of the most senior class or classes of preference shares then in issue in the capital of Barclays Bank PLC. Accordingly, the holders of the preference shares would rank equally with the holders of such TONs and RCIs on such a winding-up of Barclays Bank PLC (unless one or more classes of shares of Barclays Bank PLC ranking in priority to the preference shares are in issue at the time of such winding-up, in which event the holders of such TONs and RCIs would rank equally with the holders of such shares and in priority to the holders of the preference shares).

Subject to such ranking, in such event, holders of the preference shares will be entitled to receive out of assets of Barclays Bank PLC available for distributions to shareholders, liquidating distributions in the amount of €10,000 per 4.875% Preference Share, €10,000 per 4.75% Preference Share, £10,000 per 6.0% Preference Share, US$10,000 per 6.278% Preference Share, US$25 per 6.625% Preference Share, US$25 per 7.1% Preference Share and US$25 per 7.75% Preference Share, plus, in each case, an amount equal to the accrued dividend for the then current dividend period to the date of the commencement of the winding-up or other such return of capital. If a dividend is not paid in full on any preference shares on any dividend payment date, then a dividend restriction shall apply.

This dividend restriction will mean that neither Barclays Bank PLC nor Barclays PLC may (a) declare or pay a dividend (other than payment by Barclays PLC of a final dividend declared by its shareholders prior to the relevant dividend payment date, or a dividend paid by Barclays Bank PLC to Barclays PLC or to a wholly owned subsidiary) on any of their respective ordinary shares, other preference shares or other share capital or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital, other than shares of Barclays Bank PLC held by Barclays PLC or a wholly owned subsidiary, until the earlier of (1) the date on which Barclays Bank PLC next declares and pays in full a preference dividend and (2) the date on or by which all the preference shares are redeemed in full or purchased by Barclays Bank PLC.

Holders of the preference shares are not entitled to receive notice of, or to attend, or vote at, any general meeting of Barclays Bank PLC. Barclays Bank PLC is not permitted to create a class of shares ranking as regards participation in the profits or assets of Barclays Bank PLC in priority to the preference shares, save with the sanction of a special resolution of a separate general meeting of the holders of the preference shares (requiring a majority of not less than three-fourths of the holders of the preference shares voting at the separate general meeting), or with the consent in writing of the holders of three-fourths of the preference shares.

Except as described above, the holders of the preference shares have no right to participate in the surplus assets of Barclays Bank PLC.

Table of Contents

Barclays Bank PLC data
Notes to the accounts

j Reserves

Other reserves

	Available for sale reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Total £m
At 1st January 2007	184	(230)	(438)	(484)
Net gains from changes in fair value	385	182	–	567
Net (gains)/losses transferred to net profit	(560)	198	–	(362)
Currency translation differences	–	–	29	29
Losses transferred to net profit due to impairment	13	–	–	13
Changes in insurance liabilities	22	–	–	22
Net losses transferred to net profit due to fair value hedging	68	–	–	68
Tax	(1)	(124)	102	(23)
At 31st December 2007	111	26	(307)	(170)

Retained earnings

	Retained earnings £m
At 1st January 2007	11,556
Profit attributable to equity holders	4,749
Equity-settled share schemes	567
Tax on equity-settled shares schemes	28
Vesting of Barclays PLC shares under share-based payment schemes	(524)
Dividends paid	(3,287)
Dividends on preference shares and other shareholders' equity	(345)
Capital injection from Barclays PLC	1,434
Other movements	44
At 31st December 2007	14,222
At 1st January 2006	8,462
Profit attributable to equity holders	4,914
Equity-settled share schemes	663
Tax on equity-settled shares schemes	96
Vesting of Barclays PLC shares under share-based payment schemes	(394)
Dividends paid	(1,964)
Dividends on preference shares and other shareholders' equity	(329)
Other movements	108
At 31st December 2006	11,556

Transfers from the cashflow hedging reserve to the income statement were: interest income £93m loss (2006: £7m loss), interest expense £11m gain (2006: £73m gain), net trading income £100m loss (2006: £15m loss) and administration and general expenses of £16m loss (2006: £nil).

k Other shareholders' equity

	2007 £m	2006 £m
At 1st January	2,534	2,490
Appropriations	8	44
Other movements	145	–
At 31st December	2,687	2,534

Included in other shareholders' equity are:

Issuances of reserve capital instruments which bear a fixed rate of interest ranging between 7.375%-8.55% until 2010 or 2011. After these dates, in the event that the reserve capital instruments are not redeemed, they will bear interest at rates fixed periodically in advance, based on London or European interbank rates. These instruments are repayable, at the option of the Bank, in whole on any coupon payment date falling in or after June or December 2010 or 2011. The Bank may elect to defer any payment of interest on the reserve capital instruments for any period of time. Whilst such deferral is continuing, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

Issuance of capital notes which bear interest at rates fixed periodically in advance, based on London interbank rates. These notes are repayable in each case, at the option of the Bank, in whole on any interest payment date. The Bank is not obliged to make a payment of interest on its capital notes if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC.

Table of Contents

l Minority interests

	2007 £m	2006 £m
At beginning of year	1,685	1,578
Share of profit after tax	377	342
Dividend and other payments	(131)	(127)
Equity issued by subsidiaries	137	233
Available for sale reserve: net gain/(loss) from changes in fair value	1	(2)
Cash flow hedges: net loss from changes in fair value	(16)	(9)
Currency translation differences	16	(316)
Additions	27	20
Disposals	(111)	(34)
Other	(36)	–
At end of year	1,949	1,685

m Dividends

	2007 £m	2006 £m
On ordinary shares		
Final dividend	791	730
Interim dividends	2,496	1,234
Dividends	3,287	1,964

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and in 2007, to fund the repurchase by Barclays PLC of ordinary share capital.

Dividends paid on preference shares amounted to £193m (2006: £174m). Dividends paid on other equity instruments as detailed in Note k amounted to £152m (2006: £151m).

n Financial risks

The only significant financial instruments that are held by Barclays Bank PLC and not Barclays PLC are investments in Barclays PLC ordinary shares, dealt with as trading portfolio equity assets and available for sale financial investments as appropriate.

There consequently are no significant differences in exposures to market risk, credit risk, liquidity risk and the fair value of financial instruments between Barclays PLC and Barclays Bank PLC, and no differences in the manner in which these financial risks are managed. Therefore the disclosures regarding financial risks appearing in Notes 45 to 48 are in all material respects the same for Barclays Bank PLC and Barclays PLC.

o Capital

The Barclays Bank PLC Group's policies and objectives for managing capital are the same as those for the Barclays PLC Group, disclosed in Note 50.

The table below provides details under Basel I of the Barclays Bank PLC Group capital ratios and risk weighted assets at 31st December 2007 and 2006.

	2007 %	2006 %
Capital Ratios		
Tier 1 ratio	7.5	7.5
Risk asset ratio	11.8	11.5

	2007 £m	2006 £m
Total risk weighted assets	353,471	297,833

The table below provides details of the regulatory capital resources of Barclays Bank PLC Group.

	2007 £m	2006 £m
Total qualifying Tier 1 capital	26,534	22,455
Total qualifying Tier 2 capital	17,123	14,036
Total deductions	(1,889)	(2,330)
Total net capital resources	41,768	34,161

Table of Contents

Barclays Bank PLC data
Notes to the accounts

p Segmental analysis

Year ended 31st December 2007	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
Total income	13,310	3,600	2,209	3,302	1,102	23,523
Insurance claims and benefits	(152)	(226)	–	(114)	–	(492)
Total income net of insurance claims	13,158	3,374	2,209	3,188	1,102	23,031
Percentage of total income net of insurance claims (%)	57%	15%	9%	14%	5%	100%
Total assets (by location of asset)	429,665	285,719	301,973	56,117	154,109	1,227,583
Percentage of total assets (%)	35%	23%	25%	4%	13%	100%
Capital expenditure (by location of asset) [a]	894	303	789	225	88	2,299

Year ended 31st December 2006	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
Total income	12,503	3,063	2,840	2,897	928	22,231
Insurance claims and benefits	(288)	(181)	–	(106)	–	(575)
Total income net of insurance claims	12,215	2,882	2,840	2,791	928	21,656
Percentage of total income net of insurance claims (%)	57%	13%	13%	13%	4%	100%
Total assets (by location of asset)	406,044	203,929	229,779	44,696	112,055	996,503
Percentage of total assets (%)	41%	20%	23%	5%	11%	100%
Capital expenditure (by location of asset) [a]	569	62	565	136	39	1,371

Note
a Capital expenditure comprises purchased goodwill, intangible assets and property, plant and equipment acquired during the year.

Table of Contents

Barclays Bank PLC
Financial Data

	IFRS			
Selected financial statistics	**2007 %**	2006 %	2005 %	2004 [a] %
Attributable profit as a percentage of:				
– average total assets	**0.4**	0.4	0.4	0.5
– average shareholders' equity	**16.3**	20.2	17.4	21.3
Average shareholders' equity as a percentage of average total assets	**2.2**	2.2	2.2	2.4
Selected income statement data	**£m**	£m	£m	£m
Interest income	**25,308**	21,805	17,232	13,880
Interest expense	**(15,707)**	(12,662)	(9,157)	(7,047)
Non-interest income	**13,922**	13,088	9,934	8,543
Operating expenses	**(13,199)**	(12,674)	(10,527)	(8,536)
Provisions – bad and doubtful debts	**n/a**	n/a	n/a	n/a
– contingent liabilities and commitments	**n/a**	n/a	n/a	n/a
Impairment charges	**(2,795)**	(2,154)	(1,571)	(1,093)
Share of post-tax results of associates and joint ventures	**42**	46	45	56
Profit on disposal of subsidiaries, associates and joint ventures	**28**	323	–	45
Exceptional items	**n/a**	n/a	n/a	n/a
Profit before tax	**7,107**	7,197	5,311	4,589
Attributable profit	**4,749**	4,914	3,695	3,263
Selected balance sheet data	**£m**	£m	£m	£m
Total shareholders' equity	**31,821**	27,106	24,243	16,849
Subordinated liabilities	**18,150**	13,786	12,463	12,277
Deposits from banks, customer accounts and debt securities in issue	**506,623**	447,453	417,139	412,358
Loans and advances to banks and customers	**385,518**	313,226	300,001	343,041
Total assets	**1,227,583**	996,503	924,170	538,300

Note
a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

Barclays Bank PLC
Financial Data

Ratio of earnings to fixed charges – Barclays Bank PLC

	2007	2006	2005	2004[a]
	(in £m except for ratios)			
Ratio of earnings to fixed charges				
IFRS:				
Fixed charges				
Interest expense	37,903	30,385	20,965	14,464
Rental expense	161	137	126	93
Total fixed charges	38,064	30,522	21,091	14,557
Earnings				
Income before taxes and minority interests	7,107	7,197	5,311	4,589
Less: Unremitted pre-tax income of associated companies and joint ventures	(45)	(41)	(28)	(51)
	7,062	7,156	5,283	4,538
Fixed charges	38,064	30,522	21,091	14,557
Total earnings including fixed charges	45,126	37,678	26,374	19,095
Ratio of earnings to fixed charges	1.19	1.23	1.25	1.31

Ratio of earnings to fixed charges and preference shares – Barclays Bank PLC

	2007	2006	2005	2004[a]
	(in £m except for ratios)			
Combined fixed charges, preference share dividends and similar appropriations				
IFRS:				
Interest expense	37,903	30,385	20,965	14,464
Rental expense	161	137	126	93
Fixed charges	38,064	30,522	21,091	14,557
Preference share dividends and similar appropriations	345	395	304	3
Total fixed charges	38,409	30,917	21,395	14,560
Earnings				
Income before taxes and minority interests	7,107	7,197	5,311	4,589
Less: Unremitted pre-tax (income)/loss of associated companies and joint ventures	(45)	(41)	(28)	(51)
	7,062	7,156	5,283	4,538
Fixed charges	38,409	30,917	21,091	14,557
Total earnings including fixed charges	45,471	38,073	26,374	19,095
Ratio of earnings to combined fixed charges, preference share dividends and similar appropriations	1.18	1.23	1.23	1.31

Notes

a Does not reflect the application of IAS 32, IAS 39 and IFRS 4 which became effective from 1st January 2005.

Table of Contents

SEC FORM 20-F Other Information

Currency of presentation

In this report, unless otherwise specified, all amounts are expressed in Pounds Sterling. For the months indicated, the high and low noon buying rates in New York City for cable transfers in Pounds Sterling, as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate), were:

	(US Dollars per Pound Sterling)					
	February	January 2008	December	November	October 2007	September
High	1.9923	1.9895	2.0658	2.1104	2.0777	2.0389
Low	1.9404	1.9515	1.9774	2.0478	2.0279	1.992

For the years indicated, the average of the noon buying rates on the last day of each month were:

	(US Dollars per Pound Sterling)				
	2007	2006	2005	2004	2003
Average	2.00	1.86	1.81	1.84	1.64

On March 18, 2008, the noon buying rate in New York City for cable transfers in Pound Sterling was $2.0216.

No representation is made that Pounds Sterling amounts have been, or could have been, or could be, converted into US Dollars at any of the above rates. For the purpose of presenting financial information in this report, exchange rates other than those shown above may have been used.

Table of Contents

Glossary

Term used in Annual Report	US equivalent or brief description
Accounts	Financial statements
Allotted	Issued
Attributable profit	Net income
Called up share capital	Ordinary shares, issued and fully paid
Capital allowances	Tax term equivalent to US tax depreciation allowances
Cash at bank and in hand	Cash
Class of business	Industry segment
Finance lease	Capital lease
Freehold	Ownership with absolute rights in perpetuity
Loans and advances	Lendings
Loan capital	Long-term debt
Net asset value	Book value
Profit	Income
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share premium account	Additional paid-up capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
Write-offs	Charge-offs

Table of Contents

Shareholder information

Dividends on the ordinary shares of Barclays PLC

Barclays PLC has paid dividends on its ordinary shares every year without interruption since its incorporation in 1896.
The dividends declared for each of the last five years were:

Pence per 25p ordinary share

	2007	2006	2005	2004	2003
Interim	11.50	10.50	9.20	8.25	7.05
Final	22.50	20.50	17.40	15.75	13.45
Total	34.00	31.00	26.60	24.00	20.50

US Dollars per 25p ordinary share

	2007	2006	2005	2004	2003
Interim	0.23	0.20	0.16	0.15	0.12
Final	0.45	0.41	0.31	0.30	0.24
Total	0.68	0.61	0.47	0.45	0.36

The gross dividends applicable to an American Depositary Share (ADS) representing four ordinary shares, before deduction of withholding tax, are as follows:

US Dollars per American Depositary Share

	2007	2006	2005	2004	2003
Interim	0.93	0.80	0.65	0.60	0.48
Final	1.79	1.64	1.24	1.20	0.95
Total	2.72	2.44	1.89	1.80	1.43

Dividends expressed in Dollars are translated at the Noon Buying Rates in New York City for cable transfers in Pounds Sterling as certified for customs purposes by the Federal Reserve Bank of New York (the 'Noon Buying Rate') for the days on which dividends are paid, except for the 2007 final dividend, payable in the UK on 25th April 2008, which is translated at the Noon Buying Rate applicable on 27th February 2008. No representation is made that Pounds Sterling amounts have been, or could have been, or could be, converted into Dollars at these rates.

Trading market for ordinary shares of Barclays PLC

The nominal capital of Barclays PLC is divided into 9,996,000,000 ordinary shares of 25p each (ordinary shares) and 1,000,000 staff shares of £1 each (staff shares). At the close of business on 31st December 2007, 6,600,181,801 ordinary shares and 875,000 staff shares were outstanding.

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. Ordinary share listings were also obtained on the Tokyo Stock Exchange with effect from 1st August 1986 and the New York Stock Exchange (NYSE) with effect from 9th September 1986.

Trading on the NYSE is in the form of ADSs under the symbol 'BCS'. Each ADS represents four ordinary shares and is evidenced by an American Depositary Receipt (ADR). The ADR depositary is The Bank of New York. Details of trading activity are published in the stock tables of leading daily newspapers in the US.

There were 838 ADR holders and 1,434 recorded holders of ordinary shares with US addresses at 31st December 2007, whose shareholdings represented approximately 3.94% of total outstanding ordinary shares on that date. Since certain of the ordinary shares and ADRs were held by brokers or other nominees, the number of recorded holders in the US may not be representative of the number of beneficial holders or of their country of residence.

Table of Contents

The following table shows the high and low sales price for the ordinary shares during the periods indicated, based on mid-market prices at close of business on the London Stock Exchange and the high and low sale price for ADSs as reported on the NYSE composite tape.

	25p ordinary shares		American Depositary Shares	
	High p	Low p	High US$	Low US$
2008				
By month:				
January	**508.5**	**420.75**	**41.37**	**33.75**
February	**520.0**	**427.5**	**41.58**	**33.23**
2007				
By month:				
July	**738.5**	**681.0**	**60.35**	**54.93**
August	**712.5**	**589.0**	**57.75**	**46.61**
September	**639.0**	**580.0**	**51.47**	**47.10**
October	**665.5**	**580.0**	**54.48**	**47.30**
November	**571.5**	**474.5**	**47.23**	**39.86**
December	**569.0**	**499.0**	**46.90**	**39.90**
By quarter:				
First quarter	**790.0**	**673.5**	**62.46**	**53.35**
Second quarter	**756.0**	**696.0**	**60.37**	**55.79**
Third quarter	**738.5**	**580.0**	**60.35**	**46.61**
Fourth quarter	**665.5**	**474.5**	**54.48**	**39.86**
2006				
Fourth quarter	737	676	61.52	51.02
Third quarter	680	586	51.75	42.90
Second quarter	701	588	51.03	43.20
First quarter	684	587.5	48.00	41.80
2007	790	474.5	62.46	39.86
2006	737	586	61.52	41.80
2005	615	520	47.00	37.16
2004	586	443	45.99	32.78
2003	527	311	36.57	20.30

This section incorporates information on the prices at which securities of Barclays PLC have traded. It is emphasised that past performance cannot be relied upon as a guide to future performance.

Shareholdings at 31st December 2007 [a]

	Shareholders			
	Number	Percentage of total holders	Number of shares held (millions)	Shares held as a percentage of issued ordinary shares
Classification of shareholders				
Personal holders	**724,760**	**97.3**	**462.0**	**7.0**
Banks and nominees	**18,232**	**2.45**	**5,993.6**	**90.8**
Other companies	**1,810**	**0.25**	**144.19**	**2.18**
Insurance companies	**14**	**0.0**	**0.2**	**0.02**
Pensions funds	**16**	**0.0**	**0.019**	**0.0**
Totals	**744,832**	**100**	**6,600**	**100**
Shareholding range				
1-100	**28,398**	**3.81**	**0.69**	**0.01**
101-250	**273,942**	**36.78**	**19.8**	**0.3**
251-500	**212,358**	**28.51**	**28.3**	**0.43**
501-1,000	**108,967**	**14.63**	**36.9**	**0.56**
1,001-5,000	**92,200**	**12.38**	**134.5**	**2.01**
5,001-10,000	**15,350**	**2.06**	**89.7**	**1.36**
10,001-25,000	**9,253**	**1.24**	**119.5**	**1.81**
25,001-50,000	**2,231**	**0.30**	**67.0**	**1.02**
50,001 and over	**2,133**	**0.29**	**6,104**	**92.5**
Totals	**744,832**	**100**	**6,600**	**100**
United States holdings	**1,434**	**0.16**	**2.27**	**0.034**

Note
a These figures include Barclays Sharestore members.

Table of Contents

Shareholder information

Memorandum and Articles of Association

The Company was incorporated in England on 20th July 1896 under the Companies Acts 1862 to 1890 as a company limited by shares and was reregistered in 1982 as a public limited company under the Companies Acts 1948 to 1980. The Company is registered under company number 48839. The Company was reregistered as Barclays PLC on 1st January 1985.

The objects of the Company are set out in full in clause 4 of its Memorandum of Association which provides, among other things, that the Company's objects are to carry on business as an investment and holding company in all its aspects.

The Company may, by special resolution, amend its Articles of Association. The Company is proposing to adopt new Articles of Association at its annual general meeting in 2008, to update its Articles of Association for the operative provisions of the Companies Act 2006. A summary of the proposed changes may be found in the notice of annual general meeting that accompanies this report.

Directors

(i) The minimum number of Directors (excluding alternate Directors) is five. There is no maximum limit. There is no age limit for Directors.

(ii) Excluding executive remuneration and any other entitlement to remuneration for extra services (including service on board committees) under the Articles, a Director is entitled to a fee at a rate determined by the Board but the aggregate fees paid to all Directors shall not exceed £1,000,000 per annum or such higher amount as may be approved by an ordinary resolution of the Company. Each Director is entitled to reimbursement for all travelling, hotel and other expenses properly incurred by him/her in or about the performance of his/her duties.

(iii) No auditor or member of a firm of auditors of the Group of companies may be appointed a Director. A Director may hold any other office of the Company on such terms as the Board shall determine.

(iv) At each annual general meeting ('AGM') of the Company, one third of the Directors (rounded down) are required to retire from office by rotation and may offer themselves for re-election. The Directors so retiring are those who have been longest in office (and in the case of equality of service length are selected by lot). Other than a retiring Director, no person shall (unless recommended by the Board) be eligible for election unless a member notifies the Company Secretary in advance of his/her intention to propose a person for election.

(v) The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any Director so appointed holds office until the next AGM, when he/she may offer himself/herself for re-election. He/she is not taken into account in determining the number of Directors retiring by rotation.

(vi) The Board may appoint any Director to any executive position or employment in the Company on such terms as they determine.

(vii) A Director may appoint either another Director or some other person approved by the Board to act as his/her alternate with power to attend Board meetings and generally to exercise the functions of the appointing Director in his/her absence (other than the power to appoint an alternate).

(viii) A Director may hold positions with or be interested in other companies and, subject to legislation applicable to the Company and the FSA's requirements, may contract with the Company or any other company in which the Company is interested. A Director may not vote or count towards the quorum on any resolution concerning any proposal in which he/she (or any person connected with him/her) has a material interest (other than by virtue of his/her interest in securities of the Company) or if he/she has a duty which conflicts or may conflict with the interests of the Company, unless the resolution relates to any proposal:

(a) to indemnify a Director or provide him/her with a guarantee or security in respect of money lent by him/her to, or any obligation incurred by him/her or any other person for the benefit of (or at the request of), the Company (or any other member of the Group);

(b) to indemnify or give security or a guarantee to a third party in respect of a debt or obligation of the Company (or any other member of the Group) for which the Director has personally assumed responsibility;

(c) to indemnify a Director or provide him/her with a guarantee or security for any liability which he/she may incur in the performance of his/her duties or to obtain insurance against such a liability;

(d) involving the acquisition by a Director of any securities of the Company pursuant to an offer to existing holders of securities or to the public;

(e) that the Director underwrite any issue of securities of the Company (or any of its subsidiaries);

(f) concerning any other company in which the Director is interested as an officer or creditor or shareholder but, broadly, only if he/she (together with his/her connected persons) is directly or indirectly interested in less than 1% of either any class of the issued equity share capital or of the voting rights of that company;

(g) concerning any superannuation fund or retirement, death or disability benefits scheme under which a Director may benefit or any employees' share scheme, so long as any such fund or scheme does not give additional advantages to the Director which are not granted to the employees who are in the fund or scheme; and

(h) concerning any other arrangement for the benefit of employees of the Company (or any other member of the Group) under which the Director benefits or stands to benefit in a similar manner to the employees concerned and which does not give the Director any advantage which the employees to whom the arrangement relates would not receive.

(ix) A Director may not vote or be counted in the quorum on any resolution which concerns his/her own employment or appointment to any office of the Company or any other company in which the Company is interested.

(x) Subject to applicable legislation, the provisions described in sub-paragraphs (viii) and (ix) may be relaxed or suspended by an ordinary resolution of the Company.

(xi) A Director is required to hold an interest in ordinary shares having a nominal value of at least £500, which currently equates to 2,000 Ordinary Shares. A Director may act before acquiring those Ordinary Shares but must acquire the qualification Ordinary Shares within two months from his or her appointment. Where a Director is unable to acquire the requisite number of Ordinary Shares within that time owing to legislative, regulatory or share-dealing restrictions, he/she must acquire the Ordinary Shares as soon as reasonably practicable once the restriction(s) end.

(xii) The Board may exercise all of the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities.

Classes of share

The Company has two classes of shares, Ordinary Shares and Staff Shares, to which the provisions set out below apply:

(i) Dividends

Subject to the provisions of the Articles and applicable legislation, the Company in general meeting may declare dividends by ordinary resolution, but such dividend may not exceed the amount recommended by the Board. The Board may also pay interim or final dividends if it appears they are justified by the Company's financial position.

The profits which are resolved to be distributed in respect of any period are applied first in payment of a fixed dividend of 20% per annum on the Staff Shares and then in payment of dividends on the Ordinary Shares. No dividend will be declared on the Staff Shares unless a dividend is also paid on the Ordinary Shares in respect of that period. Any Staff Share held by anyone not an employee of Barclays or Barclays Bank (an 'Employee') will be treated as a Ordinary Share in respect of dividends, up to a maximum dividend of 6% for the year upon the amount paid up on that share.

All unclaimed dividends payable in respect of a share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. If a dividend is not claimed after 12 years of it becoming payable, it is forfeited and reverts to the Company.

The Board may (although it currently does not), with the approval of an ordinary resolution of the Company, offer shareholders the right to choose to receive an allotment of additional fully paid Ordinary Shares instead of cash in respect of all or part of any dividend.

Table of Contents

(ii) Voting
Every member who is present in person or represented at any general meeting of the Company and who is entitled to vote has one vote on a show of hands. On a poll, every member who is present or represented has one vote for every share held. Any joint holder may vote in respect of jointly owned shares, but the vote of the senior holder (as determined by order in the share register) shall take precedence. If any sum payable remains unpaid in relation to a member's shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of the Company unless the Board otherwise determine.

If any member, or any other person appearing to be interested in any of the Company's Ordinary Shares, is served with a notice under Section 793 of the Companies Act 2006 and does not supply the Company with the information required in the notice, then the Board, in its absolute discretion, may direct that member shall not be entitled to attend or vote at any meeting of the Company.

The Board may further direct that if the shares of the defaulting member represent 0.25% or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by the Company until the direction ceases to have effect and that no transfer of those shares shall be registered (other than certain specified 'approved transfers'). A direction ceases to have effect seven days after the Company has received the information requested, or when the Company is notified that an 'approved transfer' to a third party has occurred, or as the Board otherwise determines.

(iii) Transfers
Certificated shares shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. Transfers of uncertificated shares shall be made in accordance with the applicable regulations. The Board may make any arrangements to regulate and evidence the transfer of shares as they consider fit in accordance with applicable legislation and the rules of the FSA.

In order to transfer a Staff Share, the transferor must serve a notice on the Company (a 'Transfer Notice') indicating his/her wish to transfer such share at such sum as he/she specifies as the fair value (subject to a maximum amount determined in accordance with the Articles). The Staff Shares must be transferred at the specified fair value to such Employee as is willing to purchase it and who has been identified by the Board within 60 days of the Transfer Notice. If the Company has not found a person willing to purchase the share within 60 days of the Transfer Notice, the Staff Share may be freely transferred at any price (although the Board may decline to prepare or register the transfer). Such a procedure may also be initiated by the Board if a Staff Share is held by a non-Employee.

Registration of shares may be suspended, subject to applicable legislation, for such periods as the Board may determine (but for not more than 30 days in any calendar year).

The Board is not bound to register a transfer of partly paid shares, or fully paid shares in exceptional circumstances approved by the FSA. The Board may also decline to register an instrument of transfer of certificated shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, it is in respect of one class of shares only, and it is in favour of not more than four transferees (except in the case of executors or trustees of a member).

(iv) Return of Capital and Liquidation

In the event of any return of capital by reduction of capital or on liquidation, the Ordinary Shares and the Staff Shares rank equally in proportion to the amounts paid up or credited as paid up on the shares of each class, except that in the event of a winding up of the Company the holders of the Staff Shares are only entitled to participate in the surplus assets available for distribution up to the amount paid up on the Staff Shares plus 10% of such amount.

(v) Redemption and Purchase
Subject to applicable legislation and the rights of the other shareholders, any share may be issued on terms that it is, at the option of the Company or the holder of such share, redeemable. The Company currently has no redeemable shares in issue.

The Company may purchase its own shares subject to the provisions of applicable legislation, the Articles and the approval of any class of convertible shares in issue (by extraordinary resolution or written consent of 75% of such class).

(vi) Calls on capital
The Directors may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred. Interest will be chargeable on any unpaid amount called at a rate determined by the Board (of not more than 20%).

If a member fails to pay any call in full (following notice from the Board that such failure will result in forfeiture of the relevant shares), such shares (including any dividends declared but not paid) may be forfeited by a resolution of the Board, and will become the property of the Company. Forfeiture shall not absolve a previous member for amounts payable by him/her (which may continue to accrue interest).

The Company also has a lien over all partly paid shares of the Company for all monies payable or called on that share and over the debts and liabilities of a member to the Company. If any monies which are the subject of the lien remain unpaid after a notice from the Board demanding payment, Barclays may sell such shares.

(vii) Variation of Rights
The rights attached to any class of shares may be varied with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them.

Annual and extraordinary general meetings
The Company is required to hold a general meeting each year as its AGM in addition to other meetings (called extraordinary general meetings) as the Directors think fit. The type of the meeting will be specified in the notice calling it. Under the Companies Act 1985, not more than 15 months may elapse between the date of one AGM and the next. Under the Companies Act 2006, the AGM must be held within six months of the financial year end. An extraordinary general meeting may be convened by the Board on requisition in accordance with the applicable legislation.

In the case of an AGM or a meeting for the passing of a special resolution (i.e. requiring the consent of a 75% majority) 21 clear days' notice is required. In other cases 14 clear days' notice is required. The notice must be in writing and must specify the place, the day and the hour of the meeting, and the general nature of the business to be transacted. A notice convening a meeting to pass an extraordinary or special resolution shall specify the intention to propose the resolution as such. The accidental omission to give notice of a general meeting or the non-receipt of such notice will not invalidate the proceedings at such meeting.

Subject as noted above, all shareholders are entitled to attend and vote at general meetings. The Articles do, however, provide that arrangements may be made for simultaneous attendance at a general meeting at a place other than that specified in the notice of meeting, in which case shareholders may be excluded from the specified place.

Table of Contents

Shareholder information

Limitations on foreign shareholders
There are no restrictions imposed by the Company's Memorandum or Articles or (subject to the effect of any economic sanctions that may be in force from time to time) by English law which relate only to non-residents of the UK and which limit the rights of such non-residents to hold or vote the Company's Ordinary Shares.

Notices
A document or information may be sent by the Company in hard copy form, electronic form, by being made available on a website, or by another means agreed with the recipient. A document or information may only be sent in electronic form to a person who has agreed to receive it in that form or, in the case of a company, who has been deemed to have so agreed pursuant to applicable legislation. A document or information may only be sent by being made available on a website if the recipient has agreed to receive it in that form or has been deemed to have so agreed pursuant to applicable legislation, and has not revoked that agreement.

In respect of joint holdings, documents or information shall be sent to the joint holder whose name stands first in the register.

A member who (having no registered address within the UK) has not supplied an address in the UK at which documents or information may be sent is not entitled to have documents or information sent to him/her.

Alteration of share capital
The Company may, by way of ordinary resolution:

- increase its share capital by a sum to be divided into shares of an amount prescribed by the resolution;
- consolidate and divide all or any of its share capital into shares of a larger nominal amount;
- subject to legislation, sub-divide all or part of its shares into shares of a smaller nominal amount and may decide by that resolution that the resulting shares have preference or other advantage or restrictions; and
- cancel any shares which, at the date of the resolution, have not been subscribed or agreed to have been subscribed for and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may also, by special resolution, reduce its share capital or capital redemption reserve or any share premium account or other undistributable reserve in any manner authorised by legislation.

The Company may, by ordinary resolution, upon the recommendation of the Board capitalise all or any part of an amount standing to the credit of a reserve or fund to be set free for distribution provided that amounts from the share premium account, capital redemption reserve or any profits not available for distribution should be applied only in paying up unissued shares issued to members and no unrealised profits shall be applied in paying up debentures of the Company or any amount unpaid on any share in the capital of the Company.

Indemnity
Subject to applicable legislation, every current and former Barclays Director, other officer and auditor of Barclays shall be indemnified by Barclays against any liability incurred by him/her in the actual or purported exercise of, or in connection with, his/her duties and powers.

Taxation

The following is a summary of the principal tax consequences for holders of Ordinary Shares of Barclays PLC, Preference Shares of the Bank, or ADSs representing such Ordinary Shares or Preference Shares, and who are citizens or residents of the UK or US, or otherwise who are subject to UK tax or US federal income tax on a net income basis in respect of such securities, that own the shares or ADSs as capital assets for tax purposes. It is not, however, a comprehensive analysis of all the potential tax consequences for such holders, and it does not discuss the tax consequences of members of special classes of holders subject to special rules or holders that, directly or indirectly, hold 10% or more of Barclays voting stock. Investors are advised to consult their tax advisers regarding the tax implications of their particular holdings, including the consequences under applicable state and local law, and in particular whether they are eligible for the benefits of the Treaty, as defined below.

A US holder is a beneficial owner of shares or ADSs that is, for US federal income tax purposes, (i) a citizen or resident of the US, (ii) a US domestic corporation, (iii) an estate whose income is subject to US federal income tax regardless of its source, or (iv) a trust if a US court can exercise primary supervision over the trust's administration and one or more US persons are authorised to control all substantial decisions of the trust.

Unless otherwise noted, the statements of tax laws set out below are based on the tax laws of the UK in force as at 27th February 2008 and are subject to any subsequent changes in UK law, in particular any announcements made in the Chancellor's expected UK Budget in March 2008.

This section is also based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions (the Code), and on the Double Taxation Convention between the UK and the US as entered into force in March 2003 (the Treaty), all of which are subject to change, possibly on a retroactive basis.

This section is based in part upon the representations of the ADR Depositary and the assumption that each obligation of the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For purposes of the Treaty, the Estate and Gift Tax Convention between the United Kingdom and the United States, and the Code, the holders of ADRs evidencing ADSs will be treated as owners of the underlying ordinary shares or preference shares, as the case may be. Generally, exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK capital gains tax.

Table of Contents

Taxation of UK holders

Taxation of dividends

In accordance with UK law, Barclays PLC and the Bank pay dividends on ordinary shares and preference shares without any deduction or withholding tax in respect of any taxes imposed by the UK government or any UK taxing authority.

If the shareholder is a UK resident individual liable to income tax only at the basic rate or the lower rate, then there will be no further tax liability in respect of the dividend received. If, however, the individual shareholder is subject to income tax at the higher rate (currently 40%), there will be a further liability to tax. Higher rate taxpayers are taxable on dividend income at a special rate (currently 32.5%) against which can be offset a tax credit of one-ninth of the cash dividend received. Tax credits are not repayable to shareholders with no tax liability.

Taxation of shares under the Dividend Reinvestment Plan

Where a shareholder elects to purchase shares using their cash dividend, the individual will be liable for income tax on dividends reinvested in the Plan on the same basis as if they had received the cash and arranged the investment themselves. They should accordingly include the dividend received in their annual tax return in the normal way. The tax consequences for a UK individual are the same as described in 'Taxation of dividends' above.

Taxation of capital gains

Where shares are disposed of by open market sale, a capital gain may result if the disposal proceeds exceed the sum of the base cost of the shares sold and any other allowable deductions such as share dealing costs, indexation relief (up to 5th April 1998) and taper relief (expected to be withdrawn for disposals after 5th April 2008). To arrive at the total base cost of any Barclays PLC shares held, the amount subscribed for rights taken up in 1985 and 1988 must be added to the cost of all other shares held. For this purpose, current legislation permits the market valuation at 31st March 1982 to be substituted for the original cost of shares purchased before that date.

The calculations required to compute chargeable capital gains, particularly taper and indexation reliefs, may be complex. Capital gains may also arise from the gifting of shares to connected parties such as relatives (although not spouses or civil partners) and family trusts. Shareholders are advised to consult their personal financial adviser if further information regarding a possible tax liability in respect of their holdings of Barclays PLC shares is required.

Stamp duty

Stamp duty or stamp duty reserve tax at the rate of 0.5% is normally payable on the purchase price of shares acquired.

Inheritance tax

An individual may be liable to inheritance tax on the transfer of ordinary shares or preference shares. Where an individual is liable, inheritance tax may be charged on the amount by which the value of his or her estate is reduced as a result of any transfer by way of gift or other gratuitous transaction made by them or treated as made by them.

Taxation of US holders

Taxation of dividends

A US holder is subject to US federal income taxation on the gross amount of any dividend paid by Barclays PLC or the Bank, as applicable, out of its current or accumulated earnings and profits (as determined for US federal income tax purposes). Dividends paid to a non-corporate US holder in taxable years beginning before 1st January 2011 that constitute qualified dividend income will be taxable to the holder at a maximum tax rate of 15%, provided that the holder has a holding period of the shares or ADSs of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date (or, in the case of preference shares or ADSs relating thereto, if the dividend is attributable to a period or periods aggregating over 366 days, provided that the holder holds the shares or ADSs for more than 90 days during the 181-day period beginning 90 days before the ex-dividend date) and meets certain other holding period requirements. Dividends paid by Barclays or the Bank, as applicable, with respect to the ordinary or preference shares or ADSs will generally be qualified dividend income.

A US holder will not be subject to UK withholding tax. The US holder will include in gross income for US federal income tax purposes the amount of the dividend actually received from Barclays or the Bank. Dividends must be included in income when the US holder, in the case of shares, or the Depositary, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. For foreign tax credit purposes, dividends will generally be income from sources outside the United States and will, depending on a US holder's circumstances, be either 'passive' or 'general' income for purposes of computing the foreign tax credit allowable to a US holder.

The amount of the dividend distribution includable in income will be the US Dollar value of the pound Sterling payments made, determined at the spot Pound Sterling/US Dollar rate on the date the dividend distribution is includable in income, regardless of whether the payment is in fact converted into US Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includable in income to the date the payment is converted into US Dollars will be treated as ordinary income or loss and, for foreign tax credit limitation purposes, from sources within the US and will not be eligible for the special tax rate applicable to qualified dividend income.

Distributions in excess of current or accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder's basis in the shares or ADSs and thereafter as capital gain.

Table of Contents

Shareholder information

Taxation of capital gains
Generally, US holders will not be subject to UK tax, but will be subject to US tax on capital gains realised on the sale or other disposition of ordinary shares, preference shares or ADSs. Capital gain of a noncorporate US holder that is recognised in taxable years beginning before 1st January 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period of greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxation of premium on redemption or purchase of shares
No refund of tax will be available under the Treaty in respect of any premium paid on a redemption of preference shares by the Bank or on a purchase by Barclays PLC of its own shares. For US tax purposes, redemption premium generally will be treated as an additional amount realised in the calculation of gain or loss.

Stamp duty
No UK stamp duty is payable on the transfer of an ADS, provided that the separate instrument of transfer is not executed in, and remains at all times outside, the UK.

Estate and gift tax
Under the Estate and Gift Tax Convention between the United Kingdom and the United States, a US holder generally is not subject to UK inheritance tax.

Exchange controls and other limitations affecting security holders
Other than certain economic sanctions which may be in force from time to time, there are currently no UK laws, decrees or regulations which would affect the transfer of capital or remittance of dividends, interest and other payments to holders of Barclays securities who are not residents of the UK. There are also no restrictions under the Articles of Association of either Barclays PLC or the Bank, or (subject to the effect of any such economic sanctions) under current UK laws, which relate only to non-residents of the UK, and which limit the right of such non-residents to hold Barclays securities or, when entitled to vote, to do so.

Documents on display
It is possible to read and copy documents that have been filed by Barclays PLC and Barclays Bank PLC with the US Securities and Exchange Commission at the US Securities and Exchange Commission's office of Investor Education and Assistance located at 100 F Street, NE, Washington DC 20549-0213. Please call the US Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. Filings with the US Securities and Exchange Commission are also available to the public from commercial document retrieval services, and from the website maintained by the US Securities and Exchange Commission at www.sec.gov.

Table of Contents

Shareholders enquiries

Investors who have any questions about their investment in Barclays, or about Barclays in general, may write to the Director, Investor Relations at our head office as follows:

Director, Investor Relations
Barclays PLC
1 Churchill Place
London
E14 5HP

or, in the United States of America,

The Corporate Communications Department
Barclays Bank PLC
200 Park Avenue
New York, NY 10166, USA

Registered and Head office:
1 Churchill Place
London
E14 5HP
Tel: +44 (0) 20 7116 1000

Registrar:
The Registrar to Barclays PLC
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Tel: 0871 384 2055*
Email: questions@share-registers.co.uk

ADR Depositary:
The Bank of New York
PO Box 11258
Church Street Station
New York
NY 10286-1258
Tel: 1-888-BNY-ADRS (toll-free for US domestic callers)
or +1 212 815 3700
Email: shareowners@bankofny.com

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

Table of Contents

Annual report 2007 index

Accountability and Audit 143
Accounting
developments 158
policies 149
presentation 158
Acquisitions
notes to the accounts 204
Allowance for impairment
notes to the accounts 238
risk management 104
Annual General Meeting 116
Annual Report and Accounts (approval) 160
Assets
by class of business 248
by geographical region 249
other 175
Auditors
reports 147
Available for sale investments 175
Balance sheet
average 54
consolidated 161
consolidated (Barclays Bank) 251
Barclaycard
business analysis 18
business description 8, 17
Barclays Bank PLC
consolidated accounts 250
financial data 263
notes to the accounts 254
Barclays Capital
business analysis 26
business description 9, 25
Barclays Commercial Bank
business analysis 16
business description 8, 15
Barclays Global Investors
business analysis 28
business description 9, 27
BGI Equity Ownership Plan (EOP) 133
Barclays Wealth
business analysis 30
business description 9, 29
Capital adequacy data
total assets and risk weighted assets 40
capital management 42
capital ratios 43
capital resources 44
Capital management 246
Cash flow statement
consolidated 163
consolidated (Barclays Bank) 253
notes to the accounts 166
Competition and regulatory matters 202
Concentrations of credit risk 230
Contingent liabilities and commitments 200
Contractual obligations 46
Corporate governance
corporate governance report 117
attendance at board meetings 118
Corporate sustainability 59
Credit risk 225
Critical accounting estimates 48
Currency of presentation 149
Currency risk 223
Derivatives and other financial instruments
notes to the accounts 172
Directors' and officers'
biographies 112
emoluments 115
interests 115
notes to the accounts 211
Directors' report 114
Dividends 166
Earnings per share 171
Employees
equality and diversity 115
involvement 115
Events after the balance sheet date 212
Fair values of financial instruments 244
Financial assets designated at fair value 171
Financial Data
Barclays Bank PLC 263
Barclays PLC 6
Financial liabilities designated at fair value 181
Financial review 3
Financial risks 218
Glossary 2
Goodwill 179
Head office functions and other operations
business analysis 32
business description 9, 31
Impairment charges
notes to the accounts 168
risk management 84
Income statement
consolidated 160
consolidated (Barclays Bank) 251
Insurance assets and liabilities 182
Insurance premiums and insurance claims and benefits 167
Intangible assets 180
Interest rate risk 220
Internal control 143
International Retail and Commercial Banking
business analysis 20
business description 8, 19
International Retail and Commercial Banking – excluding Absa
business analysis 22
business description 8, 21

Table of Contents

International Retail and Commercial Banking – Absa
business analysis 22
business description 8, 21
Investment in associates and joint ventures 178
Leasing 203
Legal proceedings 201
Liabilities
other 181
Liquidity risk 240
Loans and advances to banks
interest rate sensitivity 98
maturity analysis 98
notes to the accounts 174
Loans and advances to customers
interest rate sensitivity 98
maturity analysis 101
notes to the accounts 174
Market risk 218
Memorandum and Articles of Association 269
Minority interests 200
Net fee and commission income
notes to the accounts 166
summary 34
Net interest income
notes to the accounts 166
summary 32
Off-balance sheet arrangements 51
Operating expenses
administration and general expenses 36
staff costs 37
summary 36
Ordinary shares and share premium
called up 197
Other entities 207
Other income
notes to the accounts 167
summary 35
Parent company accounts (Barclays PLC) 164
Pensions
directors 136
notes to the accounts 190
Principal subsidiaries 206
Principal transactions
notes to the accounts 167
summary 34
Potential credit risk loans 82
Presentation of information 146
Property, plant and equipment 181
Provisions 188
Recent developments 159
Related party transactions 208
Remuneration report
2007 annual remuneration 128
chairman and executive directors: beneficial shareholdings 137
Reserves 198
Results by business 10
Results by nature of income and expense 33
Risk factors 63
Risk management
allowances for impairment 84
capital and liquidity risk management 64
credit risk management 63
disclosures about certain trading activities including non-exchange contracts 90
governance structure 69
insurance risk 64
loans and advances to customers 98
management of operational risk and business risk 63
market risk management 63
potential credit risk loans 82
risk responsibilities 218
statistical information 97
taxation risk 64
Risk Tendency 66
Risk weighted assets 246
Securities borrowing, securities lending, repurchase and reverse repurchase agreements 175
Securitisation 189
Segmental reporting
by class of business 248
by geographical segments 249
Share-based payments 212
Shareholder information 267
Short-term borrowings 45
Statement of recognised income and expense
consolidated 162
consolidated (Barclays Bank) 252
Subordinated liabilities 184
Supervision and regulation 110
Taxation
notes to the accounts 170
shareholder information 271
Total assets 40
Trading portfolio 171
Trust activities 157
UK Banking
business analysis 12
business description 8, 11
UK Retail Banking
business analysis 14
business description 8, 13

Table of Contents

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this annual report on its behalf.

Date March 26, 2008

Barclays PLC
(Registrant)

By /s/ Chris Lucas
Chris Lucas, Group Finance Director

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this annual report on its behalf.

Date March 26, 2008

Barclays Bank PLC
(Registrant)

By /s/ Chris Lucas
Chris Lucas, Group Finance Director

Table of Contents

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
1.1	Memorandum and Articles of Association of Barclays PLC
1.2	Memorandum and Articles of Association of Barclays Bank PLC
2.1	Long term debt instruments
4.1	Rules of the Barclays Group Performance Share Plan (2005) (incorporated by reference to the 2006 Form 20-F filed on March 26th, 2007)
4.2	Rules of the Barclays PLC Renewed 1986 Executive Share Option Scheme (incorporated by reference to the 2000 Form 20-F filed on April 16th, 2001)
4.3	Rules of the Barclays PLC Approved Incentive Share Option Plans and Appendix relating to eligible employees resident in France (incorporated by reference to the 2004 Form 20-F filed on March 24th, 2005)
4.4	Service Contract – John Varley (incorporated by reference to the 2003 Form 20-F filed on March 26th, 2004)
4.5	Service Contract – Naguib Kheraj (incorporated by reference to the 2003 Form 20-F filed on March 26th, 2004)
4.6	Service Contract and Subsequent Side Letter to Service Contract – Gary Hoffman (incorporated by reference to the 2005 Form 20-F filed on March 29th , 2006)
4.7	Service Contract – Robert E. Diamond Jr (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.8	Appointment Letter and Subsequent Amendment to appoint as Senior Independent Director – Sir Richard Broadbent (incorporated by reference to the 2004 Form 20-F filed on March 24th, 2005)
4.9	Appointment Letter – Professor Dame Sandra Dawson (incorporated by reference to the 2004 Form 20-F filed on March 24th, 2005)
4.10	Appointment Letter and Subsequent Amendment to appoint as Deputy Chairman – Sir Nigel Rudd (incorporated by reference to the 2004 Form 20-F filed on March 24th, 2005)
4.11	Appointment Letter – Stephen Russell (incorporated by reference to the 2004 Form 20-F filed on March 24th, 2005)
4.12	Appointment Letter – Leigh Clifford (incorporated by reference to the 2004 Form 20-F filed on March 24th, 2005)

Table of Contents

4.13	Appointment Letter – Sir Andrew Likierman (incorporated by reference to the 2004 Form 20-F filed on March 24th, 2005)
4.14	Appointment Letter – Dr Daniël Cronjé (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.15	Appointment Letter – John Sunderland (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.16	Indemnity Letter – Matthew Barrett (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.17	Indemnity Letter – John Varley (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.18	Indemnity Letter – Naguib Kheraj (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.19	Indemnity Letter – Gary Hoffman (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.20	Indemnity Letter – David Roberts (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.21	Indemnity Letter – Robert E. Diamond Jr (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.22	Indemnity Letter – Sir Richard Broadbent (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.23	Indemnity Letter – Professor Dame Sandra Dawson (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.24	Indemnity Letter – Sir Nigel Rudd (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.25	Indemnity Letter – Stephen Russell (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.26	Indemnity Letter – Leigh Clifford (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.27	Indemnity Letter – Sir Andrew Likierman (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.28	Indemnity Letter – Dr Daniël Cronjé (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)

Table of Contents

4.29	Indemnity Letter – Robert Steel (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.30	Indemnity Letter – John Sunderland (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.31	Indemnity Letter – Sir David Arculus (incorporated by reference to the 2005 Form 20-F filed on March 29th, 2006)
4.32	Employment Contract and Assignment Agreement – Frederik Seegers (incorporated by reference to the 2006 Form 20-F filed on March 26th, 2007)
4.33	Appointment Letter – Marcus Agius (incorporated by reference to the 2006 Form 20-F filed on March 26th, 2007)
4.34	Contract of Employment – Christopher Lucas (incorporated by reference to the 2006 Form 20-F filed on March 26th, 2007)
4.35	Appointment Letter – Fulvio Conti (incorporated by reference to the 2006 Form 20-F filed on March 26th, 2007)
4.36	Addendum to contract of employment between Barclays Bank plc and Gary Hoffman (incorporated by reference to the 2006 Form 20-F filed on March 26th, 2007)
4.37	Addendum to contract of employment between Barclays Bank plc and John Varley (incorporated by reference to the 2006 Form 20-F filed on March 26th, 2007)
4.38	Appointment Letter – David Booth
4.39	Appointment Letter – Sir Michael Rake
4.40	Appointment Letter – Patience Wheatcroft
4.41	Rules of the Barclays PLC Executive Share Award Scheme
4.42	Rules of Barclays Bank PLC 1999 Directors Deferred Compensation Plan (amended and restated, effective January 1, 2008) (incorporated by reference to Barclays Bank PLC's Registration Statement on Form S-8 (File no. 333-149301) filed on February 19, 2008)
4.43	Rules of Barclays Bank PLC Senior Management Deferred Compensation Plan (amended and restated, effective January 1, 2008) (incorporated by reference to Barclays Bank PLC's Registration Statement on Form S-8 (File no. 333-149302) filed on February 19, 2008)
7.1	Ratios of earnings under IFRS to fixed charges
7.2	Ratios of earnings under IFRS to combined fixed charges, preference share dividends and similar appropriations
8.1	List of subsidiaries
11.1	Code of Ethics (incorporated by reference to the 2003 Form 20-F filed on March 26th, 2004)

Table of Contents

12.1	Certifications filed pursuant to 17 CFR 240. 13(a)-14(a)
13.1	Certifications filed pursuant to 17 CFR 240. 13(a) and 18 U.S.C 1350(a) and 1350(b)
15.1	Consent of PricewaterhouseCoopers LLP for incorporation by reference of reports in certain securities registration statements of Barclays PLC and Barclays Bank PLC.

EXHIBIT 6

FILED UNDER SEAL

In re Barclays Bank PLC Securities Litigation

Videotaped Deposition of

PAUL MENEFEE

July 11, 2015

CONFIDENTIAL

Media Included

Exhibits | Transcript | Word Index

866.999.8310 | aptusCR.com

aptus COURT REPORTING

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK
3
4 _____X : Master File No.
5 In re BARCLAYS BANK PLC : 1:09-cv-01989-PAC
6 SECURITIES LITIGATION :
7 _____X : CLASS ACTION
8
9
10
11 **CONFIDENTIAL - PURSUANT TO PROTECTIVE ORDER**
12 VIDEOTAPED ORAL DEPOSITION OF
13 PAUL MENEFEE
14 Saturday, July 11, 2015
15 Austin, Texas
16
17
18
19 Reported By:
20 Susan Perry Miller,
21 CSR-TX, CCR-LA, CSR-CA
22 Certified LiveNote™ Reporter
23 NCRA Certified Realtime Reporter
24 NCRA Registered Diplomate Reporter
25 Job No.: 10017635

1 **Q. So Barclays was building up its**
2 **securitization business when you joined? Is that a**
3 **fair characterization?**
4 A. Barclays already had an existing
5 securitization business. The asset securitization
6 group was well formed. They had capabilities in
7 other asset classes and had done very well in both
8 credit cards and autos.
9 **Q. Okay. So I misspoke a little bit.**
10 **I guess I should have said they weren't -- they**
11 **didn't have a built-up residential mortgage**
12 **securitization business prior to you joining. Is**
13 **that a fair characterization?**
14 A. Yes.
15 **Q. So if you were initially tasked with**
16 **building up that capacity, how long did you hold**
17 **that initial position?**
18 A. I'm not sure I understand the question.
19 **Q. Sure. It sounds like when you first**
20 **joined, you were tasked with building up this**
21 **capacity, I think is what you said. Is that right?**
22 A. Building --
23 **Q. Let me ask you a different way.**
24 A. Okay.
25 **Q. Let's just run through your job**

1 **responsibilities when you first joined Barclays.**
2 A. Okay.
3 **Q. What were those responsibilities?**
4 A. I was tasked with building business,
5 really getting the business approved within Barclays
6 and building it out so that it had the capability to
7 acquire portfolios of mortgages with the intent of
8 securitizing them.
9 **Q. And when you say approved, approved by**
10 **whom?**
11 A. At Barclays, all new businesses had --
12 had to go through a business approval process, and
13 there were forms that had to be submitted. There
14 were a number of groups within the bank that had to
15 approve the business and sign off on the business, a
16 number of internal constituencies.
17 **Q. Okay. Were you a member of ASG when you**
18 **joined Barclays?**
19 A. Yes.
20 **Q. Okay. And who did you report to when**
21 **you first joined Barclays, directly?**
22 A. Mike Wade.
23 **Q. Did you report to Mr. Wade throughout**
24 **your tenure at Barclays?**
25 A. Yes.

1 liquidity for our positions and to work towards
2 that.
3 **Q. Okay. Well, let me ask this first. Why**
4 **did Barclays stop acquiring whole loan positions in**
5 **2007?**
6 A. In part, because we had acquired
7 EquiFirst and EquiFirst was originating loans for
8 purchase by Barclays entities.
9 **Q. Okay. You said in part you stopped**
10 **acquiring whole loans because of your purchase of**
11 **EquiFirst. Are there any other reasons why you**
12 **stopped acquiring whole loans sometime in 2007?**
13 A. Right. So at some point the
14 securitization markets were effectively closed and
15 we didn't have the same liquidity for whole loans as
16 we had once had. We didn't have the same outlet for
17 the whole loans. And so the market just changed
18 fundamentally.
19 **Q. Okay. So originally your purpose of**
20 **acquiring the whole loans was so that you could**
21 **securitize them and then get them off Barclays'**
22 **books at some point. Is that right?**
23 MR. TOMAINO: Objection to form.
24 A. I wouldn't say that.
25 BY MR. OLTS:

1 Q. The purpose of acquiring the whole loans
2 during your time at Barclays from 2004 to 2007 was
3 primarily to securitize those loans. Is that
4 correct?
5 A. Yes, that's correct.
6 Q. Okay. Was the intent to hold those
7 whole loans in total on Barclays' books or was the
8 primary intent to sell them to other institutions?
9 MR. TOMAINO: Objection to form.
10 A. I'm confused by the question. Can you
11 repeat it, please?
12 BY MR. OLTS:
13 Q. Sure. When you were acquiring the whole
14 loans, you didn't intend to hold them on Barclays'
15 books for extended periods of time. Is that right?
16 A. That's correct.
17 Q. Okay. So when the market, as you put
18 it, I think, lost its appetite -- you didn't put it
19 that way -- but in 2007, when the RMBS market dried
20 up, you no longer acquired those whole loans because
21 there was no one to sell them to. Is that right?
22 A. There was no one to sell the loans to?
23 Q. There was no one to sell the
24 securitization -- the securitized loans to. Is that
25 right?

1 A. Right. I think investors had changed
2 their appetite. Right.
3 **Q. Okay. So the loss of this appetite, the**
4 **acquisition of EquiFirst, were there any other**
5 **reasons than those as to why Barclays stopped**
6 **purchasing whole loans in 2007?**
7 A. I think that generally covers it.
8 **Q. Okay. And you said that Barclays, after**
9 **you had stopped acquiring whole loans, was trying to**
10 **find liquidity for your positions. What positions**
11 **are you referring to?**
12 A. Whole loan positions in particular.
13 **Q. And when you say trying to find**
14 **liquidity for your positions, just in -- you know,**
15 **what does that mean? You're trying to sell them?**
16 A. In part, yes.
17 **Q. Okay. What else does it mean?**
18 A. We might find some other way to find
19 liquidity for the loans, maybe a structured sale of
20 some kind or refinancing certain of the loans that
21 might be eligible to be refinanced.
22 **Q. Okay. And why did Barclays want to find**
23 **liquidity for those positions?**
24 MR. TOMAINO: Objection to form.
25 A. We had a large book of whole loans and

1 the business had not been set up to acquire loans to
2 hold on the bank's balance sheet. It wasn't -- you
3 know, asset securitization group, so we were meant
4 to securitize, and when those securitization avenues
5 had -- had closed, you know, first, we weren't sure
6 if that was temporary or if it was permanent, but we
7 were aware of the market situation and monitored
8 that closely.
9 Again, we were looking for an
10 opportunity to find liquidity for those portfolios.
11 BY MR. OLTS:
12 **Q. Okay. And then so specifically, what**
13 **was your role in -- if any, in attempting to find**
14 **liquidity for those positions?**
15 A. Continuing to monitor the performance of
16 those loans, to gauge appetites for whole loan
17 portfolios, to hold auctions for certain of the
18 components of those portfolios, to really try and
19 understand how we might find liquidity at or near
20 our mark for assets.
21 **Q. So between 2007, when you stopped**
22 **acquiring the whole loans, and when you left**
23 **Barclays in 2008, did you have job responsibilities**
24 **outside of those that you just described with**
25 **regards to the whole loan portfolio?**

EXHIBIT 7

THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit http://www.djreprints.com.

http://www.wsj.com/articles/SB116921045457381478

EUROPEAN BUSINESS NEWS

Barclays Agrees to Acquire Mortgage Firm EquiFirst

By **CARRICK MOLLENKAMP**
Updated Jan. 19, 2007 8:02 a.m. ET

U.K. banking giant Barclays PLC agreed to buy U.S. mortgage originator EquiFirst Financial Corp. for $225 million in cash. It is the latest move by an investment bank to ramp up subprime-mortgage pools that can later be sold to investors such as pension and insurance funds.

EquiFirst currently is owned by Regions Financial Corp. of Birmingham, Ala. The transaction is expected to close by the summer pending regulatory approval.

BARCLAYS CENTER

- Barclays to Pay $300 Million for Arena Naming Rights
  1/18/07

EquiFirst specializes in the subprime or non-prime business that totals about $1.3 trillion, or about a tenth of the overall mortgage market. That business provides mortgages largely to high-risk borrowers with poor credit histories or those unable to borrow from prime lenders such as large U.S. banks. EquiFirst generates its mortgages from 9,000 brokers in 47 states.

The subprime business has gone through a dramatic upheaval in the past six months amid a slowdown in U.S. home-price appreciation rates and an increase in interest rates. The ripple effect of the housing-price slowdown has meant that borrowers who used adjustable-rate mortgages and other risky loans to fund purchases of homes haven't been able to refinance their loans because the value of their homes has fallen. That's led to losses for loan originators, causing delinquency rates to rise.

Several originators folded last year, including Ownit Morgage Solutions and Sebring Capital Partners. Others have been put up for sale.

At the same time, banks that have capital-markets divisions, such as Barclays's Barclays Capital business, have been on the prowl for subprime originators and mortgage-servicing firms in order to build up volumes of loans that can be pooled and then sold to investors in a business known as securitization. Late last year, for example, Barclays acquired HomeEq. Other investment banks that have bought up subprime lenders or servicing businesses are Morgan Stanley, Bear Stearns Cos. and Merrill Lynch & Co.

All the loans originated by EquiFirst are expected to be securitized or sold on an ongoing basis after an average holding period of two to three months. In a statement, Grant Kvalheim, the co-president of Barclays Capital, said the acquisition gives the company an opportunity to "expand our existing U.S. mortgage business."

Write to Carrick Mollenkamp at carrick.mollenkamp@wsj.com

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law.
For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

EXHIBIT 8

THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit http://www.djreprints.com.

http://www.wsj.com/articles/SB117554734692057270

MARKETS

Barclays Closes on EquiFirst Deal

By **STEVE GOLDSTEIN**
Updated April 3, 2007 12:01 a.m. ET

LONDON -- In another sign of the woeful state of the U.S. subprime-mortgage market, Barclays PLC said it is paying $76 million for a unit of Regions Financial Corp., landing a discount that is nearly two-thirds lower than it agreed to pay a few months ago.

Barclays said it has closed on the deal to buy Regions Financial's EquiFirst nonprime-mortgage originator for $76 million, subject to another adjustment to book value, though it said that wouldn't be significant.

In January, Barclays agreed to pay $225 million for the unit. Alex Potter, an analyst at Collins Stewart, said Barclays was either "very good or very lucky" to have the subprime-mortgage market collapse in the U.S. when it did, drastically cutting the purchase cost.

EquiFirst is the 12th-largest nonprime-wholesale-mortgage originator in the U.S. The sector has seen woes deepen over the past few months. New Century Financial Corp., one of the largest subprime lenders, filed for bankruptcy protection yesterday, as expected.

Barclays was interested in buying EquiFirst because it also buys and sells mortgages via mortgage-backed securities.

—Henry Teitelbaum contributed to this article.

Write to Steve Goldstein at steven.goldstein@dowjones.com

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com.

EXHIBIT 9

FILED UNDER SEAL

From: Landreman, Richard: Product Control (NYK) [/O=BZW/OU=USA/CN=NYK AD USERS/CN=USERS/CN=LANDERMR]
Sent: Wednesday, January 30, 2008 7:01:07 PM
To: Michael.Guarnuccio@us.pwc.com; Walker, James: Finance (NYK)
CC: Kaczka, Joseph: Product Control (NYK); robert.macgoey@us.pwc.com; erika.riddle@us.pwc.com; frank.serravalli@us.pwc.com; christopher.s.merchant@us.pwc.com
Subject: ALT A & Subprime Whole Loan Valuations
Attachments: Subprime Valuation Year End-FINAL.pdf; Alt-A Valuation Year End-FINAL.pdf

Subprime Valuation Year... Alt-A Valuation Year End-FINAL....

Mike,

Attached are the final Alt A and Subprime documentation which explains the methodology, proxies and assumptions used to perform the year end valuation for Barclays Alt A and Subprime Whole Loan portfolios.

Please advise your receipt of this documentation and feel free to call me directly if you have any additional questions regarding this issue.

Richard Landreman

PLAINTIFF'S EXHIBIT
334
10-22-75

BARCLAYS CAPITAL

Alt-A Whole Loans & Securities

Alt-A Valuation Year End

Document reference:
Alt-A Valuation Methodology

Version: 12

Table of Contents

1. INTRODUCTION **4**

2. APPLICATION OF THE FAIR VALUE HIERARCHY – IAS 39 ..... **4**

3. WHOLE LOANS **4**

3.1. WHOLE LOANS INTRODUCTION 4
3.2. LEVEL 3 VALUATION INPUTS: WHOLE LOANS 4
3.3. BARCLAYS PRIME AND ALT-A PORTFOLIO WHOLE LOAN OBSERVATIONS 6
3.4. COLLATERAL CHARACTERISTIC COMPARISON 6
3.5. COMPETITIVE BIDS 7

4. SECURITIES **9**

4.1. SECURITIES INTRODUCTION 9
4.2. LEVEL 3 VALUATION INPUTS: SENIOR NOTES 9
4.3. DISCOUNT MARGIN BENCHMARKING 9
4.4. BULK ACQUISITION OF ALT-A SECURITIES 10
4.5. DECEMBER 2007 AGGREGATE PRICES BY RATING 11
4.6. LEVEL 3 VALUATION INPUTS: MEZZANINE AND SUBORDINATED NOTES 11

APPENDIX A: REPO COLLATERAL ACQUIRED IN AUGUST 2007 ..... **12**

APPENDIX B: CUMULATIVE LOSS PROJECTION SUMMARY **14**

APPENDIX C: SPREAD LEVEL TRACKING **16**

APPENDIX D: HEDGING **19**

APPENDIX E: NON-AGENCY INVENTORY **21**

APPENDIX F: AGGREGATE PRICES BY RATING **23**

JUNE 2007 AGGREGATE PRICES BY RATING 23
DECEMBER 2006 AGGREGATE PRICES BY RATING 23

APPENDIX G: BASIS DIFFERENTIAL – PRICE TESTING SPREADS ALT-A VS. SUBPRIME **24**

SPREAD LEVEL COMPARISON 24
HISTORICAL 3 YR SWAP VS. 1 MO LIBOR 25
YIELD CURVES 25

APPENDIX H: PRICE TESTING PROXY PRICES **26**

ALT-A PROXY **26**

List of Figures

FIGURE 1: COLLATERAL CHARACTERISTICS COMPARISON: BARCAP PORTFOLIO VS. INDUSTRY AVERAGE 6
FIGURE 2: ABX AAA SPREAD WIDENING 10
FIGURE 3: HISTORICAL 3 YR SWAP VS. 1 MO LIBOR 25
FIGURE 4: YIELD CURVES 25

List of Tables

TABLE 1: COLLATERAL CHARACTERISTIC COMPARISON: BARCAP PORTFOLIO VS. INDUSTRY AVERAGE 6
TABLE 2: COMPETITIVE BIDS 7
TABLE 3: BARCAP ALT-A WHOLE LOAN PORTFOLIO AS OF DECEMBER 2007 8
TABLE 4: ALT-A AAA PRICING SPREAD WIDENING 10
TABLE 5: ALT-A SECURITIES PRICE DISPERSION BY RATING GRADE AS OF 12/31/2007 11
TABLE 6: ALT-A SECURITIES PRICE DISPERSION BY RATING GRADE AS OF 6/29/2007 23
TABLE 7: SPREAD LEVEL COMPARISON 24

CONFIDENTIAL

BARC-ADS-00860692

1. Introduction

The RMBS business managed by Tom Hamilton is responsible for the Alt-A products (Whole Loans and Securities). All Alt-A products (Whole Loan pools, Senior, Mezzanine and Subordinated Notes) are priced using a Mark-to-Model approach. A discounted cash flow model generates detailed cash flow analysis using market standard prepayment, loss and yield assumptions. The assumptions are derived using observable data from generally accepted independent data providers and research sources.

2. Application of the Fair Value Hierarchy – IAS 39

Both the securitization and whole loan markets for Alt-A mortgages have experienced extreme disruption over the past several months. Securitization volumes have declined substantially along with the volume of competitive whole loan bids. Several data points are currently allowed in fair valuing these assets that remain on the books absent a securitization market.

1. Quotable prices for identical assets when observable and unadjusted in the active market (Level 1 inputs)
2. Quotable prices for similar assets (proxies) when prices for identical assets are not observable or inputs of prices corroborated by market data (Level 2 inputs)
3. Unobservable inputs (Level 3 inputs)

To provide a measurement of fair value for Alt-A mortgage whole loans, PCG attempted to identify observable Level 1 and 2 inputs in the market. Given the well documented decline in liquidity and transaction volume of Alt-A mortgage transactions over the past several months, sufficient Level 1 or 2 inputs were unable to be identified. In the absence of observable Level 1 and 2 inputs, PCG developed a valuation methodology based upon Level 3 inputs with Level 2 "Proxies" from observable data points in the "Agencies" market.

3. Whole Loans

3.1. Whole Loans Introduction

The Alt-A Whole Loan market has experienced severe disturbances over the past several months. This has made it quite challenging to obtain any significant Level 1 and Level 2 inputs to "Mark" the book. The business and PCG have developed independent valuation methodologies based upon Level 3 inputs.

3.2. Level 3 Valuation Inputs: Whole Loans

- **Prepayment Assumptions:** Barcap's prepayment assumptions are based on historical prepayment data on similar collateral type and recent prepayment performance of the pool itself. Adjustments to the curves are made to account for prepayment speed spikes upon rate reset and the overall speed slowdown in the current market environment due to the latest tightening of credit standards. PCG believes the impact on Alt-A is limited

CONFIDENTIAL BARC-ADS-00860693

because the ability to refinance of Alt-A loans is still largely restricted due to documentation and LTV.

- **Cumulative Loss:** PCG uses the S&P loss projection model to determine expected future losses on specific pools of Alt-A collateral (see *Appendix A: Repo Collateral Acquired In August 2007*). The S&P loss model is widely used throughout the industry and has most recently been updated on November 9, 2007 in order to fully capture the most recent trends in the mortgage market. PCG runs the loss projections in a base case valuation test to the single B level loss coverage; the S&P equivalent of pool-level projected loss. In conjunction with the loss projections derived from the S&P model, PCG will review multiple sources of research from both internal and external sources in order to calibrate the losses projected from the S&P model to what other industry participants are projecting. In cases where the losses in the base case valuation test fall below market sentiment for the collateral type and vintage of the loans in the tested portfolio, PCG will run stress tests on these pools. The concentration of third party research shows losses on 2007 Vintage Alt-A Whole Loan pools to fall within the range of 2-4% a significant increase over other recent vintages. See *Appendix B: Cumulative Loss Projection Summary* for third party research. A pool's Cum Losses will be stressed in the analysis to the greater of 2% or the base case estimated loss curve. The analysis is furthered by running the valuation at the greater of 4% or the base case estimated loss curve.

- **Spread Assumptions:** PCG currently employs a discount rate of 294 bps over the SWAP curve for Alt-A Whole Loans. The SWAP curve was used rather than a spread to Libor because it is market convention to price Alt-A pass through products this way. The most recent discount rate of 294 bps over the SWAP curve was derived using the latest month end pricing and deriving a nominal spread.

- The December nominal spread was widened by approximately 40% to reflect changes in the basket of indexes tracked by PCG for Subprime and Agency TBA spread movements over the defined period. See *Appendix C: Spread Benchmarks* for the basket used in this analysis. This analysis assumes that a loss adjusted discount rate for Whole Loans would provide a reasonable yield when benchmarked to observable Agency trades. This does not assume that all Alt-A pools are rated AAA or are eligible for Agency purchase. PCG believes that the credit quality and collateral performance of Alt-A is reasonably correlated to the agencies which justifies utilization of the Agency benchmarks. Alt-A's historically have performed marginally below Agencies but better than SubPrime.

- The basket was derived at the discretion of Barclays Capital Management and reviewed with the business. These indexes are subject to change based on market conditions. The accuracy of this basket is regularly reviewed with the business to ensure that it is within a reasonable range of observed levels specific to each product type. The proxy index of Agency and Non-Agency spread movements is applied as a percentage basis to each asset class assuming a fully loaded loss curve, as developed by PCG. The calculation in the change in spreads is consistent with all residential whole loan assets. PCG and the Business regularly review these indexes for appropriateness as technical factors may cause individual indexes to move based on factors inconsistent with the specifics of the asset class being analyzed. See *Appendix C: Spread Benchmarks* for the definition of the parameters used to benchmark spread movements.

- Agency TBA's are used to hedge spread risk of Alt-A Whole Loans. Please see attached hedge write-up in the *Appendix D: Hedging* as justification to defend use of this observable parameter. The discount rate will be monitored and changes to the discount rate will be applied monthly at the discretion of management to account for widening or tightening of FNCL mortgage spreads and the SWAP curve.

3.3. Barclays Prime and Alt-A Portfolio Whole Loan Observations

The valuation of the Barclays portfolio is reasonable when a full review of the portfolio composition is reviewed. The Barclays Prmie and Alt-A Whole Loan portfolio has better characteristics than those of its peers. Blind comparisons to valuations based on "the rest of the street" are generalized to include lower quality products with less rigorous portfolio review. Barclays' Alt-A Whole Loan Pools features no "Alt-B" loans, longer reset product types and higher standards on documentation type. The portfolio is composed of Jumbo, Prime, longer dated reset Hybrids (CMT, 5/1, 7/1 & 10/1) and Hybrid Option ARMS. The average LTV is 81%. There are no second liens. Less than 2% of the loans are "No-Doc". There are only 8.35% "Investor" loans.

3.4. Collateral Characteristic Comparison

* Source: Deutsche Bank, Loan Performance; Barclays Capital, Loan Performance

	FICO	LTV	CLTV	Full Doc	Low Doc	Owner Occ	Investor	Purch	CA	Current	30D	60D	90+D
BarCap Prime	736	74	74	100%	0%	97%	0%	74%	1%	98.8%	1.0%	0.0%	0.2%
BarCap Alt-A	714	77	80	17%	82%	82%	11%	31%	51%	94.6%	2.4%	1.4%	1.7%
BarCap Portfolio	719	76	79	38%	60%	86%	8%	42%	38%	95.2%	2.3%	1.0%	1.5%
Industry Average*	715	75	79	17%	79%	82%	13%	36%	44%	90.1%	3.6%	1.6%	4.7%

Table 1: Collateral Characteristic Comparison: Barcap Portfolio vs. Industry Average

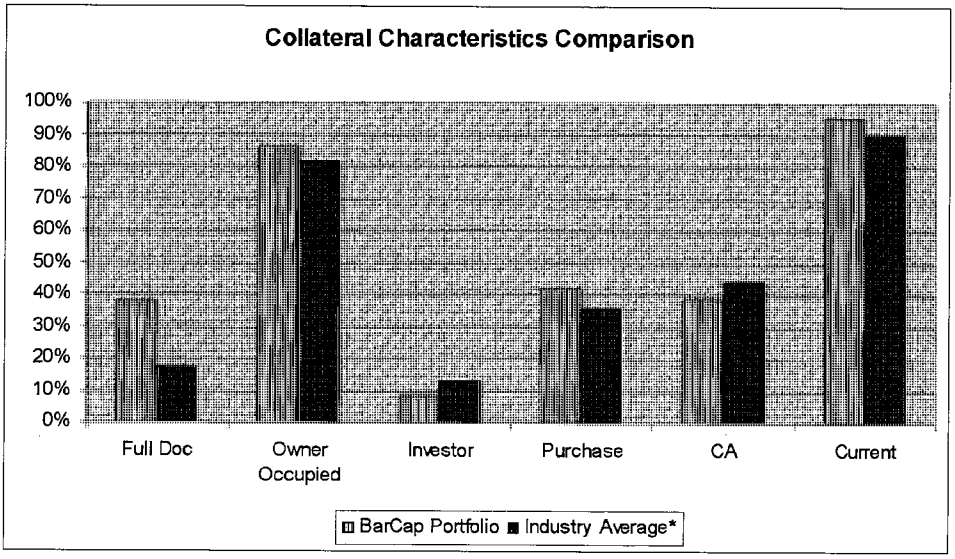


Figure 1: Collateral Characteristics Comparison: Barcap Portfolio vs. Industry Average

3.5. Competitive Bids.

The business has bid on numerous pools in the early part of 2007. We have provided a list of several pools which were presented for bid. These pools had much higher concentrations of Investor Properties and Low Doc originations. Not all pools were ultimately bid on by Barclays Capital.

Recent Bids	FICO	LTV	CLTV	Full Doc	Owner Occupied	Investor	Purch	CA
IndyMac Hybrids 05/16/07	704	72	76	14%	82%	13%	26%	59%
IndyMac Hybrids 06/14/07	685	77	82	17%	86%	12%	32%	44%
RFC POA 03/02/07	697	78		10%	84%	10%		33%
RFC POA 06/29/07	708	77	77	6%	85%	11%	15%	48%
GreenPoint Hybrids 06/06/07	716	78	84	6%	72%	21%	41%	56%
GreenPoint Hybrids 06/19/07	707	80	84	5%	66%	29%	45%	39%
GreenPoint Hybrids 07/18/07	721	79	83	8%	65%	31%	45%	42%
CW POA 04/26/07	717	75	79	12%	79%	14%	27%	56%
CW POA 06/01/07	706	73	80	8%	81%	13%	26%	49%
CW HOA 07/05/07	720	75	78	8%	71%	20%	26%	50%
BarCap Portfolio	**719**	**76**	**79**	**38%**	**86%**	**8%**	**42%**	**38%**

Table 2: Competitive Bids

Upon winning a bid, the business conducts a complete 'due diligence' file level review prior to delivery. The loan originators Barclays Capital acquired whole loans from were regulated entities which had adequate controls in place to control underwriting standards and detect fraud. The loans were originated by industry leaders like Countrywide, Greenpoint, IndyMac and American Home Mortgage. The loans have been performing "Very Well" and have incurred zero losses to date.

The pools are regularly reviewed at both the pool level and loan level as part of the monthly price testing process. Loan level files are submitted to Standard and Poor's Levels for estimated losses. PCG utilizes a minimum 2% cumulative loss rate when the S&P indicates a lower loss expectation using the "Levels" model.

CONFIDENTIAL BARC-ADS-00860696

BarCap Alt-A Whole Portfolio as of December 2007

Basic	
Current UPB	1,884,816,172
WAC	6.8014
WALA	17.70
LTV	**76.48%**
CLTV	78.59%
1st Lien	**100%**
FICO	719

Performance	
Current	95.20%
30	2.26%
60	1.03%
90+	1.51%

Loan Type	
Short-Reset	0.23%
2Y Hybrids	0.15%
3Y Hybrids	1.49%
3Y IO Hybrids	0.49%
4Y Hybrids	0.18%
4Y IO Hybrids	0.04%
5Y Hybrids	**21.10%**
5Y IO Hybrids	3.82%
6Y Hybrids	0.21%
6Y IO Hybrids	0.02%
7Y Hybrids	**11.32%**
7Y IO Hybrids	0.95%
10Y Hybrids	2.47%
10Y IO Hybrids	**17.93%**
3Y Hybrid Option ARMs	0.44%
5Y Hybrid Option ARMs	**32.65%**
7Y Hybrid Option ARMs	4.52%
10Y Hybrid Option ARMs	2.01%

IO Term	
0	**76.72%**
36	0.48%
60	1.82%
84	0.49%
120	20.48%

Top 10 State Concentration	
California	38.43%
Louisiana	11.40%
Florida	8.91%
Texas	5.90%
New York	3.40%
Washington	3.00%
Arizona	2.62%
Virginia	2.37%
Maryland	2.29%
Nevada	2.15%

Doc Type	
Full Doc	37.86%
Low Doc	60.28%
No Doc	**1.85%**

Loan Purpose	
Purchase	41.68%
Refinance - Cash out	32.32%
Refinance - Rate Term	23.76%
Construction/Permanent	2.18%
Unknown	0.06%

Property Type	
Single Family Residence	65.91%
PUD	20.90%
Condo	8.19%
2 Family	2.09%
4 Family	0.89%
Condo - High Rise > 8 floors	0.77%
3 Family	0.72%
Single Family Detached	0.34%
Co-op	0.08%
Townhouse	0.07%
2-4 Family	0.02%
Condo - Low Rise < 5 floors	0.01%

Occupancy	
Primary	86.16%
Investment	8.35%
Second Home	5.49%

Table 3: BarCap Alt-A Whole Loan Portfolio as of December 2007

CONFIDENTIAL BARC-ADS-00860697

4. Securities

4.1. Securities Introduction

Just as the Alt-A Whole Loan market has experienced severe disruption; all securities have also experienced a similar disruption in recent months. Trading volumes and market liquidity have significantly decreased. This has made it quite challenging to obtain any significant Level 1 and Level 2 inputs to "Mark" the book. The business and PCG have developed independent valuation methodologies based upon Level 3 inputs.

4.2. Level 3 Valuation Inputs: Senior Notes

- **Prepayment assumptions:** These are based on market convention pricing speeds, such as 25 CPB for passthrough and 15 CPR for floaters, adjusted for recent deal performances. PCG also uses a Whole Loan Prepayment model such as Black Rock when available. PCG uses 3rd party independent prepayment models including BlackRock, to independently review prepayment estimates.

- **Loss assumptions:** Based on the rating of the instrument, price testing loss assumptions are derived by combining loss projections on the performing and non-performing portions of the deal. For the performing portion, loss is projected from recent default experience and 40% loss severity. For the non-performing portion, loss is projected based on liquidation pipeline analysis. For the analysis, see *Appendix E: Non-Agency Inventory.* PCG compares the current credit support level of each note to the projected future cum loss of its respective deal/group. Additionally, the current pipeline is analyzed with particular attention to 60-90+ Delinquency %, Bankruptcy Rate %, REO Rate %, and Foreclosure Rate %. Based on the current pipeline a simplified monthly liquidation rate is calculated and applied to each case. PCG will then calculate the implied spread at desk mark and determine its reasonability based on estimated write-down probability.

- Typically senior notes are discounted at higher yields when there are anticipated credit events which may cause valuation to be discounted. The higher yields/wider spreads reflects lower liquidity for notes facing potential principal write-down.

- **Discount Margin:** This is derived using market data for comparable assets or adjusted to a proxy which can be observed in the market and adjusting the base margin to reflect the movement in the proxy.

4.3. Discount Margin Benchmarking

Barclays has tracked the relative changes in spread levels and has produced a relative comparison to the percentage change in various Indices to measure the relative levels of our spread changes and maintain consistency with observable parameters. Although the Subprime ABX is technically not an accurate indicator of cash bond performance, we do look to this as a worst case scenario for spread movements for higher quality Alt-A bonds. Based on the original base coupon margin for our AAA portfolio (assuming par issuance) our current discounting methodology shows the relative change in percentage terms to be consistent with, if not higher than, the relative changes in the ABX index.

Alt-A AAA Pricing Spread Widening

Vintage	WA Coupon Margin	WA 12/31/07 DM	Change	ABX AAA Min Change	ABX AAA Max Change
2005 & Before	27	300	1025%	913%	913%
2006	23	322	1306%	1340%	2839%
2007	23	249	995%	588%	588%

Table 4: Alt-A AAA Pricing Spread Widening

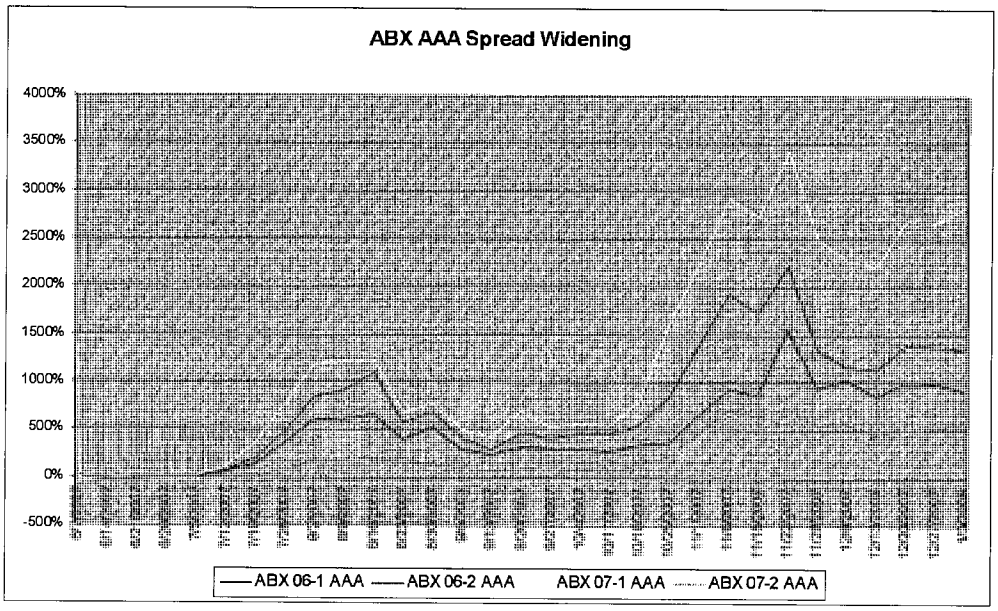


Figure 2: ABX AAA Spread Widening

4.4. Bulk Acquisition of Alt-A Securities

The AAA portion of the Barcap Alt-A portfolio represents 66% of the total exposure to the sector. Approximately $2B of these assets were acquired in the months of August and September at distressed levels as a result of several "repo" lines margin calls or fund liquidations. There's been a Year to Date write down of $125M on this exposure. The current average price on this segment of the portfolio is $87. See *Appendix A: Repo Collateral Acquired in August 2007.*

CONFIDENTIAL BARC-ADS-00860699

4.5. December 2007 Aggregate Prices by Rating

Alt-A Rating	Gross	Desk Long	Avg Desk Px	% of Inv
AAA	5,689,143,869	5,048,145,814	88.73	94%
AA+	30,622,851	27,522,323	89.88	1%
AA	132,002,385	111,574,587	84.52	2%
AA-	18,375,000	13,551,126	73.75	0%
A+	22,084,918	15,859,674	71.81	0%
A	114,125,304	87,118,894	76.34	2%
A-	10,911,039	7,445,285	68.24	0%
BBB+	21,631,736	11,807,415	54.58	0%
BBB	64,546,127	38,673,386	59.92	1%
BBB-	12,417,870	6,403,951	51.57	0%
BB+	5,990,000	2,455,900	41.00	0%
BB	17,544,047	6,891,672	39.28	0%
BB-	20,352,511	7,901,271	38.82	0%
B	4,431,702	2,407,013	54.31	0%
B-	7,004,874	1,688,738	24.11	0%
CCC	2,180,000	470,940	21.60	0%
Grand Total	**6,173,364,233**	**5,389,917,988**		**100%**

Table 5: ALT-A Securities Price Dispersion by Rating Grade as of 12/31/2007

* AHM servicing loans not included 741mm
** AAA were written down 3 points in December for $125M
*** For previous data, see *Appendix F: Aggregate Prices by Rating*

4.6. Level 3 Valuation Inputs: Mezzanine and Subordinated Notes

- **Prepayment assumptions:** These are derived consistently with Senior Notes.

- **Loss assumptions:** These are derived by combining loss projections on the performing and non-performing portions of the deal. For the performing portion, loss is projected from recent default experience and 40% loss severity. For the non-performing portion, loss is projected based on liquidation pipeline analysis. Comparison of current credit support level of each bond to the projected future cum loss of its respective deal/group. The current pipeline is analyzed with focus on the 60-90+ delinquency %, Bankruptcy Rate %, REO Rate %, and Foreclosure Rate %.
- Based on the current delinquency pipeline, a simplified monthly liquidation rate is calculated and applied to each analysis. Calculate the implied spread of desk mark and determine its reasonability based on estimated write-down probability and current rating.
- There is no spread analysis for Mezzanine and Subordinate Notes. PCG is not trying to verify their trading spread. PCG is trying to verify the implied liquidity spread given a reasonable loss projection.

CONFIDENTIAL

Appendix A: Repo Collateral Acquired in August 2007

Trade Date	Book Security	Cusip	Gross Nominal	Mkt Val	Price	CPN TYP	RTG SP	RTG MD	Coll Type	LEAD MGR	ISSUE DT	FTID PX	STREET PX	Avg	Mkt Val Diff
8/3/2007 AHM	M166 AHM 07-A 1M1	026931AG0	4,812,000	3,368,400	70.00	FLOATING	AA	Aa3	WH30 6.3	CS	3/13/2007	Not priced	Not priced	70.00	0
	M166 AHM 06-1 1M5	02660TJP9	9,384,000	3,753,600	40.00	FLOATING	BBB	NR	WHARM7.5	BCG	3/29/2006	Not priced	Not priced	40.00	0
	M166 AHM 06-1 1M6	02660TJQ7	4,265,000	1,066,250	25.00	FLOATING	BBB-	NR	WHARM7.5	BCG	3/29/2006	Not priced	Not priced	25.00	0
	M166 AHM 06-4-1 1M4	02660TJN4	23,033,000	14,050,130	61.00	FLOATING	A	NR	WHARM7.5	BCG	3/29/2006	Not priced	Not priced	61.00	0
	M166 AHM 07-2 13A2	02660CAG5	54,923,277	48,523,428	88.35	STEP	AAA	Aaa	WH30 6.0	BS	4/1/2007	Not priced	98.84	98.84	5,764,590
	M166 RALI 05-QA9 NB42	761118FN3	11,446,523	11,103,127	97.00	VARIABLE	AAA	Aaa	AltAA5.5	UBSW	8/1/2005	99.64	98.98	99.31	264,077
	M166 AHM 05-4 3A3	02660TGU1	10,330,032	9,787,706	94.75	FLOATING	AAA	Aaa	WHARM7.9	BS	10/7/2005	98.68	94.71	96.70	201,169
	M166 SASC 03-37A 1A	86359BBR1	2,377,301	2,305,982	97.00	FLOATING	AAA	Aaa	WHARM7.7	LB	11/1/2003	102.17	Not priced	102.17	122,862
	M166 INDX 05-AR31 2A2	45660LW47	2,410,621	2,302,143	95.50	VARIABLE	AAA	Aaa	WHARM5.3	DBS	11/1/2005	99.27	98.74	99.01	84,507
	M166 DBALT 05-AR2 4A2	251510GU1	1,772,334	1,701,440	96.00	VARIABLE	AAA	Aaa	AltAA5.6	DBS	9/1/2005	99.82	99.15	99.49	61,800
	M166 MARM 03-6 7A1	576433GN0	200,654	180,589	90.00	FLOATING	AAA	Aaa	WHARM7.4	UBSW	11/1/2003	101.04	Not priced	101.04	22,156
	M166 AHM 05-1 4A2	02660TEB5	105,153	84,122	80.00	FLOATING	AAA	Aa1	WHARM5.3	BS	3/1/2005	99.90	100.20	100.05	21,086
	M166 SASC 03-40A 3A2	86359BEK3	631,993	603,554	95.50	VARIABLE	AAA	Aaa	WHARM5.2	LB	12/1/2003	98.65	98.40	98.53	19,143
	M166 AHM 04-1 3A	02660TAN3	1,443,963	1,357,325	94.00	FLOATING	AAA	N/A	WHARM4.3	BS	3/1/2004	95.22	95.26	95.24	17,886
			127,135,852	100,187,796											6,579,274

Trade Date	Book Security	Cusip	Gross Nominal	Mkt Val	Price	CPN TYP	RTG SP	RTG MD	Coll Type	LEAD MGR	ISSUE DT	FTID PX	STREET PX	Avg	Mkt Val Diff
8/8/2007 Luminent	M166 CCMFC 06-1A B1	16678RFD4	8,772,304	7,730,593	88.13	FLOATING	AA	Aaa	WHARM7.6	BCG	3/17/2006	Not priced	Not priced	88.13	0
	M166 CCMFC 06-1A B2	16678RFE2	5,999,524	4,387,152	73.13	FLOATING	A	Aa2	WHARM7.6	BCG	3/17/2006	Not priced	Not priced	73.13	0
	M166 AHMA 06-6 A1B	008684AB8	160,454,381	149,623,711	93.25	FLOATING	AAA	Aaa	WHARM7.8	CWSC	10/30/2006	98.33	Not priced	98.33	8,151,692
	M166 AHMA 06-6 A1C	008684AC6	22,428,129	20,241,386	90.25	FLOATING	AAA	Aaa	WHARM7.8	CWSC	10/30/2006	97.39	Not priced	97.39	1,601,790
	M166 LUM 06-5 A1C	55027XAC4	50,553,680	46,130,233	91.25	FLOATING	AAA	Aaa	WHARM8.0	RGW	6/29/2006	97.73	90.71	94.22	1,499,432
	M166 LUM 06-5 A1B	55027XAB6	81,255,661	75,770,904	93.25	FLOATING	AAA	Aaa	WHARM8.0	RGW	6/29/2006	97.93	90.58	94.25	815,169
	M166 CWALT 06-OA21 A3	23245QAC3	26,270,057	24,102,778	91.75	FLOATING	AAA	Aaa	AltAAR 8	CWSC	12/29/2006	97.79	91.81	94.80	801,991
			355,733,736	327,986,756											12,870,074

Trade Date	Book Security	Cusip	Gross Nominal	Mkt Val	Price	CPN TYP	RTG SP	RTG MD	Coll Type	LEAD MGR	ISSUE DT	FTID PX	STREET PX	Avg	Mkt Val Diff
8/9/2007 Belvidere	M166 CWHL 04-HYB1 B1	12669FNS8	1,786,149	1,545,019	86.50	VARIABLE	A+	A2	WHARM 5	CWSC	2/1/2004	Not priced	Not priced	86.50	0
	M166 CWHL 04-HYB1 B2	12669FNT6	1,071,408	932,125	87.00	VARIABLE	BBB+	Baa2	WHARM 5	CWSC	2/1/2004	Not priced	Not priced	87.00	0
	M166 CWHL 04-HYB3 B1	12669FZB2	2,801,653	2,647,562	94.50	VARIABLE	A	A2	WHARM4.3	CWSC	5/1/2004	Not priced	98.05	98.05	99,323
	M166 CWHL 04-HYB3 B2	12669FZC0	1,961,245	1,706,284	87.00	VARIABLE	BBB	Baa2	WHARM4.3	CWSC	5/1/2004	Not priced	Not priced	87.00	0
	M166 CWHL 04-HYB2 B1	12669FTQ6	2,691,274	2,459,151	91.38	VARIABLE	A	Aa2	WHARM4.6	CWSC	4/1/2004	Not priced	98.09	98.09	180,590
	M166 CWHL 04-HYB2 B2	12669FTR4	1,841,745	1,305,337	70.88	VARIABLE	BBB	A2	WHARM4.6	CWSC	4/1/2004	Not priced	Not priced	70.88	0
	M166 CWHL 04-HYB4 B2	12669FW33	2,207,761	1,854,519	84.00	VARIABLE	BBB	Baa2	WHARM4.8	CWSC	7/1/2004	Not priced	Not priced	84.00	0
	M166 BVMBS 04-1 1B2	07820QAL9	1,135,354	743,657	65.50	FLOATING	BBB+	Baa2	WHARM6.8	CWSC	10/28/2004	Not priced	100.13	100.13	393,141
	M166 BVMBS 04-1 2B2	07820QAS4	2,831,609	2,321,920	82.00	VARIABLE	BBB	Baa2	WHARM5.0	CWSC	10/1/2004	Not priced	Not priced	82.00	0
	M166 CWHL 04-HYB7 B2	12669GCJ8	6,045,222	2,538,993	42.00	VARIABLE	BBB	Baa2	WHARM5.1	CWSC	10/1/2004	Not priced	95.69	95.69	3,245,773
	M166 INDX 04-AR9 B2	45660N3V5	2,760,435	2,091,029	75.75	VARIABLE	A+	A3	WHARM5.2	CSFB	9/1/2004	Not priced	98.86	98.86	637,809
	M166 HVMLT 05-10 B7	41161PUB7	4,979,240	1,493,772	30.00	FLOATING	BBB+	Baa1	WHARM7.6	RGW	8/31/2005	Not priced	100.21	100.21	3,495,827
	M166 HVMLT 06-7 B6	41161VAL4	1,892,000	974,380	51.50	FLOATING	A	Baa1	WHARM7.5	RGW	8/15/2006	Not priced	Not priced	51.50	0
	M166 CWALT 06-OA2 M8	126694T65	6,975,731	2,092,719	30.00	FLOATING	BBB	A3	AltAAR 8	CWSC	3/30/2006	Not priced	101.13	101.13	4,961,762
	M166 WAMU 06-AR4 B5	93934FQB1	996,202	647,531	65.00	FLOATING	A	Aa3	WHARM6.5	WACC	4/25/2006	Not priced	Not priced	65.00	0
	M166 WAMU 06-AR4 B6	93934FQC9	1,195,442	669,448	56.00	FLOATING	A-	A1	WHARM6.5	WACC	4/25/2006	Not priced	Not priced	56.00	0
	M166 INDX 06-AR6 M8	456612AN0	1,670,000	809,950	48.50	FLOATING	BBB+	Baa2	WHARM8.0	RGW	4/28/2006	Not priced	Not priced	48.50	0
	M166 INDX 06-AR6 M9	456612AP5	2,053,000	513,250	25.00	FLOATING	BBB	Baa3	WHARM8.0	RGW	4/28/2006	Not priced	Not priced	25.00	0
	M166 CWHL 04-HYB2 M	12669FTP8	3,257,076	3,094,222	95.00	VARIABLE	AA	Aaa	WHARM4.6	CWSC	4/1/2004	98.57	Not priced	98.57	116,185
	M166 CWHL 04-HYB1 M	12669FNR0	2,768,038	2,657,317	96.00	VARIABLE	AA+	Aa2	WHARM 5	CWSC	2/1/2004	99.83	Not priced	99.83	106,101
	M166 CWHL 04-HYB3 M	12669FZA4	3,501,844	3,361,770	96.00	VARIABLE	AA	Aa1	WHARM4.3	CWSC	5/1/2004	97.89	Not priced	97.89	66,198
	M166 FNCL 6.00 SEP 07	01F060691	-	-	99.86	N/A	N/A	N/A	FNCL	N/A	N/A	99.88	99.87	99.87	0
			56,422,428	36,459,954											13,302,708

Not For Distribution Strictly Confidential – Preliminary Proposal – Subject to Review and Discussion

BARC-ADS-00860701

CONFIDENTIAL

Barclays Capital

Trade Date	Book	Security	Cusip	Gross Nominal	Mkt Val	Price	CPN_TYP	RTG_SP	RTG_MD	Coll_Type	LEAD_MGR	ISSUE_DT	FTID PX	STREET PX	Avg	Mkt Val Diff
8/14/2007 Thornburg	M166	BALTA 06-R1 3E30	073866BM6	156,701,000	133,602,905	85.26	VARIABLE	AAA	Aaa	AltAA6.3	BS	9/1/2006	Not priced	Not priced	85.26	0
	M166	INDX 07-AR1 1A1	45669BAA0	280,716,930	267,410,290	95.26	VARIABLE	AAA	Aaa	WHARM6.2	CITG	2/1/2007	Not priced	98.84	98.84	10,043,615
	M166	CWALT 07-HY5R 2A1C	02150WAC7	15,752,000	12,759,120	81.00	VARIABLE	AAA	Aaa	AltAA6.1	DBS	3/1/2007	Not priced	Not priced	81.00	0
	M166	FNAR 4.149 POOL - 555406	31385XAF4	2,473,504	2,424,034	98.00	FLOATING	N/A	N/A	FNARM	N/A	6/1/2003	100.16	99.41	99.79	44,179
	M166	FNAR 7.264 POOL - 642217	31390CPA8	738,918	724,140	98.00	FLOATING	N/A	N/A	FNARM	N/A	5/1/2002	101.30	101.58	101.44	25,426
	M166	FNAR 6.888 POOL - 645306	31390F3P2	593,616	581,744	98.00	FLOATING	N/A	N/A	FNARM	N/A	5/1/2002	102.00	100.99	101.50	20,758
	M166	FNAR 7.042 POOL - 635725	31389UHA0	766,093	758,432	99.00	FLOATING	N/A	N/A	FNARM	N/A	3/1/2002	101.30	100.88	101.09	16,031
	M166	FNAR 6.995 POOL - 635728	31389UHD4	410,635	402,423	98.00	FLOATING	N/A	N/A	FNARM	N/A	3/1/2002	101.84	100.81	101.32	13,648
	M166	FNAR 7.222 POOL - 545769	31385JJN9	2,136,900	2,152,927	100.75	FLOATING	N/A	N/A	FNARM	N/A	6/1/2002	101.42	101.25	101.34	12,562
	M166	FNAR 6.987 POOL - 124981	31365DXJ9	401,005	392,984	98.00	FLOATING	N/A	N/A	FNARM	N/A	8/1/1993	100.19	101.70	100.94	11,802
	M166	FNAR 7.109 POOL - 181636	31367WV57	362,160	354,917	98.00	FLOATING	N/A	N/A	FNARM	N/A	9/1/1992	99.91	101.22	100.56	9,288
	M166	FNAR 7.059 POOL - 513796	31383UXZ3	258,275	253,109	98.00	FLOATING	N/A	N/A	FNARM	N/A	9/1/1999	100.81	101.62	101.22	8,307
	M166	FNAR 6.422 POOL - 559819	31386C4C3	238,530	233,759	98.00	FLOATING	N/A	N/A	FNARM	N/A	10/1/2000	100.07	100.70	100.38	5,684
	M166	FNCL 6.00 OCT 07	01F0606A8	(50,000,000)	(49,919,922)	99.84	N/A	N/A	N/A	FNCL	N/A	N/A	99.84	99.85	99.85	(2,942)
				411,549,586	372,130,862											10,208,358

Trade Date	Book	Security	Cusip	Gross Nominal	Mkt Val	Price	CPN_TYP	RTG_SP	RTG_MD	Coll_Type	LEAD_MGR	ISSUE_DT	FTID PX	STREET PX	Avg	Mkt Val Diff	Trades	Trade Date	Trade PX	PnL	Counterparty
8/23/2007 Synapse	M166	MHL 07-1 2A12	61915YAC5	99,605,756	91,781,603	92.13	FLOATING	AAA	Aaa	WHARM6.5	DBS	5/31/2007	Not priced	Not priced	92.13	0					
	M166	DBALT 07-OA3 A1	25150WAA2	99,920,955	96,236,369	96.31	FLOATING	AAA	Aaa	AltAA6.6	DBS	5/31/2007	Not priced	93.83	93.83	(2,483,345)					
	M166	CWALT 07-OH2 A1B	02151RAB9	79,363,846	75,327,247	96.13	FLOATING	AAA	Aaa	AltAA7.1	CWSC	6/29/2007	Not priced	92.49	92.49	(2,848,910)					
	M166	CWALT 07-OH2 A2B	02151RAQ6	68,568,366	61,797,240	90.13	FLOATING	AAAe	Aaa	AltAA7.1	CWSC	6/29/2007	Not priced	92.47	92.47	1,607,140					
	M166	DBALT 07-OA5 A1A	25150XAA0	100,000,000	95,625,000	95.63	FLOATING	AAA	Aaa	AltAA3.9	DBS	7/31/2007	Not priced	Not priced	95.63	0					
	M166	CCMFC 07-1A A1	15679AAA1	40,235,069	36,281,847	90.13	FLOATING	AAA	Aaa	WHARM7.6	BCG	3/15/2007	Not priced	Not priced	90.13	0		9/19/2007	90.13	2,347,046	FHLB Boston
																		9/26/2007	97.63	670,584	MBIA
	M166	CCMFC 07-1A A2	15679AAB9	35,764,457	30,444,528	85.13	FLOATING	AAA	Aaa	WHARM7.5	BCG	3/15/2007	Not priced	Not priced	85.13	0					
	M166	BCAP 07-AA3 2A1B	05530VAP4	68,094,563	63,593,298	93.38	FLOATING	AAA	Aaa	WHARM6.3	BCG	5/31/2007	96.91	91.81	95.31	1,317,521					
	M166	TMST 07-2 A2A	88522WAB9	86,005,710	83,694,306	97.31	FLOATING	AAA	Aaa	WHARM6.1	LB	4/27/2007	98.83	Not priced	98.83	1,301,198		9/19/2007	97.31	1,343,839	FHLB Boston
				676,558,751	634,731,639											(1,106,397)				4,361,468	

* Where Price is Purchase Price

BARC-ADS-00860702

Appendix B: Cumulative Loss Projection Summary

1/18/2008 2006 Vin

Lehman	Jumbo	Alt-B	Subprime	Alt-A Hybrids	Alt-A Fixed	Option-ARM
0% HPA	0.18	4.80	13.00	1.68	1.08	3.00
-6% HPA	0.40	8.50	17.50	3.25	2.25	5.00
-12% HPA	0.75	12.10	22.00	5.00	3.50	8.00

1/7/2008

Bear Stearns	Subprime	Option-ARM
HPA 0	9.5	2
HPA -5	13.5	2.9
HPA -10	23	5.1

1/2/2008

UBS	Subprime
2005H2	11.24
2006H1	15.71
2006H2	22.18
2007H1	24.61

12/13/2007

Bear Stearns	CES	Subprime	Alt-A Hybrids	Alt-A Fixed	Option-ARM
05H1	16.1	8.5	2.4	1.3	2.2
05H2	23.3	11.1	6.3	2.1	4.8
06H1	44.1	16.4	8.1	3.7	7.6
06H2	44.3	21.7	8.3	3.7	10.4
07H1	53.6	25.8	9.5	4.9	10.6

12/13/2007

BarCap	Alt-A Hybrids	Alt-A Fixed
2006	4.40	2.91
2007	5.62	3.07

12/13/2007

Lehman	Optimistic	Base -5 HPA	Pessimistic
2005H2	11.6	13.1	14.1
2006H1	14.8	16.4	17.9
2006H2	18.1	20.1	21.8
2007H1	18.9	21.2	23.0

12/13/2007

Lehman	Agency	Prime	2nd	Subprime	Alt-A
Recent HPA	0.21	0.09	1.29	2.50	0.33
Base HPA	0.52	0.51	3.29	13.00	1.92
Stress HPA	0.80	0.68	4.12	17.08	2.67

12/7/2007

UBS	Subprime	Base	Shutdown
2005H2		8.74	11.41
2006H1		13.12	16.66
2006H2		17.73	22.16
2007H1		20.37	24.44

11/20/2007

GS	Subprime
2003	2
2004	3
2005	5
2006	23
2007	21

11/19/2007

UBS	Prime	CES	Subprime	Alt-A
2003	0.1	4.4	2.7	0.3
2004	0.1	6.3	3	0.5
2005	0.2	17.2	7.5	1.3
2006	0.3	43.9	19.3	4.5
2007	0.8	62.2	22.9	5.4

11/19/2007

Wachovia	Subprime
2006	10.5 - 13

CONFIDENTIAL BARC-ADS-00860704

CONFIDENTIAL

Appendix C: Spread Level Tracking

Spread levels currently tracked by PCG include observable benchmarks which can be obtained using multiple external data sources. PCG has utilized the 15 and 30 Yr Agency Yield Spreads as one benchmark. PCG feels this is an appropriate benchmark as all products which this spread movement will be applied will have a deal specific, fully loaded, loss projections which mitigates the "credit" component inherent in the assets.

The Agency spreads are measured on a "Percentage Change" basis month over month for testing purposes. The AAA HEL, AAA Floaters and ABX Index are also "Benchmarked" to show consistency in the direction of spread movements. Certain benchmarks may have greater weighting in our analysis. PCG Management reserves the right to dismiss results which may be a result of technical market factors which might cause certain benchmarks to be less reliable. This analysis is a "Generalized Approach" to account for a macro view on spreads across Residential Mortgage type assets.

Spread Benchmarks

FNMA 30 Mortgage Yield Spread Analysis (static)

Source BBG

Coupon	31-Oct	6-Nov	7-Nov	8-Nov	9-Nov	28-Nov	29-Nov	30-Nov	Change	% Change	
4.5	119	134	136	138	142	149	140	136	17	14.29%	
5	121	138	141	143	147	148	148	138	17	14.05%	
5.5	162	183	192	197	201	212	214	207	45	27.78%	
6	167	185	193	199	204	209	213	203	36	21.56%	
6.5	177	197	209	217	223	232	242	238	61	34.46%	
7	152	172	186	201	210	213	217	219	67	44.08%	
7.5	179	197	211	219	231	249	262	267	88	49.16%	
8	235	258	275	284	288	314	327	332	97	41.28%	
Average	**164**	**183**	**193**	**200**	**206**	**216**	**220**	**218**		**30.83%**	**Average**

BARC-ADS-00860705

CONFIDENTIAL

FNMA 15 Mortgage Yield Spread Analysis (static)

Source BBG

Coupon	31-Oct	6-Nov	7-Nov	8-Nov	9-Nov	28-Nov	29-Nov	30-Nov	Change	% Change	
4	112	130	139	141	146	161	153	152	40	35.71%	
4.5	109	126	134	137	142	157	149	148	39	35.78%	
5	118	135	143	145	152	169	163	162	44	37.29%	
5.5	129	145	152	156	164	182	178	176	47	36.43%	
6	130	145	153	157	167	212	213	215	85	65.38%	
6.5	177	197	212	222	230	239	239	240	63	35.59%	
7	191	216	229	236	249	285	292	298	107	56.02%	
Average	**138**	**156**	**166**	**171**	**179**	**201**	**198**	**199**		**43.17%**	**Average**

ABX AAA

Date	31-Oct	6-Nov	7-Nov	8-Nov	9-Nov	28-Nov	29-Nov	30-Nov	Change	% Change	
Spread	425	466	617	628	655	597	585	619	194	**22.85%**	**50% Weighted**

ABX AA

Date	31-Oct	6-Nov	7-Nov	8-Nov	9-Nov	28-Nov	29-Nov	30-Nov	Change	% Change	
Spread	1,515	1,517	1,661	1,704	1,745	1,817			302	**9.96%**	**50% Weighted**

ABX A

Date	31-Oct	6-Nov	7-Nov	8-Nov	9-Nov	28-Nov	29-Nov	30-Nov	Change	% Change	
Spread	2,351	2,386	2,454	2,456	2,480	2,430			79	**1.69%**	**50% Weighted**

ABX BBB

Date	31-Oct	6-Nov	7-Nov	8-Nov	9-Nov	28-Nov	29-Nov	30-Nov	Change	% Change	
Spread	2,867	2,878	2,871	2,867	2,894	2,852			-15	**-0.26%**	**50% Weighted**

Not For Distribution Strictly Confidential – Preliminary Proposal – Subject to Review and Discussion

BARC-ADS-00860706

CONFIDENTIAL

ABX BBB-

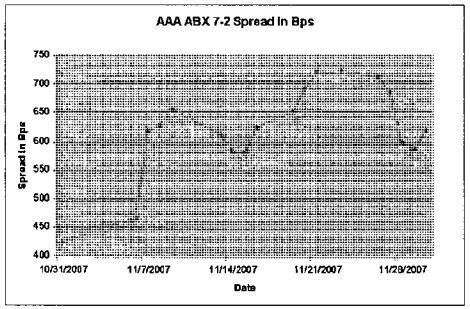
Date	31-Oct	6-Nov	7-Nov	8-Nov	9-Nov	28-Nov	29-Nov	30-Nov	Change	% Change	
Spread	2,910	2,937	2,920	2,915	2,947	2,883			-28	**-0.47%**	**50% Weighted**

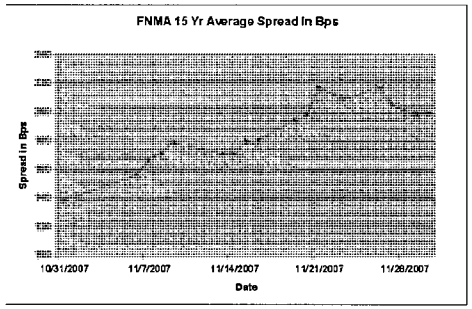
Source JPM ABS *11/21/2007*

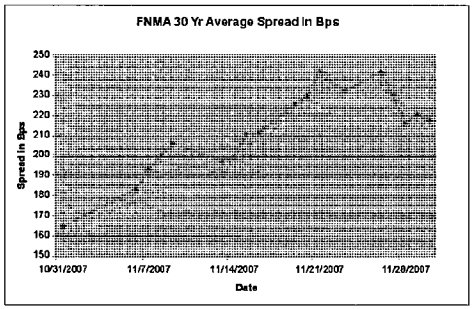
HEL Fixed Rates	Change
1	45.00%
3	33.00%
5	32.00%
7	25.00%
10	31.00%
Average	**33.20%**

HEL Floaters	Change
AAA	**50.00%**

Average of 5 Indexes	October Spread to Libor	November Spread to Libor
36.01%	**225**	**306**







Not For Distribution Strictly Confidential – Preliminary Proposal – Subject to Review and Discussion

BARC-ADS-00860707

Appendix D: Hedging

Broadly, our duration hedges on the Whole Loan book were allocated as follows over the last 6 months:

Product	% Duration
15yr Mortgages	8%
30yr Mortgages	15%
2yr Treasury	20%
2yr Euro Bundle	10%
3yr Euro Bundle	17%
Swaps	30%

And the duration split between our Whole Loan positions were as follows:

Position	% Duration
Hybrids	30%
Hybrid Option ARMs	50%
Greenpoint Loans	20%

The allocation of hedges was decided based on a number of factors:

- Mortgages were used to hedge against ~25% of the position as hybrids react to changes in mortgage performance. Historically, in the agency hybrid space, 10/1 hybrid arms have tracked (and even price) versus similar coupon mortgages. However, the exposure to mortgages in the agency space is usually higher as there is virtually no credit component involved. The impact of mortgage performance in the non-agency space is lower due to the inherent credit risk and thus less exposure to mortgages as a hedge is used.

- The majority of duration hedging was done using Euros and Swaps to reflect both the credit and interest rate aspects of our whole loans. The underlying assets are traded to swap spreads, and are also structurally exposed to swap rates. Securities created from these loans are usually indexed to Libor. A large move in Libor/swap rates greatly affects execution and can render the exit strategy uneconomical. In order to protect against large movements in rates, swaps provide the best available hedge against this risk.

- 2 year notes provide similar protection to interest rate risk as Euros and Swaps. By using 2 year notes, we diversify our interest rate hedge while also benefiting from movements in spreads between treasury notes and swaps.

The following table below shows the impact of the market move on our position marks. When most of these whole loans were purchased, they were purchased to an execution model. The most important component of the model was swap rates, particularly 2-year swap rates.

CONFIDENTIAL BARC-ADS-00860708

	2yr Swaps @ purchase	Current 2yr Swaps	Change in 2-year Swaps	Average Duration	$ Effect	$ Effect in 32nds	Mark Price Change	Net Effect
10/1	5.393	3.480	(1.913)	2.000	(3.826)	3-26⅜	0-15¾	(3-10⅝)
10/1	5.405	3.480	(1.925)	1.900	(3.658)	3-21	0-20½	(3-00½)
10/1	5.447	3.480	(1.967)	1.900	(3.737)	3-23⅝	0-31½	(2-24⅛)
CW HOA	5.01	3.480	(1.530)	1.700	(2.601)	2-19¼	(0-02⅛)	(2-21⅜)
AHM HOA	4.996	3.480	(1.516)	1.550	(2.350)	2-11¼	(1-31½)	(4-10¾)
AHM HOA	5.451	3.480	(1.971)	1.550	(3.055)	3-01¾	(2-03½)	(5-05¼)
GPNT*	4.906	2.700	(2.206)	1.500	(3.309)	3-09⅞	1-03	(2-06⅞)

**GPNT – 2yr Treasury was used as the benchmark.*

As we can observe from the above table, the mark on the loans is significantly lower than what would be implied by the move in 2 year swap rates.

CONFIDENTIAL BARC-ADS-00860709

CONFIDENTIAL

Appendix E: Non-Agency Inventory

Security	Cusip	Gross Nominal	Desk Price 12-31-07	Desk Px 01-02-08	Desk MV	SP	M	Intex CE	60+DQ	Trigger	Run To	Implied Liq. DM	Intex DM/YLD	Intex Price	MV Variance
BCAP 06-AA2 CE	05530MAL3	9,074,040	24.38	24.38	2,211,797		NR	-	**8.20**	**Fail**	**Call**				
BCAP 07-AA1 1CE	05530PAN2	4,435,741	80.34	80.34	3,563,841		NR	-	**6.47**	**Fail**	**Call**				
BCAP 07-AA1 2CE	05530PAZ5	2,852,379	0.00	0.00	3		NR	-	**3.92**	**Fail**	**Call**				
BCAP 07-AA2 1CE	05530NAM9	6,994,296	139.38	139.38	9,748,300		NR	-	**5.97**	**Fail**	**Call**				
BCAP 07-AA3 1CE	05530VAL3	5,527,010	169.38	169.38	9,361,373		NR	-	**2.09**	**Pass**	**Call**				
BCAP 07-AA3 2CE	05530VBB4	8,452,512	127.94	127.94	10,813,932		NR	-	**5.00**	**Pass**	**Call**				
BCAP 07-AA4 2CE	05530WAY3	4,647,205	158.72	158.72	7,375,985		NR	-	**2.65**	**Fail**	**Call**				
BCAP 07-AA5 CE	05531AAJ3	10,855,347	134.09	134.09	14,556,342		NR	-	**0.23**	**Pass**	**Call**				
BCAP 07-AB1 CE	05529DAQ5	18,076,359	109.86	109.86	19,858,003		NR	-	**0.23**	**Pass**	**Call**				
BCAP 06-AA1 M10	**055294AP7**	**1,017,000**	**12.00**	**12.00**	**122,040**	**CCC**	**NR**	**0.50**	**12.43**	**Fail**	**Call**	**N/A**	**500**	**1.6411**	**(105,350)**
BCAP 06-AA1 M4	055294AF9	1,018,000	62.75	62.75	638,795	AA	Baa2	3.49	12.43	Fail	Call	607			
BCAP 06-AA1 M5	055294AG7	1,018,000	60.00	60.00	610,800	AA-	Baa3	3.02	12.43	Fail	Call	669			
BCAP 06-AA1 M7	**055294AJ1**	**1,018,000**	**45.00**	**45.00**	**458,100**	**BB**	**Ba3**	**2.06**	**12.43**	**Fail**	**Call**	**N/A**	**500**	**4.4404**	**(412,897)**
BCAP 06-AA1 M9	**055294AL6**	**1,163,000**	**30.00**	**30.00**	**348,900**	**CCC**	**Ca**	**0.98**	**12.43**	**Fail**	**Call**	**N/A**	**500**	**2.6368**	**(318,234)**
BCAP 06-AA2 M4	05530MAF6	3,000,000	59.75	59.75	1,792,500	AA-	A3	3.17	8.20	Fail	Call	477			
BCAP 07-AA1 1M4	05530PAH5	2,957,000	59.75	59.75	1,766,808	A-	A1	2.94	6.47	Fail	Call	478			
BCAP 07-AA1 1M5	05530PAJ1	3,696,000	57.00	57.00	2,106,720	BBB	A2	2.36	6.47	Fail	Call	531			
BCAP 07-AA1 1M7	05530PAL6	3,696,000	44.00	44.00	1,626,240	BB	Baa3	1.32	6.47	Fail	Call	1001			
BCAP 07-AA1 1M8	05530PAM4	4,066,000	27.00	27.00	1,097,820	BB-	NR	0.69	6.47	Fail	Call	2407			
BCAP 07-AA1 2M6	05530PAW2	5,990,000	41.00	41.00	2,455,900	BB+	Baa1	1.93	3.92	Fail	Call	1722			
BCAP 07-AA1 2M7	05530PAX0	3,708,000	38.00	38.00	1,409,040	BB	Baa3	1.23	3.92	Fail	Call	1144			
BCAP 07-AA1 2M8	05530PAY8	3,708,000	34.00	34.00	1,260,720	BB-	NR	0.54	3.92	Fail	Call	1588			
CMLTI 06-AR3 2B2	**17306SAS2**	**9,983,857**	**65.00**	**65.00**	**6,489,607**		**NR**	**4.22**	**10.58**	**Fail**	**Maturity**	**-5531**	**500**		
CMLTI 06-AR3 2B3	**17306SAT0**	**6,239,662**	**49.00**	**49.00**	**3,057,434**		**NR**	**2.88**	**10.58**	**Fail**	**Maturity**	**N/A**	**500**		
MSM 06-3AR M3	**61748HXK2**	**4,061,481**	**52.00**	**52.00**	**2,111,970**	**A**	**Ba1**	**4.09**	**9.15**	**Fail**	**Call**	**-3729**	**500**		
MSM 07-11AR B1	**61754VAM3**	**18,184,976**	**81.00**	**81.00**	**14,713,631**	**AA**	**Aa2**	**6.48**	**9.29**	**Fail**	**Call**	**-1955**	**500**		
AHM 07-A 1M1	026931AG0	4,812,000	74.25	74.25	3,572,910	AA	Aa3	3.51	6.32	Fail	Maturity	333			
AHM 06-1 1M5	02660TJP9	9,384,000	41.00	41.00	3,847,440	BBB	NR	1.21	6.34	Fail	Maturity	1301			
AHM 06-1 1M6	02660TJQ7	4,265,000	30.00	30.00	1,279,500	BB	NR	0.81	6.34	Fail	Maturity	2071			
AHM 06-1 1M4	02660TJN4	23,033,000	62.00	62.00	14,280,460	A	NR	2.10	6.34	Fail	Maturity	597			
CWALT 06-OA2 M8	**126694T65**	**6,972,411**	**40.09**	**40.09**	**2,795,501**	**BB-**	**B2**	**4.71**	**12.48**	**Fail**	**Maturity**	**-7179**	**500**	**13.8175**	**(1,832,088)**
BALTA 05-2 1A1	07386HQR5	2,059,436	85.00	93.66	1,750,521	AAA	Aaa	28.80	17.23	Fail	Maturity	352			
CSMC 06-3 1A1B	225470M34	21,193,505	99.83	98.39	21,157,476	AAA	Aaa	19.39	27.28	Fail	Call	324			
NAA 06-AF2 1A1	65536VAA5	4,316,830	99.14	97.05	4,279,705	AAA	Aaa	11.96	18.61	Fail	Call	218			
INDX 06-AR11 3A2	45661KAH3	16,863,402	99.36	97.78	16,755,371	AAA	Aaa	10.51	15.63	Fail	Maturity				
SASC 05-RF3 1A	86359DMC8	7,901,573	99.06	96.08	7,827,299	AAA	Aaa	3.82	26.04	Fail	Maturity				
AHM 06-2 4A	02660YAB8	36,000,000	98.5	95.546875	35459999.96	A	Aa1	44.386	17.25	Fail	Maturity	230			

Not For Distribution Strictly Confidential – Preliminary Proposal – Subject to Review and Discussion

BARC-ADS-00860710

CONFIDENTIAL

Security	Cusip	CPR	CDR	Loss Sev	60D	90+D	BK	FCL	REO	Mo. Liq.	Net Loss	Cur Col Bal	F. Cum Loss %
BCAP 06-AA2 CE	05530MAL3	7.28	3.00	40%	5.68	3.07	0.38	3.57	1.24	0.5907			
BCAP 07-AA1 1CE	05530PAN2	7.70	3.00	40%	4.35	1.87	0.37	2.72	0.47	0.4093			
BCAP 07-AA1 2CE	05530PAZ5	4.00	3.00	40%	4.35	1.87	0.37	2.72	0.47	0.4093			
BCAP 07-AA2 1CE	05530NAM9	5.76	2.50	40%	1.76	2.05	0.31	2.78	0.87	0.3532			
BCAP 07-AA3 1CE	05530VAL3	5.00	1.00	40%	1.48	0.72	0.20	1.17	0.05	0.1529			
BCAP 07-AA3 2CE	05530VBB4	16.00	2.00	40%	4.07	2.08	0.15	2.60	0.17	0.3763			
BCAP 07-AA4 2CE	05530WAY3	11.00	1.00	40%	2.86	1.59	0.15	0.61	-	0.1969			
BCAP 07-AA5 CE	05531AAJ3	7.00	0.50	40%	1.51	0.23	-	-	-	0.0593			
BCAP 07-AB1 CE	05529DAQ5	7.00	2.50	40%	-	-	0.16	0.76	0.37	0.0690			
BCAP 06-AA1 M10	**055294AP7**	**15.00**	**3.00**	**40%**	**5.19**	**3.20**	**0.45**	**5.36**	**3.64**	**0.8149**	**20,100,472**	**213,748,910**	**9.40%**
BCAP 06-AA1 M4	055294AF9	15.00	3.00	40%	5.19	3.20	0.45	5.36	3.64	0.8149	20,100,472	213,748,910	9.40%
BCAP 06-AA1 M5	055294AG7	15.00	3.00	40%	5.19	3.20	0.45	5.36	3.64	0.8149	20,100,472	213,748,910	9.40%
BCAP 06-AA1 M7	**055294AJ1**	**15.00**	**3.00**	**40%**	**5.19**	**3.20**	**0.45**	**5.36**	**3.64**	**0.8149**	**20,100,472**	**213,748,910**	**9.40%**
BCAP 06-AA1 M9	**055294AL6**	**15.00**	**3.00**	**40%**	**5.19**	**3.20**	**0.45**	**5.36**	**3.64**	**0.8149**	**20,100,472**	**213,748,910**	**9.40%**
BCAP 06-AA2 M4	05530MAF6	7.50	2.50	40%	2.61	2.95	0.38	3.57	1.37	0.4909	116,688,140	1,031,616,059	11.31%
BCAP 07-AA1 1M4	05530PAH5	8.00	2.00	40%	2.36	2.59	0.41	2.75	0.72	0.3881	56,526,618	642,360,584	8.80%
BCAP 07-AA1 1M5	05530PAJ1	8.00	2.00	40%	2.36	2.59	0.41	2.75	0.72	0.3881	56,526,618	642,360,584	8.80%
BCAP 07-AA1 1M7	05530PAL6	8.00	2.00	40%	2.36	2.59	0.41	2.75	0.72	0.3881	56,526,618	642,360,584	8.80%
BCAP 07-AA1 1M8	05530PAM4	8.00	2.00	40%	2.36	2.59	0.41	2.75	0.72	0.3881	56,526,618	642,360,584	8.80%
BCAP 07-AA1 2M6	05530PAW2	5.00	1.75	40%	2.62	1.01	0.32	2.68	0.17	0.2974	51,787,094	533,341,750	9.71%
BCAP 07-AA1 2M7	05530PAX0	5.00	1.75	40%	2.62	1.01	0.32	2.68	0.17	0.2974	51,787,094	533,341,750	9.71%
BCAP 07-AA1 2M8	05530PAY8	5.00	1.75	40%	2.62	1.01	0.32	2.68	0.17	0.2974	51,787,094	533,341,750	9.71%
CMLTI 06-AR3 2B2	**17306SAS2**	**10.00**	**3.00**	**40%**	**1.94**	**1.68**	**0.63**	**5.50**	**2.91**	**0.6217**	**55,177,830**	**461,323,006**	**11.96%**
CMLTI 06-AR3 2B3	**17306SAT0**	**10.00**	**3.00**	**40%**	**1.94**	**1.68**	**0.63**	**5.50**	**2.91**	**0.6217**	**55,177,830**	**461,323,006**	**11.96%**
MSM 06-3AR M3	**61748HXK2**	**10.00**	**2.50**	**40%**	**1.85**	**1.09**	**0.76**	**4.06**	**2.52**	**0.4992**	**52,284,129**	**547,587,374**	**9.55%**
MSM 07-11AR B1	**61754VAM3**	**6.00**	**3.00**	**40%**	**4.82**	**0.36**	**0.73**	**9.23**	**1.03**	**0.7731**	**6,410,019**	**38,839,986**	**16.50%**
AHM 07-A 1M1	026931AG0	17.00	1.00	40%	0.23	-	0.21	2.65	0.42	0.1864	4,372,743	157,876,697	2.77%
AHM 06-1 1M5	02660TJP9	15.00	1.50	40%	0.18	0.13	0.46	5.07	0.97	0.3645	55,889,952	1,054,156,536	5.30%
AHM 06-1 1M6	02660TJQ7	15.00	1.50	40%	0.18	0.13	0.46	5.07	0.97	0.3645	55,889,952	1,054,156,536	5.30%
AHM 06-1 1M4	02660TJN4	15.00	1.50	40%	0.18	0.13	0.46	5.07	0.97	0.3645	55,889,952	1,054,156,536	5.30%
CWALT 06-OA2 M8	**126694T65**	**12.00**	**3.50**	**40%**	**3.36**	**5.01**	**0.64**	**4.31**	**2.55**	**0.7128**	**162,921,513**	**1,240,861,960**	**13.13%**
BALTA 05-2 1A1	07386HQR5	20.00	4.50	40%	0.85	1.86	-	7.95	7.41	0.9540	16,367,739	141,099,050	11.60%
CSMC 06-3 1A1B	225470M34	10.00	7.50	40%	2.25	1.12	0.85	15.84	9.61	1.5655	64,552,095	262,460,515	24.59%
NAA 06-AF2 1A1	65536VAA5	7.00	5.50	40%	3.06	0.82	1.49	12.63	4.21	1.1274	65,336,747	278,507,166	23.46%
INDX 06-AR11 3A2	45661KAH3			40%						-			
SASC 05-RF3 1A	86359DMC8			40%	5.63	12.95	10.27	5.05	2.03	1.4840			
AHM 06-2 4A	02660YAB8	16.00	6.00	100%	2.14	3.71	1.71	10.09	2.29	2.9097	38,955,895	141,270,625	27.58%

Not For Distribution Strictly Confidential – Preliminary Proposal – Subject to Review and Discussion

BARC-ADS-00860711

Appendix F: Aggregate Prices by Rating

June 2007 Aggregate Prices by Rating

Alt-A Rating	Gross	Desk Long	Avg Desk Px	% of Inv
AAA	2,802,914,150	2,343,093,211	83.59	76%
AA+	7,000,000	6,978,125	99.69	0%
AA	49,269,852	48,269,644	97.97	2%
AA-	1,018,000	985,551	96.81	0%
A+	9,047,603	8,937,619	98.78	0%
A	30,002,368	28,818,845	96.06	1%
BBB+	13,878,278	12,734,577	91.76	0%
BBB	562,915,744	429,060,738	76.22	14%
BBB-	17,047,371	13,718,896	80.48	0%
BB	183,414,984	176,356,270	96.15	6%
B	1,187,237	459,683	38.72	0%
Grand Total	**3,677,695,587**	**3,069,413,160**		**100%**

Table 6: ALT-A Securities Price Dispersion by Rating Grade as of 6/29/2007

December 2006 Aggregate Prices by Rating

Immaterial Alt-A exposure as business did not commence until early 2007.

CONFIDENTIAL BARC-ADS-00860712

Appendix G: Basis Differential – Price Testing Spreads Alt-A vs. Subprime

Spreads used to Price Test Subprime and Alt-A Whole Loans are tracked on a percentage change basis. These spread level changes are applied in the testing process to the individual products consistent with market conventions. Subprime Mortgages and Subprime Mortgage Backed Securities are typically traded off a "Libor" basis. This is a function of two components: The majority of the Adjustable Rate Mortgages are indexed on a "Libor + Spread" basis and Bonds issued are generally Libor Floaters. Standard convention in the Alt-A market is to benchmark floaters off the USD Swap curve. This is a function of the underlying ARM Mortgages generally being indexed to a "US Treasury + Spread" benchmark. The differences in the basis is tracked for reasonability to rationalize the wider spreads in Subprime vs. Alt-A on an index equalized basis. The comparison below is for illustrative purposes. Final results may differ slightly due to changes in the shape of the yield curves and the duration of the asset being valued.

Spread Level Comparison

Subprime Whole Loans Base Spreads	Oct	Nov	Dec
1mLibor	4.71%	5.24%	4.60%
Spread	2.55%	3.06%	3.06%
Implied Yield	7.26%	8.30%	7.66%

Subprime Equalization to Swaps	Oct	Nov	Dec
3yr Swap Benchmark	4.64%	3.94%	3.91%
Spread	2.61%	4.36%	3.76%
Implied Yield	7.26%	8.30%	7.66%

Alt-A Average Spread - Swaps	0.75%	1.50%	2.94%
Subprime Spread to Swaps	2.61%	4.36%	3.76%
Subprime Premium to Alt-A	1.86%	2.86%	0.82%

Table 7: Spread Level Comparison

CONFIDENTIAL BARC-ADS-00860713

Historical 3 Yr Swap vs. 1 Mo LIBOR

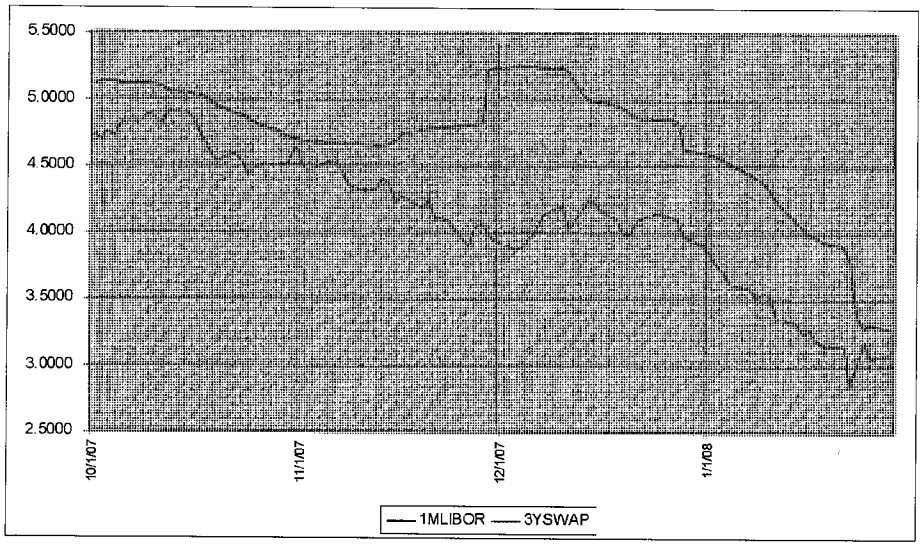


Figure 3: Historical 3 Yr Swap vs. 1 Mo LIBOR

Yield Curves

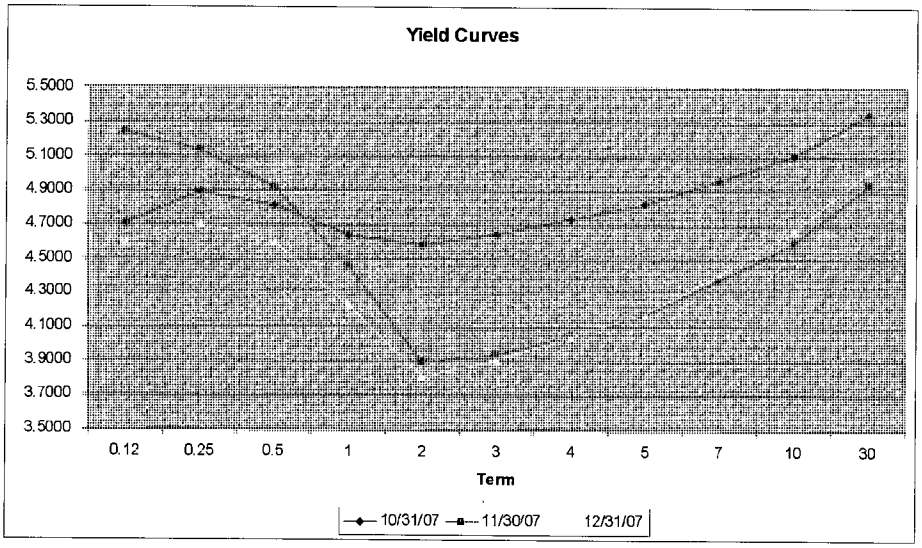


Figure 4: Yield Curves

CONFIDENTIAL BARC-ADS-00860714

Appendix H: Price Testing Proxy Prices

Due to the lack of visible trades in the market, PCG has utilized pricing proxies to Agency Benchmarks to provide a secondary check on the modelling approach which has been utilized in the Subprime and Alt-A space.

Alt-A Proxy

In the Alt-A market, there are various Agency Hybrid Pools with comparable coupons which are held in the portfolio as of 12/31. PCG was able to benchmark as proxy by product type and coupon to these pools. The average price for our Whole Loan pools were approximately three to four points behind Agency pools. Furthermore, TBA Proxies show that these would be marked on average 3 to 6 points behind TBA benchmarks. These proxy testes show that relative to Agency Benchmarks, the pricing represents a significant discount to the proxy which is expected in this market.

Type	Orig	Cusip	WAC	Collateral Type	PX 01 28	Agency	Benchmark	Benchmark PX	PX Diff
Prime	GreenPoint	ZG01GP078	5.01	Seasoned Hybrids	98.25	FNAR 3.841	POOL - 703979	99.25	(1.00)
OPT	AHM	ZX0001024	7.07	Option ARMs	95.91	FHAR 6.425	POOL - 1N1633	101.23	(5.33)
OPT	AHM	ZC0111001	6.86	Option ARMs	96.44	FHAR 6.418	POOL - 1J3773	100.38	(3.94)
Hybrid	CW	ZC0110821	6.51	Hybrids 10's	97.34	FNAR 6.223	POOL - 606114	100.45	(3.11)
Hybrid	CW	ZC15CW076	6.56	Hybrids 10's	97.50	FNAR 6.223	POOL - 606114	100.45	(2.95)
Hybrid	CW	ZC16CW074	6.69	Hybrids 10's	97.31	FNAR 6.223	POOL - 606114	100.45	(3.14)
Hybrid	CW	ZC13CW071	6.56	Hybrids 10's	97.78	FNAR 6.223	POOL - 606114	100.45	(2.67)
Hybrid	CW	ZCSJCW077	6.30	Super Jumbo's	99.16	FNAR 5.983	POOL - 894271	100.64	(1.48)
Hybrid	CW	ZCSJCW069	6.95	Jumbo Hybrids 5's	89.50	FNAR 6.329	POOL - 952222	100.44	
Hybrid	IndyMac	ZI20IN069	5.98	Hybrids 5/7's	96.38	FNAR 5.914	POOL - 967469	101.38	(5.00)

*Jumbo Hybrid 5's removed.

Subprime Proxy

In the Subprime space, Barclays was a seller of newer origination Subprime Loans to Freddie Mac. The price of the pool sold was 101.29 on a pool of mixed subprime collateral with a gross WAC in the 9.5 range. PCG considers this trade when benchmarking the collateral for Proxy Price Testing. Using a model price of 100.75 as the benchmark for newer collateral, our interpolated price for lower coupon, short WALA (less than 12 months) would trade at a discount. This discount would be a minimum of the price differential between premium coupon TBA and a 1 point discounted TBA. The test shows that the modelling of the Subprime Whole Loans shows expected directionality consistent with Agency Prices for TBAs. For example, pricing a FNCL 7 dropping to a FNCL 6 would indicate a price differential of 2.47, while Barclays Subprime seasoned origination is reflecting a drop in pricing of **3.69**. This would indicate a 2.94 point discount on new origination Equifirst originations and a 6.63 point discount more on NY Branch portfolio respectively.

Investor	WAC	PX 01 28	FNCL 8.5 Jan	PX Diff
Equifirst - New Production	9.642	100.754	103.6953	(2.9413)
EF Loan NYBR	8.511	97.061	103.6953	(6.6343)

*Scratch/Dent removed.

FNCL 6.00 Jan	FNCL 7.00 Jan	PX Diff
101.55	104.02	2.47

With a lack of observable trades in the market, we believe that this approach is one method to approximate an exit price for whole loans based on proxies in the agency market.

Barclays Capital

Subprime Whole Loans & Securities

Subprime Valuation Year End

Document reference:
PWCMemoDraft 01_23_2007.doc

Version: 2

CONFIDENTIAL BARC-ADS-00860716

Table of Contents

1. INTRODUCTION **4**

1.1. BARCLAYS CAPITAL SUBPRIME WHOLE LOAN POSITION 4
1.2. EQUIFIRST ORIGINATIONS 4
1.3. NON-EQUIFIRST ORIGINATIONS 4
1.4. VALUATION SUMMARY AS OF 11/30/2007 5

2. APPLICATION OF THE IAS 39 WITH FAS 157-TYPE FAIR VALUE HIERARCHY TO WHOLE LOAN VALUATION METHODOLOGY **5**

3. IDENTICAL OBSERVABLE PRICES IN ACTIVE MARKETS (LEVEL 1 INPUTS) **6**

3.1. DECLINING VOLUMES IN SECURITIZATION MARKET DURING 2007 6
3.2. SECURITIZATIONS EXECUTED IN 4Q07 6
3.3. ABX.HE 2008-1 7
3.4. WHOLE LOAN SALES 7
3.5. INABILITY TO SELL OR SECURITIZE CAUSES NUMEROUS ORIGINATOR FAILURES 8
3.6. COLLAPSE OF INVESTOR MARKETS DEMAND 9
3.6.1. Disappearance of CDO Demand *9*
3.6.2. Impact of SIVs, SIV-Lites and ABCP Conduits *9*
3.6.3. Limited Financing Options for Potential Investors *9*
3.7. CONCLUSIONS FROM THE SECURITIZATION AND WHOLE LOAN MARKETS 10

4. OTHER OBSERVABLE VALUATION INPUTS (LEVEL 2 INPUTS) **10**

4.1. ABX.HE IS NOT AN ADEQUATE VALUATION INPUT 10
4.2. BARCLAYS CAPITAL'S MOST RECENT SECURITIZATION IS A VALID OBSERVABLE INPUT 11
4.3. UPDATED CAPITAL STRUCTURES HAVE BEEN USED IN OUR ANALYSIS 12
4.4. RECENT WHOLE LOAN SALES ARE APPROPRIATE OBSERVABLE INPUTS 13
4.4.1. Recent Sale to Freddie Mac *14*
4.4.2. Imminent Sale to American General Finance *14*
4.5. OTHER OBSERVABLE MORTGAGE-RELATED SPREAD INPUTS 15

5. MODEL VALUATION INPUTS (LEVEL 3 INPUTS) **15**

5.1. CUMULATIVE LOSSES 15
5.2. PREPAYMENTS 15

6. BARCLAYS FAIR VALUE OF SUB-PRIME WHOLE LOANS **17**

6.1. DOCUMENTATION EVIDENCING BARCLAY'S COMPLIANCE WITH THE CAQ VALUATION WHITE PAPER 17
6.1.1. Introduction *17*
6.1.2. Overall question *17*
6.1.3. Specific questions *17*

APPENDIX A: DECLINING VOLUMES IN SECURITIZATION MARKET **21**

APPENDIX B: MARKIT ABX.HE **22**

APPENDIX C: DELTA FINANCIAL CORPORATION PRESS RELEASE **23**

APPENDIX D: COLLATERAL CHARACTERISTICS AND PERFORMANCE **24**

APPENDIX E: 60+ DELINQUENCIES COMPARISON **25**

List of Figures

FIGURE 1: SUBPRIME WHOLE LOAN INVENTORY 4
FIGURE 2: GRAPH SHOWING RECENT SLOWING OF PREPAYMENTS ACROSS THE MARKET 16

List of Tables

TABLE 1: SECURITIZED SUBPRIME MORTGAGE TRANSACTIONS 6
TABLE 2: WEIGHTED AVERAGE SPREAD 12
TABLE 3: CAPITAL STRUCTURE COMPARISON 13

1. Introduction

1.1. Barclays Capital Subprime Whole Loan Position

This paper outlines the methodology utilized by Barclays Capital to provide a determination of fair value for subprime whole loan inventory that is consistent with IAS 39. This paper should be read in conjunction with the "Whole Loan Inventory Summary - November 2007" presentation which details collateral characteristics and valuation assumptions.

As of November 30th, 2007, Barclays Capital maintained a $6.5bn portfolio of subprime whole loans on its balance sheet. These loans have been acquired through the following channels:

- Originated by EquiFirst, a wholly-owned subsidiary,
- Acquired through whole loan purchases with New Century,
- Acquired through collapse of warehouse lending facilities with New Century and ResMac.

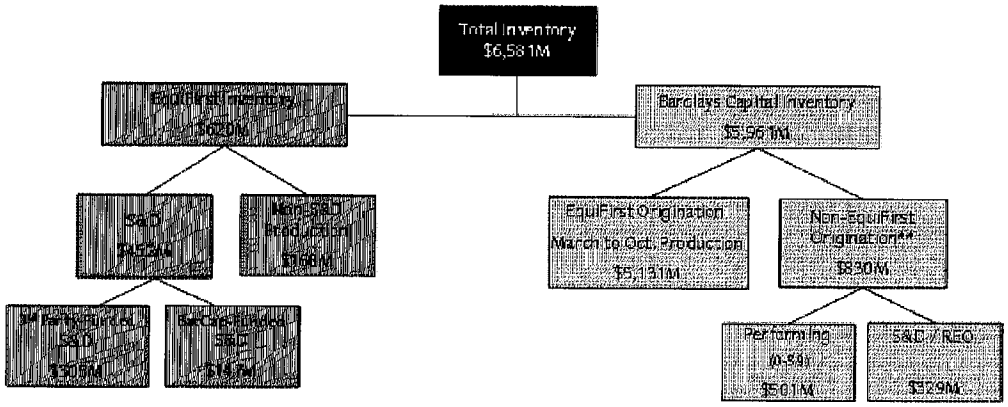


Figure 1: Subprime Whole Loan Inventory

1.2. EquiFirst Originations

EquiFirst originations represent approximately 90% of Barclays Capital's whole loan inventory and will comprise an increasing percentage going forward. Barclays Capital acquired EquiFirst in April 2007 and began modifying their origination guidelines. All EquiFirst collateral currently owned was originated in March 2007 or later. The collateral characteristics of EquiFirst origination continually improved which is highlighted by the elimination of second liens, increased percentages of full documentation loans, lower CLTVs, and increased coupons.

1.3. Non-EquiFirst Originations

Barclays Capital acquired collateral originated by New Century through a combination of whole loan purchases in late 2006 and the collapse of two warehouse lending facilities in early 2007. Collateral was also acquired from ResMae following the collapse of a warehouse lending facility in March 2007. The whole loan business has not acquired any additional subprime whole loans from third-party originators. All of this collateral is owned at a significant discount to par.

CONFIDENTIAL BARC-ADS-00860719

1.4. Valuation Summary as of 11/30/2007

In total, the whole loan inventory owned by Barclays Capital equals $5.9bn and is valued at 97.46% on a servicing-retained basis. In addition, an early-pay-default reserve of $46mn was established at EquiFirst and will be applied against this portfolio at Barclays Capital. Given the analysis detailed in the presentation "Whole Loan Inventory Summary - November 2007" and the conclusions of this paper, we are comfortable with this valuation. We will further update this analysis for 12/31/2007 when the collateral data is available (expected to be completed by January 18th).

2. Application of the IAS 39 with FAS 157-type Fair Value Hierarchy to Whole Loan Valuation Methodology

Both the securitization and whole loan markets for subprime mortgages have experienced extreme disruption over the past six months. In this market environment both securitization and whole loan sale volumes have declined substantially. The recently issued white paper created by the Center for Audit Quality titled "Measurements of Fair Value In Illiquid (or Less Liquid) Markets" and "Determining Fair Value of Financial Instruments under IFRS in Current Market Conditions", provides the framework for determining fair value consistent with FAS 157 for assets with limited or no market activity.

Under FAS 157, the measurement of fair value may incorporate the following data points:

1. Quotable prices for identical assets when observable and unadjusted in the active market (Level 1 inputs)
2. Quotable prices for similar assets (proxies) when prices for identical assets are not observable or inputs of prices corroborated by market data (Level 2 inputs)
3. Unobservable inputs (Level 3 inputs)

To provide a measurement of fair value for subprime mortgage whole loans, Barclays Capital began its valuation process by attempting to identify observable Level 1 inputs in the market. Given the well documented decline in liquidity and transaction volume of subprime mortgage transactions over the past six months as detailed below, sufficient identical observable inputs/prices are not readily available. In the absence of identical observable prices (Level 1 inputs), Barclays Capital developed a valuation methodology based upon other observable and model inputs, which coincide with Level 2 and Level 3 inputs.

We note from IAS 39 that, in the event that a market for a financial instrument is not active, fair value is assessed by using well established valuation techniques including discounted cash flow analysis. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and should be consistent with accepted economic methodologies for pricing financial instruments. Our valuation methodology for subprime mortgage loans was formed with these principles in mind.

The valuation methodology and rationale for the inputs is described in more detail below. The accompanying presentation, "Valuation of Sub-Prime Whole Loans" more fully describes the inputs and results of this valuation exercise.

3. Identical Observable Prices in Active Markets (Level 1 Inputs)

Under IAS 39, a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Barclays Capital first set out to identical observable prices in active markets (Level 1 valuation inputs), that the reporting entity has the ability to access at the measurement date. The following items were considered in attempting to define these inputs:

3.1. Declining Volumes in Securitization Market During 2007

The market for subprime mortgage securitizations has experienced extreme disruption during 2007 which has significantly curtailed issuance volumes. In the third and fourth quarters of 2006 over $300bn of subprime mortgage securitizations were executed; by contrast, during the same period in 2007 less than $40bn of transactions were completed (see Appendix A). Since entering the subprime whole loan business in mid-2004, Barclays Capital traditionally securitized, on average, one subprime mortgage transaction per month of an average size of $750mn. This pace of issuance continued through June 2007 after which the market for securitized mortgage product deteriorated significantly. As a result of the limited liquidity, Barclays Capital has not securitized subprime mortgages since SABR 2007-BR5 in June 2007. Similarly, Barclays Capital has not managed a mortgage securitization for a third-party client since March 2007 after managing $14bn of such transactions in 2006. Based on these easily observable market trends during 2007 especially after the first quarter, it is our view that the securitization market for subprime mortgages does not currently provide identical or similar observable prices.

3.2. Securitizations Executed in 4Q07

Structured Finance Watch, a pricing service for asset-backed securities accessible through Bloomberg shows that only selected classes from four securitized subprime mortgage transactions have priced in the entire fourth quarter of 2007:

Deal Name	Deal Size (mn)	Date	Most Subordinate Class Priced
ABFC 2007-WMC1	$1,420	Nov 2	AA-
CMLTI 07-WFHE4	$97	Oct 22	AAA
SVHE 2007-OPT5	N/A	Oct 11	AA-
FFMER 07-H1	$884	Oct 7	A+

Table 1: Securitized Subprime Mortgage Transactions

The relatively few deals shown above demonstrate the illiquidity in the market evidenced by the lack of transaction frequency and inability to price a meaningful component of mezzanine or subordinate bonds. To elaborate, in a normalized, liquid market, mortgage ABS typically feature the issuance and sale of classes of bonds rated from triple-A through triple-B minus or double-B including net interest margin securities. In the relatively few instances where subprime loans were securitized during the fourth quarter of 2007, no transaction featured bonds issued below

CONFIDENTIAL BARC-ADS-00860721

the single-A plus ratings level, as shown in the table above. Furthermore, it is difficult to determine if the prices for the senior tranches of these transactions that are reported to have been completed actually reflect arms-length transactions. Significant portions of these tranches may have been retained by dealers responsible for distributing the transaction (note that in transactions above, the dealer for the securitization is the same entity as the whole loan purchaser). Feedback from bond syndicate desks across Wall Street and investors reveal that many dealers are retaining a substantial portion of the mezzanine bonds from their own securitizations out of necessity.

For comparative purposes, during October and November 2006 114 subprime mortgage deals priced with a total notional balance in excess of $89bn. As an active participant in that market, Barclays Capital executed three subprime mortgage ABS transactions during that time period with a total notional balance of $2.4bn. In normalized, liquid market operable during this timeframe, Barclays Capital readily priced all components of the securitization capital structure, verified the adequacy of pricing information, compared pricing to other securitizations completed with similar collateral characteristics and could derive whole loan sale prices from executed securitizations.

The market trends described previously regarding the lack of an observable securitization market in 2007 have become more acute as the year progressed. These trends further validate our view that the securitization market for subprime mortgages does not currently provide Level 1 observable inputs.

3.3. ABX.HE 2008-1

The broker/dealer community recently acknowledged the lack of subprime securitizations as the rationale for postponement of the latest series of the ABX.HE index. The new series, ABX.HE 2008-1, was scheduled to launch in mid-January 2008 but was postponed due to "a lack of RMBS deals issued in the second half of 2007 and eligible for inclusion in the forthcoming Markit ABX.HE roll" (see Appendix B). The postponement of this index further illustrates the lack of identical observable prices available in the securitization market.

3.4. Whole Loan Sales

In the absence of a viable securitization market, Barclays Capital sought Level 1 information in the form of whole loan sales. Whole loans are typically sold privately on a bi-lateral basis and therefore it is difficult to verify prices in this market. The securitization market had been the primary vehicle of efficiently conveying mortgage risk and as described previously the securitization of subprime mortgages has ceased during the course of 2007. The closure of the securitization market has had the knock-on effect of dramatically reducing the volume of whole loan sales.

As mentioned previously, the whole loan market is private in nature and therefore there are challenges to acquiring reliable data of market activity. However, since mid-2004 Barclays Capital has been an active participant in whole loan auctions. Given the level of inquiry from whole loan seller Barclays Capital believes that there have been very few competitive subprime whole loan bids since July 2007 and even fewer pools which actually traded. As a potential buyer of whole loans, Barclays Capital was asked to respond to whole loan offerings from WMC, Accredited, FBR and CDC/IXIS among others during 3Q07 and 4Q07. In each instance, we refreshed our analysis on the same pool of loans over the course of several weeks and months

as these distressed sellers were unable to find liquidity. Again, the illiquidity in the securitization market affected the market participants' ability to effectively price whole loans. As a result, marketing periods for whole loans extended significantly with very few pools traded. Those pools that did trade were considered "fire sales" consummated by distressed sellers who were forced to liquidate collateral in order to avoid bankruptcy, meet margin calls or free capital to fund future loan production.

Given that many potential buyers of subprime whole loans look to the securitization market as their exit strategy, it follows that the extreme dislocation in the securitization markets has caused the whole loan market to cease functioning. Based on this trend, it is our contention that the whole loan market for subprime mortgages does not currently provide identical or similar observable inputs.

3.5. Inability to Sell or Securitize Causes Numerous Originator Failures

As described above, 2007 especially after the first quarter, has been characterized by an inability to securitize or sell subprime mortgage collateral and therefore does not provide identical observable Level 1 inputs. Further evidence of this characterization of the market is provided by the numerous mortgage originator failures during 2007. According to National Mortgage News, more than 90 mortgage originators have gone bankrupt during 2007 (e.g. New Century, OwnIt, People's Choice). This number does not include the multitude of originators which were acquired by stronger financial institutions as their only option short of bankruptcy (e.g. Citibank's acquisition of Ameriquest, Bear Stearns acquisition of Encore) or shut-downs of mortgage operations without bankruptcy (e.g. Option One, Fremont, WMC). While there were a myriad of reasons for the troubles with each specific originator, a consistent theme was the lack of liquid securitization or whole loan markets which in more robust time periods provided these originators liquidity for their on-going operations.

As an illustration of this point, we note Delta Financial Corporation recently sought bankruptcy protection following its inability to complete a securitization in keeping with the terms and conditions of the standstill agreement with its creditors (see Appendix C). We find the Delta Financial example compelling evidence that the mortgage securitization market is "not active" as defined by IAS 39 as the company could not complete a securitization when its ability to operate as a going concern depended on it. As another example of issuer distress short of bankruptcy, in August 2007 Countrywide Financial, the largest US mortgage lender, made the decision to cease all originations of mortgages which are not eligible for purchase by government-sponsored entities. The decision was undertaken in great part due to the inability to securitize or sell mortgages of any type in this market environment. At the same time Countrywide drew on its $11.5bn revolving line of credit from a group of forty banks. At the same time Countrywide announced it would more fully rely on Countrywide Bank as a means to portfolio loan production. Again, these decisions were in large part due to the disappearance of the securitization and whole loan markets which Countrywide had long depended on to fund its operations.

We believe that the failure of various mortgage originators that relied on securitizations or whole loan sales provides further proof that these markets do not currently provide identical observable inputs.

3.6. Collapse of Investor Markets Demand

The collapse of various asset-backed investor segments further contributes to the lack of liquidity in the subprime securitization market. While demand for mortgage securitization has disappeared or reduced significantly across all segments, we highlight below a few of the most drastic instances of reduced asset-backed investor demand.

3.6.1. Disappearance of CDO Demand

For much of 2006 and the first quarter of 2007, managers of collateralized debt obligations ("CDOs") were large buyers of mezzanine bonds in subprime mortgage securitizations. The collapse of the CDO market currently constrains liquidity for mortgage securitizations and is a driver behind the inability to sell mezzanine bonds in these transactions. As mentioned earlier, in the very few instances of transactions being executed during the fourth quarter of 2007, subordinate bonds which had previously been sold largely to CDOs have been retained by dealers. The knock-on effect is the market's inability to accurately price a securitization execution which, as previously mentioned, has substantially curtailed whole loan sales.

3.6.2. Impact of SIVs, SIV-Lites and ABCP Conduits

Recent turmoil in the short-term financing markets has reduced the liquidity for higher rated tranches in securitizations. In 2006 and the first quarter of 2007, SIVs, SIV-Lites, extendible mortgage ABCP Conduits and arbitrage ABCP Conduits combined to purchase a significant amount of higher-rated portions of mortgage securitization capital structures particularly the last-cashflow triple-A bonds. Beginning in the second quarter of 2007, commercial paper investors began exiting all SIVs or ABCP Conduits (in whatever form) with any material mortgage exposure. The result of this investor reaction has been: (1) downgrade and wind-down of all SIV-Lites, (2) downgrade and wind-down of all extendible mortgage ABCP Conduits, (3) numerous SIVs taken on balance sheet by sponsors, (4) liquidation of all subprime mortgage collateral from traditional ABCP Conduits and (5) no new buying of mortgage assets by any of these vehicles.

3.6.3. Limited Financing Options for Potential Investors

A number of components of the investor market for securitization depend on third-party financing to fund their investments (e.g. hedge funds). The ability of investors to obtain financing for investment of subprime mortgage bonds across the capital structure was significantly reduced during 2007 as banks and broker/dealers tightened the terms of their warehouse or repurchase facilities for these securities. Many providers of this financing exited the business while those remaining require much lower advance rates and higher funding costs that make investments in mortgage securitizations uneconomic.

The factors described above among others have materially and negatively affected various components of the investor market for mortgage securitizations. Together the disappearance of significant portions of traditional investor appetite for mortgage securitizations characterizes an illiquid market. It is our view that investor trends described above provide further evidence that the securitization market for subprime mortgages does not currently provide identical observable prices in an active market.

3.7. Conclusions from the Securitization and Whole Loan Markets

We note from the definition of active markets in the CAQ White Paper as well as a very similar definition in the GPPC paper that, "Markets with a reduced transaction volume under current conditions are still considered active if transactions are occurring frequently enough on an ongoing basis to obtain reliable pricing information." Barclays Capital, based on the foregoing, contends that the state of the current securitization and whole loan markets cannot provide identical observable prices in an active market (Level 1 inputs).

4. Other Observable Valuation Inputs (Level 2 Inputs)

Given the absence of reliable identical or "similar enough" valuation inputs in an active market, Barclays Capital surveyed the market for observable inputs (Level 2 inputs) for other observable or recent market transactions per FAS 157 and IAS 39. These inputs are observable for the asset or liability, either directly or indirectly.

4.1. ABX.HE is not an Adequate Valuation Input

An often mentioned pricing data point for subprime mortgage loans is the ABX.HE index. The ABX.HE index is a synthetic index of subprime mortgage asset-backed securities compiled by MarkIt, a firm which provides independent credit derivative pricing services, data and portfolio valuation. ABX.HE 07-2 was the latest index compiled and represents the twenty largest transactions issued in January and February 2007 (none of the constituent transaction are securitizations of Equifirst collateral).

Barclays Capital contends that the ABX.HE is not a similar asset for price discovery of cash whole loans that Barclays Capital currently owns. A significant majority of Barclays Capital-owned subprime mortgage assets have been originated by Equifirst using tightened guidelines not consistent with the ABX.HE 07-2 collateral and is serviced by our own mortgage servicer HomEq.

Through our ownership of EquiFirst, Barclays Capital dictates collateral quality through underwriting guidelines. Examples of major guideline changes implemented since we acquired EquiFirst are summarized below:

- Eliminated all 2nd lien originations.
- Adjustments to maximum LTV's based upon payment history and FICO score reflecting changes in the markets.
- Reduced maximum CLTV to 90% for all purchase and investor properties.
- The ARM product mix revised to reflect new regulatory requirements, investor and rating agency concerns:
  - 2/28 ARM loans eliminated.
  - 3/27 ARM loans underwritten to a fully indexed debt-to-income ratio.
- Sourced and seasoned reserves of at least 2 months on all documentation types.
- Loans with greater than 1X30 payment history capped at 80%.
- Stated income program for wage earners withdrawn.
- Loan amounts greater than $500k capped at 80% LTV.

- Stated income documentation capped at 80%.
- Mortgage payment history program introduced for customers with a clean 18 month mortgage history.

The very significant differences in collateral quality between the Barclays Capital whole loan inventory and the collateral represented by ABX.HE 07-2 is evidenced by the collateral characteristics and performance as shown in Appendixes C and D.

In addition to including a wide range of originators and servicers dissimilar to Equifirst, the latest ABX.HE index covers collateral originated during the fourth quarter of 2006 and the first quarter of 2007 which market observers point to as the worst time periods in terms of underwriting quality. We highlight that the Barclays Capital-owned collateral was all originated in March 2007 or later and is not directly comparable to late the fourth quarter of 2006 and the first quarter of 2007 collateral originated by the broader market.

As previously discussed on page 3, MarkIt recently issued a press release which announced that the roll of the ABX.HE index would be postponed for an additional three months (see Appendix B). The following excerpt details the lack of new transactions as the primary reason for the delay:

> The new series, the Markit ABX.HE 08-1, was scheduled to launch on 19 January 2008. The decision to postpone its launch was taken following extensive consultation with the dealer community. It follows a lack of RMBS deals issued in the second half of 2007 and eligible for inclusion in the forthcoming Markit ABX.HE roll. The Markit ABX.HE 07-2 remains the on-the-run series until further notice.

As noted later in the press release, only five deals rather than the requisite twenty under the current index rules qualify for inclusion in the proposed ABX.HE 08-1. The lack of deals substantiates our earlier contention that the securitization market does not provide enough data to constitute a liquid market with identical observable prices (Level 1 inputs). Furthermore, the ABX.HE 07-2 is the "on-the-run series" but references collateral that is from an older, very distinct vintage from the Barclays Capital owned inventory.

Based on both underwriting differences and the timeframe when originated, we contend that the ABX.HE index does not constitute a valid observable valuation input.

4.2. Barclays Capital's Most Recent Securitization is a Valid Observable Input

Barclays has tracked the relative changes in spread levels and has produced a relative comparison to the percentage change in various Indices to measure the relative levels of our spread changes and maintain consistency with observable parameters. Although the Subprime ABX is technically not an accurate indicator of cash bond performance, we do look to this as a worst case scenario for spread movements for higher quality Alt-A bonds. Based on the original base coupon margin for our AAA portfolio (assuming par issuance) our current discounting methodology shows the relative change in percentage terms to be consistent with, if not higher than, the relative changes in the ABX index.

SABR 2007-BR5			
Class	Discount Margin	% of UPB	WAL
A1A	19	14.70	1.68
A2A	13	36.33	0.97
A2B	18	16.92	2.38
A2C	35	3.95	6.20
M1	55	4.40	5.40
M2	65	4.00	4.86
M3	75	2.50	4.65
M4	157	2.15	4.54
M5	160	2.20	4.47
M6	200	1.85	4.42
B1	450	1.75	4.38
B2	400	1.55	4.35
B3	500	1.55	4.32
NIM1	268	2.41	0.41
NIM2	718	0.67	1.18
POST-NIM	1,796	3.07	2.85
Weighted Average Spread			153.76

Table 2: Weighted Average Spread

For the purposes of our valuation methodology, this weighted average spread for SABR 2007-BR5 was then widened by 50% to 225bp to capture the difficult-to-quantify spread widening since SABR prices were last observable and reliable in June 2007. We believe that this SABR pricing, stressed as described above, does represent an indicative input for our valuation methodology but not necessarily a valid Level 2 input (given the differences in collateral in SABR 2007-BR5 and our owned inventory).

As a result, EquiFirst origination produced during and after August 2007 is valued using a discount rate of LIBOR plus 225bps. To account for the difference in collateral characteristics across our portfolio, an additional 33% stress was applied to collateral originated by EquiFirst prior to August 2007. As a result, the discount spread over LIBOR used for EquiFirst inventory produced between March and July is 300 basis points. The additional stress was applied to account for the liquidity premium that exists in the market for older collateral.

4.3. Updated Capital Structures Have Been Used in Our Analysis

As a method to test our assumption that LIBOR plus 225bp is an appropriate observable input, we utilized updated rating agency models to reflect current collateral characteristics and loss expectations on price/discount rate.

Specifically, we utilized updated rating agency loss and bond sizing models to derive an estimated capital structure for March Equifirst production currently owned by Barclays Capital. The table below highlights the changes in capital structure to updated rating agency modelling assumptions. As expected, credit enhancement across the capital structure increased due to higher loss expectations produced by the more conservative loss models. For example, the required over collateralization increased approximately 57% from 6.15% under SABR 2007-BR5 to 9.65% for March production and 7.80% for April production (while more a more conservative rating agency loss model is certainly at work in producing higher required over

collateralization, these results must be viewed in context of the more favorable collateral characteristics of the EquiFirst production highlighted in Appendix D).

Capital Structure Comparison			
Tranche Rating	BR5	March Production Pool	April Production Pool
AAA	71.90	73.25	75.45
AA+	4.40	3.90	4.00
AA	4.00	3.55	3.65
AA-	2.50	1.40	1.40
A+	2.15	1.90	1.80
A	2.20	1.45	1.35
A-	1.85	1.20	1.15
BBB+	1.75	1.25	1.25
BBB	1.55	1.05	1.00
BBB-	1.55	1.40	1.30
Overcollateralization	6.15	9.65	7.65

Table 3: Capital Structure Comparison

Using the SABR 2007-BR5 discount margins achieved in June 2007 (given that they represent the last observable and reliable SABR prices) with the capital structure for April EquiFirst production derived from updated rating agency models results in a weighted average spread over LIBOR of 142bp. We then stressed the SABR 2007-BR5 discount margins by 50% and developed an updated capital structure which further increased over collateralization and produced a weighted average spread of approximately 220bp over LIBOR. We believe this result reinforces our view that LIBOR plus 300bp represents a valid input for EquiFirst inventory produced between March and July. This spread is based upon an observable input (recent securitization) and therefore should by incorporated into the discount rate in our discounted cashflow analysis as being one of the most reflective data points available as it relates to our specific portfolio.

4.4. Recent Whole Loan Sales are Appropriate Observable Inputs

Barclays Capital views whole loan sales, to the extent that they have occurred, as another valuable observable input to our valuation methodology. We have most strongly focused on the sale of EquiFirst collateral to Freddie Mac. Our motivations for selling the mortgage collateral to Freddie Mac include (i) executing a sale at an attractive dollar price in an illiquid environment, (ii) developing a better understanding of Freddie Mac's whole loan purchase parameters and (iii) interest in developing a forward flow agreement given the technology developed in this exercise (i.e. we will be able to alter Equifirst's underwriting criteria to better originate collateral for Freddie Mac going forward).

Absent a strong interest in achieving these objectives, the sale of loans to Freddie Mac would not be executed as the outcome does not serve to maximize profits for Barclays Capital. Given the current state of the mortgage markets and the imbalance between buyers and sellers, we contend any sale achieved to be a distressed sale.

4.4.1. Recent Sale to Freddie Mac

Barclays Capital recently sold $150mn of eligible subprime mortgage loans to Freddie Mac. Originally, we had identified approximately $99mn of loans originated in August through October 2007 for which Freddie Mac was willing to pay 102.80 (this includes an 80bp value for servicing). In the process of fulfilling the $150mn trade size requirement Barclays Capital added loans from various months with various coupons that fit Freddie Mac's criteria. The upsize of the pool with generally lower coupon collateral changed the overall pool price to 101.93 for a 9.29 coupon.

This transaction represents a distressed sale. It is our contention that this sale does not constitute a Level 1 input for the following reasons:

- Knowing the lack of viable alternatives for Barclays Capital to find liquidity, Freddie Mac fully utilized its significant leverage in the negotiation of the purchase price. This was most strongly evidenced by modified pricing demands imposed immediately prior to our agreement to sell. Freddie's agreed upon pricing had been 103.30, but changed immediately prior to our agreement based on their views of "market sentiment". Stated differently, Freddie Mac recognized its pricing power in the market and successfully reduced its purchase price.

- Freddie Mac imparted a significant bid/ask spread. Our agency trading desk was asked to assess the market execution of a FHLMC T-Series deal backed by the $150mn sale pool in order to assist Freddie in conducting a mark-to-market exercise. The desk concluded a market value of approximately 104.88 utilizing a FHLMC pass-through execution. This implies a bid/ask spread of approximately 3.75% when comparing Freddie Mac's whole loan purchase price and potential bond proceeds from creating pass-through securities. The size of the bid/ask spread is representative of a distressed sale and is therefore considered an observable input that is similar to a Level 2 input.

- Our discounted cashflow methodology set forth under "Model Valuation Inputs" below, provides a value of 104.84 for this pool. We believe that this provides further evidence that the sale to Freddie Mac should be considered a Level 2-type observable input rather than a Level 1 input.

At a 104 pricing level or above, the indicative yield of the transaction is consistent with the LIBOR plus 225bp discount rate applied to EquiFirst production following July. This is an observable input that is calibrated to a market transaction.

4.4.2. Imminent Sale to American General Finance

Barclays Capital received a bid from American General for $99mn of non-conforming collateral at a price of 102.00. This proposed sale was an important complement to the Freddie Mac sale because it provided Barclays Capital with an indication for demand for non-conforming collateral originated by EquiFirst. The implied spread of this trade is 2.95% given the rating agency loss expectation of 3.69% and a weighted average coupon of 8.75%. We contend that this bid provides support for the discount rate over LIBOR of 2.25% for the portions of inventory

originated after August 2007, given that the sale was obtained in a distressed environment and is therefore influenced by liquidations and distressed pricing levels.

4.5. Other Observable Mortgage-related Spread Inputs

Barclays Capital also uses several mortgage-related spread data points as observable inputs to capture monthly changes in credit and liquidity premiums. Relevant spread data from the agency mortgage market and ABS markets are reviewed to determine the relative change in ABS spreads each month. The change in ABS spreads is used to make adjustments to our discount spread over LIBOR where appropriate. Using several spread inputs mitigates those technical factors that can often impact markets experiencing extreme disruption.

The combination of recent whole loan sales, development of updated capital structures, the most recent Barclays Capital subprime securitization, and a composite of mortgage-related spreads provide observable inputs or "similar enough" valuation inputs per FAS 157 and IAS 39.

5. Model Valuation Inputs (Level 3 Inputs)

As part of the measurement of fair value for whole loans, Barclays Capital projected future expected cashflows of the collateral based upon assumptions regarding both expected cumulative losses and prepayments. Those cashflows are discounted using a rate of LIBOR plus 225 basis points in light of the observations above.

5.1. Cumulative Losses

Barclays Capital utilizes both S&P and Moody's loss projection models for the purpose of estimating future expected losses on the collateral. Both the S&P and Moody's loss models are widely used throughout the industry to project losses and have been recently updated to better sensitize projections to recent vintage credit performance. For example, S&P released its revised loss model on November 9, 2007. In describing the increased conservatism of the model, S&P detailed better identification of layered risk factors, updated housing price appreciation factors, reduced reliance of FICO score as a predictor of future default and increased sensitivity to higher LTV and reduced income documentation (particularly in combination with one another). For additional details see the S&P press release attached as Appendix F.

5.2. Prepayments

Barclays Capital developed prepayment assumptions based upon 2003 and 2004 historical data to project prepayments over the past two years. Given the well documented slowdown in prepayments, Barclays Capital has reduced its prepayment expectations to be consistent with recent collateral performance and future expectations of slower prepayments stemming from fewer refinancing options to borrowers. The graph on the following page highlights recent slowing of prepayments across the market:

CONFIDENTIAL BARC-ADS-00860730

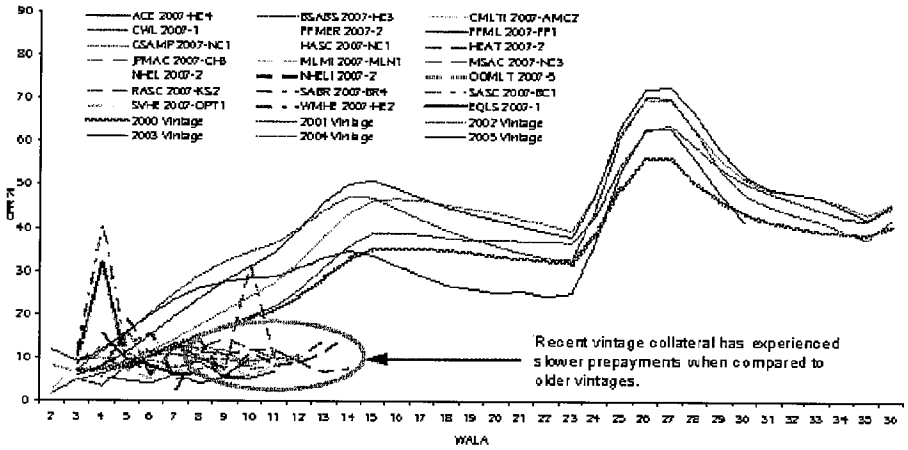


Figure 2: Graph showing recent slowing of prepayments across the market

CONFIDENTIAL BARC-ADS-00860731

6. Barclays Fair Value of Sub-prime Whole Loans

6.1. Documentation evidencing Barclay's compliance with the CAQ Valuation White Paper

6.1.1. Introduction

On October 3, 2007, the Center for Audit Quality (CAQ) issued a white paper titled, "Measurement of Fair Value in Illiquid (or less liquid) Markets" (the White Paper). The opening paragraph of the White Paper states, "The objective of this paper was to discuss issues associated with the measurement of fair value under existing generally accepted accounting principals (GAAP) in the context of illiquid (or less liquid) market conditions that currently exist in many segments of the credit markets. The paper articulates certain existing requirements of GAAP literature related to the specific issues discussed, with the intention of subprime mortgage preparers and auditors understand the application of existing GAAP in the context of illiquid market conditions."

6.1.2. Overall question

We request that you prepare a memo, the overall objective of which is to document if your measurement of fair value complies with the requirements of the White Paper.

6.1.3. Specific questions

We request that your memo specifically addresses (but not be limited to) the following specific questions:

1. White Paper, Page 3, Para 4, Definition of Fair Value.
   i. Does your measurement of fair value comply with this definition? (Yes/No*).
   YES. FAIR VALUE IS MEASURED USING MARKET BASED ASSUMPTIONS.
   ii. Specifically, is the objective of your measurement of fair value to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price)? (Yes/No*)
   YES. ALL VALUES CONSIDER CURRENT MARKET CONDITIONS AND TRENDS.
   iii. Inherent in your measurement of fair value, what period of exposure to the market would be considered usual and customary to allow for marketing? (State period *) Is this period Inherent in your measurement of fair value? (Yes/No*). * *Asterisk indicates that additional information/explanation would be expected to support your response.*
   YES. THE INPUTS USED TO PROVIDE A FAIR VALUE MEASUREMENT ARE IN PART DRIVEN BY THE EXTENDED MARKETING PERIODS EVIDENCED IN THE CURRENT SECURITIZATION AND WHOLE LOAN MARKETS, INCLUDING CURRENT DISRUPTIONS.

2. White Paper, Page 3, Last Para, states in part, "It is important to distinguish between an imbalance between supply and demand (e.g., fewer buyers than sellers, thereby forcing prices down) and a "forced" or "distressed" transaction referred to in FAS 157, paragraph 7. The U.S. Securities and Exchange Commission addressed illiquid market conditions in a 2004 accounting and auditing enforcement release. In that release, the Commission concluded that the registrant had violated generally accepted accounting principals by using a definition of fair value that

assumed that supply and demand were in reasonable balance when, in fact, GAAP defines fair value as the amount at which an asset could be bought or sold in a current transaction. The Commission concluded that the registrant should consider current market conditions, such as imbalances of supply and demand, when determining the then-current market value. Specifically, the Commission objected to the practice of ignoring prices quoted by external pricing sources and facilitates transacting at more "rational" prices."

i. Do you believe that supply and demand are in reasonable balance? (Yes/No).

NO. SEE SECTION ENTITILED IDENTICAL OBSERVABLE PRICES IN ACTIVE MARKETS.

ii. Do you believe that your measurement of fair value considers current market conditions, such as imbalances in supply and demand? (Yes/No).

YES.

iii. Do you believe that you have ignored prices quoted by external pricing sources? (Yes/No*).

NO. AS HIGHLIGHTED IN SUMMARY ABOVE, THERE ARE NO OBSERVABLE EXTERNAL PRICES.

iv. Do you believe that you are taking a "longer view" of the market (i.e., a view that assumes equilibrium will occur and facilitate transacting at a more "rational" price? (Yes/No*).

NO. WE ARE TAKING A VIEW OF THE MARKET AS IT CURRENTLY OPERATES WITH A VIEW ABOUT AN APPROPRIATE MARKET-BASED EXIT PRICE.

v. Does the price of 102% on page 17 of your presentation titled, "Whole Loan Inventory Valuation Methodology" represent: (a) fair value as defined in FAS 157, (b) a forced liquidation, or (c) a distress sale? (Fair Value/Forced Liquidation/Distress Sale*)

WE RECENTLY EXECUTED A DISTRESSED TRANSACTION ON A WHOLE LOAN BASIS RATHER THAN ON A TRADITIONAL SECURITIZATION BASIS FOR THE PURPOSE OF DEMONSTRATING LIQUIDITY FOR WHOLE LOANS. THIS TRADE WAS NOT CONSISTENT WITH OUR TRADITIONAL MARKETING EFFORTS.

3. White Paper, Page 4, Para 2, states in part, "Because the objective of a fair value measurement is to determine the price that would be received to sell the asset at the measurement date (an exit price) - such a measurement, by definition, requires consideration of current market conditions, including the relative liquidity of the market"

i. Does your measurement of fair value consider the current liquidity of the market? (Yes/No*)

YES.

4. White Paper, Page 5, Section titled, "Application of the Fair Value Hierarchy".

i. Is your measurement of fair value based on Level 1, 2 or 3 inputs? For each level please identify those inputs, if any.

WE HAVE UTILIZED INPUTS TO OUR VALUATION METHODOLOGY THAT ARE DETAILED THROUGHOUT PAGES 1 THROUGH 10.

5. White Paper, Page 4, Para 2, states in part, "Even if the volume of observable transactions is not sufficient to conclude that the market is "active", such observable transactions would still constitute Level 2 inputs that must be considered in the measurement of fair value."

i. Please identify which observable transactions were considered. For each transaction, describe the impact (if any) on your measurement of fair value.

WE HAVE RECENTLY SOLD A WHOLE LOAN TO FREDDIE MAC AS DETAILED ON PAGES 8 AND 9 OF THIS DOCUMENT.

6. White Paper, Page 6, Para 2, states in part, "For financial instruments such as mortgage-backed securities backed by subprime mortgage loans, an entity must consider what information is available about some or all of the assumptions that marketplace participants would use in assessing the current value of an asset at the reporting date.". White Paper, Page 6, Para 1, states in part, "...even if the market participant assumptions are different then the reporting entity's own expectations. The reporting entity may not ignore information about market participant assumptions."

i. For each significant assumption, does your measurement of fair value consider information the marketplace participants would use? (Yes/No).

YES. VALUATION METHODOLOGY IS BASED UPON THE FOLLOWING INPUTS:

1) CASHFLOW ASSUMPTIONS:

a) **CUMULATIVE LOSS PROJECTIONS WERE DERIVED USING A COMBINATION OF BOTH MOODY'S AND S&P LOSS MODELS. THESE MODELS ARE COMMONLY USED WITHIN THE MARKET AND HAVE RECENTLY BEEN UPDATED TO BETTER SENSITIZE THEIR MODELS TO THE PERFORMANCE OF 2006 AND EARLY-2007 VINTAGE SUBPRIME LOANS.**

b) **PREPAYMENT ASSUMPTIONS WERE DERIVED USING HISTORICAL PREPAYMENT DATA ADJUSTED FOR THE RECENT VINTAGE COLLATERAL PERFORMANCE AND THE REDUCTION IN REFINANCING ABILITY OF BORROWERS.**

2) DISCOUNT SPREAD ASSUMPTIONS:

ASG UTILIZES DIFFERENT DISCOUNT SPREADS DEPENDING ON THE MONTH OF EQUIFIRST PRODUCTION. FOR EQUIFIRST PRODUCTION BEGINNING IN AUGUST 2007, A DISCOUNT RATE OF 225 BPS OVER LIBOR IS USED. FOR EQUIFIRST COLLATERAL PRODUCED PRIOR TO AUGUST A DISCOUNT RATE OF 300 BPS OVER LIBOR IS USED. THE WIDER SPREAD IS A RESULT OF THE DIFFERENT CHARACTERISTICS OF OLDER COLLATERAL AND THE LIQUIDITY PREMIUM EXPECTED BY THE MARKET FOR SUCH CHARACTERISTICS.

ii. For each significant assumption, please provide evidence supporting how you obtained your understanding of the assumptions that the marketplace participants would use.

PLEASE REFER TO MODEL VALUATION INPUTS SECTION ABOVE.

7. White Paper, Page 6, Para 3, states in part, "Some observers of current market conditions have asserted that market pricing is irrational, and they have suggested that entities should instead default to a model-based measurement that is based on economic "Fundamentals" of the asset. However, FAS 158 states that the use of an entity's own assumptions about cash flows is compatible with an estimate of fair value, *as long as there are no contrary data indicating the*

CONFIDENTIAL BARC-ADS-00860734

marketplace participants would use different assumptions. If such data exist, the entity must adjust its assumptions to incorporate that market information"

i. Do you believe that current market pricing is irrational? (Yes/No*)

YES. THERE ARE NO IDENTICAL MARKET QUOTES AND ONLY A VERY LIMITED NUMBER OF OTHER OBSERVABLE INPUTS AVAILABLE.

ii. Does your measurement of fair value default to a model-based measurement that is based on economic "Fundamentals" of the asset? (Yes/No*)

NO. MEASUREMENT OF FAIR VALUE IS BASED UPON INPUTS THAT ARE DERIVED FROM OBSERVABLE MARKET INPUTS WHERE AVAILABLE IN ADDITION TO OTHER MODEL INPUTS.

iii. For each significant assumption used in your measurement of fair value, is there any contrary data indicating that the marketplace participants would use different assumptions? (Yes/No*)

NO. WE BELIEVE WE ARE UTILIZING MARKET BASED INPUTS WHEN AVAILABLE. MANY OF THE SOMEWHAT RECENT TRANSACTIONS INVOLVED ASSETS WE DO NOT CONSIDER SIMILAR TO OUR PORTFOLIO.

8. White Paper, Page 7, Para 1, states in part, "Valuation models that utilize *historical* default data, or an entity's own default assumptions, rather than assumptions that market place participants would use, are not appropriately utilizing *market participant* assumptions, even if the default assumptions are "stressed"."

i. Does your measurement of fair value utilize historical default data? (Yes/No*)

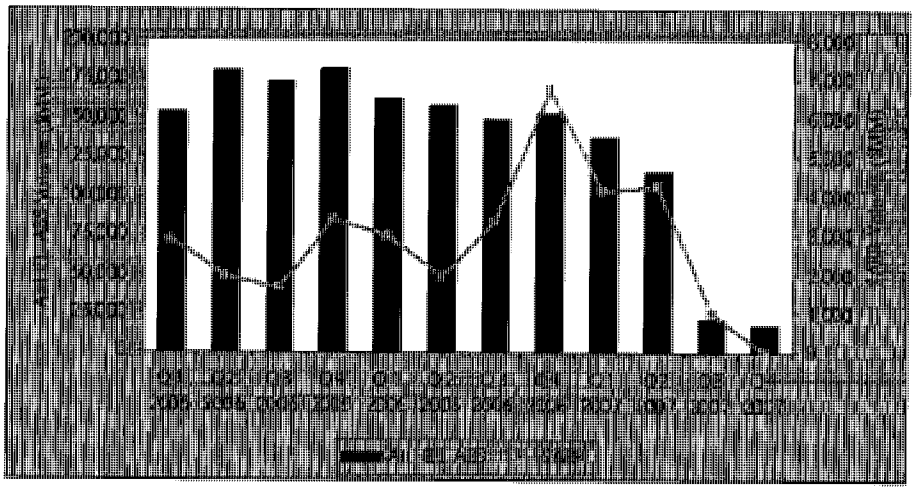
BARCAP'S MEASUREMENT OF FAIR VALUE UTILIZES RATING AGENCY LOSS MODELS BUILT UPON HISTORICAL DATA THAT WERE RECENTLY UPDATE TO BETTER SENSITIZE THEIR MODELS TO THE PERFORMANCE OF THE 2005, 2006 AND EARLY 2007 COLLATERAL VINTAGES. GIVEN THE COLLATERAL COMPOSITION OF OUR WHOLE LOAN INVENTORY USING LOSS ASSUMPTIONS DERIVED FROM 2006 VINTAGE BONDS IS NOT APPLICABLE AS UNDERWRITING GUIDELINES HAVE BEEN UPDATE TO ADDRESS THE PERFORMANCE OF EARLIER VINTAGES.

ii. Does you measurement of fair value use your own default assumptions or assumptions that the market place would use? (Own/Market*)

THE USE OF RATING AGENCY MODELS TO PROJECT CUMULATIVE LOSSES IS A COMMON PRACTICE IN THE MARKETPLACE.

CONFIDENTIAL BARC-ADS-00860735

Appendix A: Declining Volumes in Securitization Market



Appendix B: Markit ABX.HE

News Release: **FOR IMMEDIATE RELEASE**

19 December 2007

New York, NY - Markit, the leading provider of independent data, portfolio valuations and OTC derivatives trade processing and owner of the Markit ABX.HE index, today announced that the roll of the Markit ABX.HE has been postponed for three months. The Markit ABX.HE is a synthetic index of U.S. home equity asset-backed securities.

The new series, the Markit ABX.HE 08-1, was scheduled to launch on 19 January 2008. The decision to postpone its launch was taken following extensive consultation with the dealer community. It follows a lack of RMBS deals issued in the second half of 2007 and eligible for inclusion in the forthcoming Markit ABX.HE roll. The Markit ABX.HE 07-2 remains the on-the-run series until further notice.

Under current index rules, only five deals qualified for inclusion in the Markit ABX.HE 08-1. Markit and the dealer community considered amending the index rules to include deals which failed to qualify initially but decided against this approach at this time.

Markit and the dealer community remain fully committed to the index and will update the market as and when appropriate.
-Ends-

About Markit
Markit is the leading provider of independent data, portfolio valuations and OTC derivatives trade processing to the global financial markets. The company receives daily data contributions from 90 dealing firms, and its services are used by almost 1,000 institutions to enhance trading operations, reduce risk and manage compliance.
For more information, see www.markit.com

For more information please contact:
Ben Logan
Managing Director, Markit
Tel: +1 212 931 4925
Email: ben.logan@markit.com

Caroline Lumley
Associate, Corporate Communications, Markit
Tel: +44 20 7260 2047
Email: caroline.lumley@markit.com

Appendix C: Delta Financial Corporation Press Release

Press Release **Source:** Delta Financial Corporation

Delta Financial Corporation Announces Intent to Seek Bankruptcy Protection

Thursday December 6, 9:57 am ET

WOODBURY, N.Y.--(BUSINESS WIRE)--Delta Financial Corporation (NASDAQ: DFC - News) today provided an update as to its financial condition and current plans.

The Company previously announced on November 15, 2007 that it had entered into a letter of intent with an affiliate of Angelo, Gordon & Co. ("Angelo Gordon"). The letter of intent contemplated, among other things, the issuance of senior notes and common stock to that affiliate of Angelo Gordon. Also on November 15, 2007, the Company entered into a standstill agreement with three of its warehouse providers. Each of these agreements was subject to several varying conditions, including the Company's pricing a securitization of mortgage loans.

The Company has been unable to complete such a securitization transaction upon satisfactory terms. Consequently, on December 5, 2007, the Company received reservation of rights notices from its warehouse lenders indicating that events of default have occurred under the warehouse facilities and the standstill agreement. Under these circumstances, the Company's financial obligations under these agreements may be accelerated, and it may be subject to substantial payment obligations, as well as incurring cross-default claims from its other creditors.

In light of the foregoing, the Company does not expect to be able to consummate the above-referenced transaction with Angelo Gordon. Furthermore, the Company does not believe that it will be able to continue as a going concern.

The Company presently intends to file shortly for protection under the federal bankruptcy code. The Company intends to continue to operate its business as a "debtor in possession" as provided under the bankruptcy code; however, it intends to suspend taking new mortgage loan applications until further notice.

The Company is currently conducting discussions with entities that are potentially interested in acquiring its assets and/or operations in connection with a bankruptcy proceeding. However, due to the preliminary nature of these discussions, no assurances can be given that the Company will complete any such transaction.

About the Company

Founded in 1982, Delta Financial Corporation is a Woodbury, New York-based specialty consumer finance company that has been engaged in the business of originating, securitizing and selling non-conforming mortgage loans.

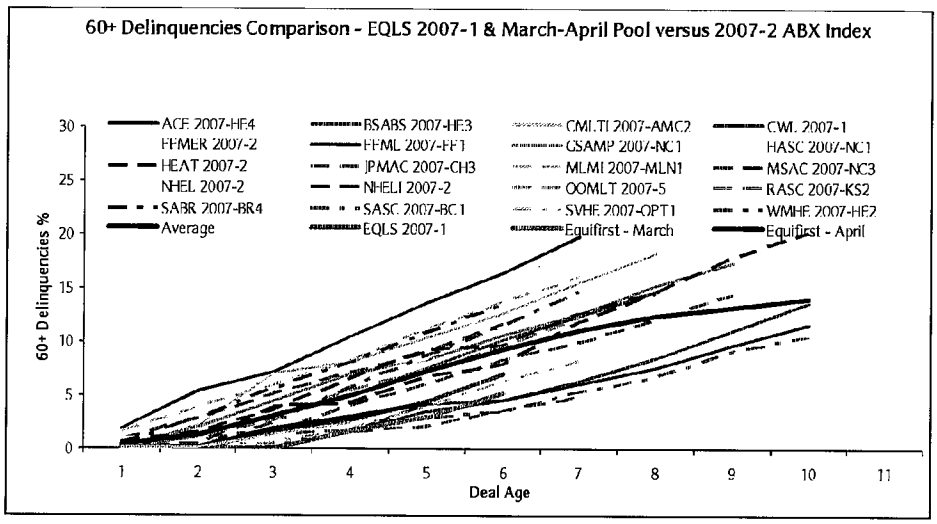
Contact:

Larry Karpen
Vice President, Delta Financial Corporation
516-812-8222
Email: lkarpen@deltafinancial.com

Appendix D: Collateral Characteristics and Performance

Collateral Attributes	AEX HE 2007-	AEX HE 2007-2	March Purchase	April Production	May Production	June Production	July Production
Balance			1,402,687,992	802,547,461	659,910,864	642,271,782	868,878,179
Weighted Average Coupon	8.300	8.300	8.297	8.475	8.672	8.714	8.700
FICO	626	625	629	622	620	626	630
Full Documentation	57.80	55.70	61.65	67.30	68.80	67.87	69.26
Debt-To-Income			40.79	40.39	40.81	40.87	41.02
Interest Only Loans	15.20		3.11	2.39	1.92	3.00	3.06
Second Liens	3.70	3.70	6.00	3.50	1.04	0.88	1.08
Silent Seconds	30.90		26.09	14.86	6.13	7.36	5.97
Loan-to-Value:							
Loan to Value	81.20	81.70	78.85	79.15	81.65	83.29	83.67
Combined Loan to Value	82.40	84.50	88.91	84.84	83.64	85.30	85.60
Occupancy Status:							
Primary	93.10	92.90	92.88	93.00	90.99	89.86	90.05
Investment	5.30	5.60	5.61	5.61	7.50	8.08	8.17
Second Home	1.60	1.60	1.51	1.39	1.51	2.07	1.78
Mortgage Type:							
ARM	80%	76%	71%	68%	70%	68%	64%
Fixed	21%	24%	29%	32%	30%	32%	36%
ARM Product Type:							
2/28	82%	81%	93%	93%	91%	85%	65%
3/27	15%	15%	3%	2%	3%	10%	27%
5/25	4%	4%	4%	5%	5%	5%	8%

Not For Distribution Strictly Confidential – Preliminary Proposal – Subject to Review and Discussion

CONFIDENTIAL BARC-ADS-00860739

Appendix E: 60+ Delinquencies Comparison