Delivering on our promises

Barclays Bank PLC
Annual Report
2010

barclays com/annualreport10

1026167

Contents

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Cover image
Barclays is the exclusive sponsor of Barclays Cycle Hire which was launched on 30th July 2010 in London It already sees more than 5,000 cycles available in central London, with nearly 3 million journeys completed The scheme makes a positive contribution to society in London and partners Barclays with a sustainable and environmentally friendly mode of transport

The term Barclays PLC Group means Barclays PLC together with its subsidiaries and the term Barclays Bank PLC Group' or 'Group' means Barclays Bank PLC together with its subsidiaries Barclays is used to refer to either of the preceding groups when the subject matter is identical The term Parent Company or Parent refers to Barclays PLC and the term Bank or 'Company' 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 Barclays segment represented by this business as described on page 160 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 Information relates to the Group unless otherwise stated

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

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 Groups plans and its current goals and expectations relating to its future financial condition and performance Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts Forward-looking statements sometimes use words such as may' 'will seek continue 'aim anticipate 'target expect, estimate intend plan, goal believe or other words of similar meaning Examples of forward-looking statements include among others statements regarding the Groups future financial position income growth assets impairment charges business strategy capital ratios leverage payment of dividends projected levels of growth in the banking and financial markets projected costs estimates of capital expenditures and plans and objectives for future operations and other statements that are not historical fact By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including but not limited to UK domestic 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 effects of changes in valuation of credit market exposures changes in valuation of issued notes the policies and actions of governmental and regulatory authorities including capital requirments, 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 the outcome of pending and future litigation the success of future acquisitions and other strategic transactions and the impact of competition – a number of such factors being beyond the Groups control As a result, the Groups actual future results may differ materially from the plans goals and expectations set forth in the Groups forward-looking statements

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

Key performance indicators

Capital KPIs

Definition	Why it's important to the business and management	
Core Tier 1 ratio Capital requirements are part of the regulatory framework governing how banks and depository institutions are managed Capital ratios express a bank's capital as a percentage of its risk weighted assets Both Core Tier 1 and Tier 1 capital resources are defined by the UK FSA. Core Tier 1 is broadly tangible shareholders' funds less certain capital deductions from Tier 1	The Group's capital management activities seek to maximise shareholders' value by prudently optimising the level and mix of its capital resources The Groups capital management objectives are to maintain sufficient capital resources to ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set by the UK FSA and US Federal Reserve ensure locally regulated subsidiaries can meet their minimum regulatory capital requirements, support the Group's risk appetite and economic capital requirements, and support the Group and the Bank's credit ratings During 2010, the Bank's Core Tier 1 ratio improved 0 8% to 10 9% largely through £4 2bn of attributable profits, demonstrating the Group's ability to generate capital organically	10 – 10 9% 09 – 10 1% 08 – 5 6%
Adjusted gross leverage Adjusted gross leverage is defined as the multiple of adjusted total tangible assets over total qualifying Tier 1 Capital Adjusted total tangible assets are total assets less derivative counterparty netting, assets under management on the balance sheet settlement balances, goodwill and intangible assets Tier 1 Capital is defined by the UK FSA	Barclays believes that there will be more capital and less leverage in the banking system and that lower levels of leverage are regarded as a key measure of stability going forward This is consistent with the views of our regulators and investors In 2010, adjusted gross leverage was broadly flat at 20 times principally as a result of a £4 billion increase in Tier 1 Capital to £53 7 billion offset by the impact of a £84 6 billion increase in adjusted total tangible assets	10 – 20x 09 – 19x 08 – 28x

Returns KPIs

Definition	Why it's important to the business and management	
Profit before tax Profit before tax and adjusted profit before tax are the two primary profitability measures used to assess performance Profit before tax represents total income less impairment charges and operating expenses Adjusted profit before tax represents profit before tax adjusted for movements on own credit, gains on acquisitions and disposals, and gains on debt buy-backs, for comparative purposes	Profit before tax is a key indicator of financial performance to many of our stakeholders Adjusted profit before tax increased 11% to £5 478m from £4,916m	Profit before tax 10 – £6,079m 09 – £4,559m 08 – £5,094m Adjusted profit before tax 10 – £5,478m 09 – £4,916m 08 – £674m
Cost income ratio Cost income ratio is defined as operating expenses compared to total income net of insurance claims	This is a measure management uses to assess the productivity of the business operations Restructuring the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income We have set a target to take £1bn off our run-rate cost base on a full year basis by 2013	10 – 63% 09 – 57% 08 – 63%

Returns KPIs continued

Definition	Why it's important to the business and management	
Loan loss rate		
The loan loss rate represents the impairment charge on loans and advances as a proportion of the period end balances	The granting of credit is one of Barclays major sources of income and its most significant risk The loan loss rate is an indicator of the cost of granting credit During 2010 impairment continued to improve across all our businesses with one exception, the corporate portfolio in Spain, resulting in a loan loss rate of 118bps compared to 156bps reported in 2009	10 – 118 bps 09 – 156 bps 08 – 95 bps

Income growth KPIs

Definition	Why it's important to the business and management	
Total income		
Defined as total income net of insurance claims	Total income is a key indicator of financial performance to many of our stakeholders and income growth a key execution priority for Barclays management. Group total income increased 8% to £31 5 billion	10 – £31,450m 09 – £29,094m 08 – £21,153m
Income by geography		
Defined as total income net of insurance claims generated in distinct geographic segments Geographic segmental analysis is based on customer location and the definiton of the countries within each region are provided in the glossary	The goal of increasing the international diversification of our income helps to reduce risk by providing exposure to different economic cyles and and is demonstrated by our ratio of non-UK to UK business income	

Geographic split of income

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

Key performance indicators continued

Citizenship KPIs

Definition	Why it's important to the business and management	
Gross new lending to UK households and businesses Defined as lending to UK households and those businesses with UK-based activities	We have remained 'open for business' during the economic downturn, and are focused on lending responsibly to our customers and clients around the world In 2009, we committed to make an additional £11 billion of credit available to the UK economy, and by the end of 2009, we had lent an additional £35 billion to UK households and businesses Supporting customers in difficulty has never been more critical, but providing access to credit must be based on the ability to repay We increased our lending across the UK to £43 billion in 2010, including £75 billion arising from the acquisition of Standard Life Bank We see this as an important performance metric and have formally measured UK gross lending since 2009	10 – £43bn 09 – £35bn 08 – n/a
Global investment in our communities Defined as Barclays total contribution to supporting the communities where we operate	The success and competitiveness of a business and the extent to which it contributes to and is integrated in the communities in which it operates are closely related We are committed to maintaining investment in our communities for the long-term both in good times and in bad This performance metric demonstrates the consistency of our commitment over time	10 – £55 3m 09 – £54 9m 08 – £52 2m
Colleagues involved in volunteering, regular giving and fundraising initiatives Defined as the total number of Barclays employees taking part in volunteering, giving or fundraising activities	Barclays community investment programme aims to engage and support colleagues around the world to get involved with our main partnerships, as well as the local causes they care about Harnessing their energy, time and skills delivers real benefit to local communities, to their own personal development and to their engagement with Barclays	10 – 62,000 09 – 58,000 08 – 57,000
Group Employee Opinion Survey (EOS) - Proud to be Barclays Employee opinions surveys are used across the organisation to understand our employees' views and prioritise management actions in order to meet employee needs This KPI is a calibration of different survey scores across Barclays for a question measuring sense of pride in being associated with or working for Barclays The average scores for each year are given	Understanding levels of employee engagement and sense of commitment to Barclays is important as there is a strong correlation between these factors and our employees' commitment to serving the needs of our customers and clients	10 – 83% 09 – 81% 08 – 81%
Percentage of senior managers who are female The number of female colleagues who are working across all Barclays businesses at the senior management level as a percentage of the total senior manager population	Diversity is important to Barclays as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve our customers and clients The number of females at the senior management level has remained flat demonstrating that there is still work to be done to increase the number of women reaching and retaining roles at this level of management	10 – 24% 09 – 24% 08 – 25%

Previously reported KPIs:

KPIs are updated periodically as our strategy and execution priorities evolve Measures no longer identified as KPIs that were reported in the prior year are as follows

Measures	2010	2009	2008
Tier 1 ratio	13 5%	13 0%	8 6%
Average term of unsecured liabilities	30 months	26 months	14 months
UK Retail Banking customer satisfaction	64 0%	62 5%	n/a
Barclaycard International – number of customers	10 5m	10 8m	11 8m
Number of distribution outlets outside the UK	2,906	3,603	3,158
Proportion of Global Retail and Commercial Banking international income	Replaced by income by geography following Group reorganisation		
Net lending in Barclays Commercial Bank	Replaced by Gross new lending to UK households and businesses		

Financial review
Income statement commentary

Barclays delivered profit before tax of £6,079m in 2010, an increase of 33% (2009 £4,559m) Excluding movements on own credit, gains on debt buy-backs and gains on acquisitions and disposals Group profit before tax increased 11% to £5,478m (2009 £4,916m)

Income increased 8% to £31,450m (2009 £29 094m) Barclays Capital reported a 17% increase in total income to £13 600m (2009 £11 625m) This reflected a substantial reduction in losses taken through income relating to credit market exposures which fell to £124m (2009 £4,417m) and a gain relating to own credit of £391m (2009 loss of £1,820m) Top-line income at Barclays Capital, which excludes these items, declined 25% to £13,333m relative to the exceptionally strong levels seen in 2009 Overall activity levels improved towards the end of the year, with top-line income in the fourth quarter of 2010 increasing 20% on the third quarter to £3,380m Global Retail Banking income increased 1% to £10,507m, with good growth in UK Retail Banking and Barclays Africa, with income flat in Barclaycard, and a decline in Western Europe Retail Banking Income was up 14% in Absa Barclays Corporate reported a decrease in income of 7% and income was up 18% in Barclays Wealth

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

As a result net income for the Group after impairment charges increased 23% to £25 778m (2009 £21,023m)

Operating expenses increased £3 255m to £19,967m, a 19% rise compared to the 23% growth in net income Costs at Barclays Capital increased £1,703m, largely reflecting investment in the business across sales, origination, trading and research functions, investment in technology and infrastructure, and increased charges relating to prior year deferrals Across the Group restructuring charges totalled £330m (2009 £87m) particularly in Barclays Corporate (£119m) and Barclays Capital (£90m) focusing on delivering future cost and business efficiencies Goodwill of £243m was written off in Barclays Corporate – New Markets to reflect impairment to the carrying value of Barclays Bank Russia business as our activities there are refocused As a result, the Groups cost income ratio increased to 63% (2009 57%) The cost net income ratio improved from 79% to 77%, reflecting the reduced impairment charges compared with 2009

Staff costs increased 20% to £11 9bn (2009 £9 9bn), of which performance costs amounted to £3 5bn (2009 £2 8bn) Within this total, 2010 charges relating to prior year deferrals increased by £0 7bn relative to 2009 The Group 2010 performance awards (which exclude charges relating to prior year deferrals but include current year awards vesting in future years) were down 7% on 2009 at £3 4bn Within this, the Barclays Capital 2010 performance awards were down 12% at £2 6bn, compared to an increase in headcount of 7%

Financial review
Balance sheet commentary

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

Cash, balances at central banks and items in the course of collection have increased £15 9bn contributing to the increase in the Group liquidity pool Trading portfolio assets increased £17 5bn and reverse repurchase lending increased £62 3bn reflecting business growth while keeping our adjusted gross leverage at 20x (2009 19x) Financial assets designated at fair value have decreased by £1 1bn primarily due to a decrease in debt securities

Derivative financial assets increased £3 5bn reflecting increases in the mark to market positions in interest rate and foreign exchange derivatives due to movements in forward interest rate curves and volatility in the foreign exchange market This was partially offset by decreases in credit, equity and commodities derivatives due to reduced volatility

Loans and advances to banks and customers increased £4 4bn due to an increase in lending to retail customers including the effect of the acquisition of Standard Life Bank offset by a reduction in borrowings by wholesale customers and banks

Available for sale financial investments increased £8 8bn primarily driven by purchase of government bonds increasing the Group's liquid assets and the transfer from loans and advances to available for sale assets of the receivables arising as part of the acquisition of the North American business of Lehman Brothers This was partially offset by a £0 8bn reduction in the fair value of the Group's investment in BlackRock, Inc

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

Deposits from banks, and items in the course of collection from banks and customer accounts increased £24 7bn reflecting the acquisition of Standard Life Bank and customer deposit growth across the Group Financial liabilities designated at fair value increased £9 8bn primarily due to increased debt securities and debt issuances strengthening the Groups liquidity position Debt securities in issue increased £20 7bn primarily due to increases in bonds, medium term notes, certificates of deposit and commercial paper This growth was primarily to fund the increased liquidity pool and business growth

Trading portfolio liabilities increased £21 4bn and repurchase agreements and other similar secured borrowing increased £26 8bn reflecting business growth Derivative financial liabilities increased £2 1bn broadly in line with the increase in gross derivative assets Subordinated liabilities increased £2 7bn primarily reflecting issuances and acquisitions partially offset by redemptions Other liabilities decreased £1 3bn reflecting reduced retirement benefit liabilities, current tax liabilities and other creditors

Shareholders' Equity
Total shareholders' equity increased £3 9bn to £62 6bn (2009 £58 7bn) Retained earnings increased £4 4bn to £41 5bn (2009 £37 1bn) Profit attributable to the equity holders of the Parent of £4 2bn and proceeds from capital injection by Barclays PLC were partially offset by dividends paid to shareholders of £0 2bn

Significant movements in other reserves comprise the redemption of £0 5bn reserve capital instruments, available for sale reserve movement of £1 3bn, primarily due to the decrease in the fair value of the Group's investment in BlackRock Inc of £0 8bn, partially offset by increases in the fair value of other available for sale assets Currency translation reserve movement of £0 8bn is largely due to the appreciation in the Rand and US Dollar, offset by the depreciation in the Euro

Non-controlling interests increased £0 7bn to £3 5bn (2009 £2 8bn) The increase primarily reflects profit for the year attributable to non-controlling interests of £0 4bn and currency translation differences of £0 4bn, offset by distributions of £0 2bn

Adjusted Gross Leverage
Barclays continues to operate within the limits and targets for balance sheet usage as part of its balance sheet management activities

The adjusted gross leverage was 20x as at 31st December 2010 (2009 19x) principally as a result of a £4 0bn increase in Tier 1 Capital to £53 7bn offset by the impact of a £87 3bn increase in adjusted total tangible assets At month ends during 2010 the ratio moved in a range from 20x to 24x, with fluctuations arising as a result of normal trading activities, primarily due to increases in reverse repurchase trading and changes in holdings of trading portfolio assets

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

The Basel Committee of Banking Supervisors (BCBS) issued final guidelines for 'Basel III a global regulatory framework for more resilient banks and banking systems' in December 2010 The guidelines include a proposed leverage metric, to be implemented by national supervisors in parallel run from 1st January 2013 (migrating to a Pillar 1 measure by 2018) Based on our interpretation of the current BCBS proposals the Group's Basel III leverage ratio as at 31st December 2010 would be within the proposed limit of 33x

Financial review
Balance sheet commentary continued

Capital Management
At 31st December 2010 on a Basel II basis, the Group's Core Tier 1 ratio was 10 9% (2009 10 1%) and the Tier 1 ratio was 13 5% (2009 13 0%) representing a strengthening of our capital ratios ahead of the effects of expected regulatory capital changes

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

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

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

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

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

Financial review
Analysis of results by business

Business performance

Global Retail Banking

Global Retail Banking (GRB) performance exhibited encouraging signs of growing momentum against a challenging backdrop Overall profit before tax was £1 829m (2009· £1 821m) with strong profit growth in UK Retail Banking and Barclays Africa, good growth in Barclaycard and a loss in Western Europe Retail Banking Total GRB income increased 1% to £10,507m (2009 £10,374m) reflecting business growth, increased net interest margins in Barclaycard and Barclays Africa, a stable margin in UK Retail Banking and a lower margin in Western Europe Retail Banking Risk appetite remained consistent with improved collections and better economic conditions leading to lower impairment which drove an improved risk adjusted net interest margin Operating expenses increased 10% to £6,020m (2009 £5,490m) primarily due to higher pension costs the impact of acquisitions and higher regulatory-related costs Overall GRB return on average risk weighted assets improved to 1 7% (2009 1 5%) and GRBs loan to deposit ratio improved to 140% (2009 144%) The performance of the businesses within GRB is summarised below

UK Retail Banking

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

Barclaycard

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

Western Europe Retail Banking

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

Barclays Africa

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

Absa

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

Barclays Capital

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

Top-line income in the fourth quarter of 2010 was £3,380m, up 20% on the third quarter of 2010 reflecting higher activity levels and contributions from Equities and Prime Services up 74% and Investment Banking up 45% FICC top-line income was broadly in line with the prior quarter

Impairment charges, including impairment of £532m relating to the Protium loan which follows a reassessment of the expected realisation period improved significantly to £543m (2009 £2,591m) resulting in a 45% increase in net income to £13,057m Operating expenses increased 26% which largely reflected the continuing investment in our sales, origination, trading and research activities, increased charges relating to

Financial review
Analysis of results by business continued

prior year deferrals and restructuring costs Excluding the impact of own credit, the cost net income ratio was 65% (2009 61%) and compensation costs represented 43% of income (2009 33%)

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

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

Investment Management
Investment Management profit before tax of £67m (2009 £22m) principally reflected dividend income from the 19 9% holding in BlackRock, Inc Total assets decreased to £4 6bn (2009 £5 4bn) reflecting the fair value of the 37567m shares held in BlackRock Inc

Head Office Functions and Other Operations
Head Office Functions and Other Operations loss before tax increased by £169m to £745m (2009 loss of £576m) The results for 2009 reflected a net gain on debt buy-backs of £1 164m while 2010 benefited from a significant decrease in the costs of the central funding activity as money market dislocations eased and a reclassification of profit from the currency translation reserve to the income statement

Risk management
Risk factors

Risk Factors

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

The Groups approach to identifying, assessing, managing and reporting risks is formalised in its Principal Risks framework and supporting processes Definitions of the thirteen Principal Risks are provided in the table below The risk categories relevant to operational risk are People, Legal, Regulatory Operations, Financial Crime, Technology, Financial Reporting and Taxation This summary also includes discussions of the impact of business conditions and the general economy and regulatory changes which can impact risk factors and so influence the Group's results The Principal Risks described below can potentially impact the Group's reputation and brand

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

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

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

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

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

Regulatory changes
2010 has seen significant regulatory change This has been and remains the subject of close management attention Where regulatory change has strategic implications this will tend to affect more than one Principal Risk factor Such issues are dealt with on a Group wide basis by cross-disciplinary teams working under an accountable executive reporting to senior management Issues dealt with in this manner in 2010 included

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

Risk management
Risk factors continued

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

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
1 Wholesale Credit Risk and 2 Retail Credit Risk		
Credit Risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group This can also arise when an entity's credit rating is downgraded, leading to a fall in the value of Barclays investment in its issued financial instruments	The Board and management have established a number of key committees to review credit risk management, approve overall Group credit policy and resolve all significant credit policy issues These comprise the Board Risk Committee, the Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee Barclays constantly reviews its concentration in a number of areas including, for example, portfolio segments, geography maturity industry and investment grade Diversification is achieved through setting maximum exposure guidelines to individual counterparties sectors and countries, with excesses reported to the Risk Oversight Committee and the Board Risk Committee For further information, see page 21	Specific areas and scenarios where credit risk could lead to higher impairment charges in future years include **Credit Market Exposures** Barclays Capital holds certain exposures to credit markets that became illiquid during 2007 These exposures primarily relate to commercial real estate, leveraged finance and a loan to Protium The Group actively managed down some of these exposures in 2010 For further information, see pages 43 to 45 **Sovereign Risk** EU deficits approached very high levels during 2010 leading to a loss of market confidence in certain countries to which the Group is exposed The Group has put certain countries on watch list status with detailed monthly reporting to the Wholesale Credit Risk Management Committee For further information, see page 46 **Economic Uncertainty** Conditions have continued to show signs of improvement in many key markets, although the UK has experienced a slowdown in growth in the fourth quarter US unemployment rates remain high and the Spanish housing sector continues to be depressed, impacting our wholesale and retail credit risk exposures In particular, in Spain, the Group has experienced elevated impairment across its operations, following a marked reduction in construction activity and shrinking consumer spending The Group has reduced its credit risk appetite to the most severely affected segments of the economy In particular, new lending to the property and construction sector ceased and workout team resources have been increased significantly

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation

3 Market Risk

Market Risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates credit spreads, commodity prices, equity prices and foreign exchange rates The Group is exposed to market risk through traded market risk non-traded interest rate risk and the pension fund

The Board approves market risk appetite for trading and non-trading activities, with limits set within this context by the Group Market Risk Director

The head of each business market risk team is responsible for implementing the Barclays Market Risk Control Framework which sets out how market risk should be identified, measured, controlled, reported and reviewed Oversight and challenge is provided by business committees, Group committees and the central Group market risk team

Non-traded interest rate risk is hedged with the external market by a business Treasury operation or Group Treasury For further information, see pages 47 to 52

Traded Market Risk Exposures

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

Primary stress testing applies stress moves to each of the major asset classes Most asset class stress limits were, at some point during 2010, near to their limit There was one instance of an excess to limit in relation to equity risk in March 2010 This was appropriately escalated and remediated promptly

Barclays Capital's 2010 market risk exposure, as measured by average total DVaR, decreased to £53m (2009 £77m) For further information, see pages 47 to 49

Non-traded Interest Rate Risk

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

- fixed rate loans and deposits that are not hedged or matched,
- structural risk due to variability of earnings on structural product and equity balances which have no contractual maturity and an interest rate which does not move in line with the base rate, and
- margin compression

Fixed rate loan risk is mitigated by hedging the risk with the external market either via Group Treasury, or a business treasury operation Structural risk and margin compression are hedged by equity and structural hedges managed by Group Treasury The maturities of these hedges were extended during 2010

Due to economic concerns in the third quarter gilts purchased as part of the equity structural hedge extension were sold The duration extension process was resumed towards the end of 2010 and is expected to be completed by the end of 2011 For further information see pages 47 to 52

Pension Fund Risk

Barclays could be required or might choose to make extra contributons to the pension fund Financial details of the pension fund are in Note 27

Risk management
Risk factors continued

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
4 Capital Risk		
Capital Risk is the risk that the Group has insufficient capital resources to ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set out by the UK FSA and US Federal Reserve, ensure locally regulated subsidiaries can meet their minimum regulatory requirements, support the Group's Risk Appetite and economic capital requirements, and support the Group's credit rating	Primary responsibility for managing Capital Risk rests with the Group Treasury Committee, which has defined and implemented a Capital Risk governance framework The Committee monitors the Groups actual and forecast capital positions on both a pre and post stress basis Stress testing considers the impact to capital resources and requirements as a result of macroeconomic stresses The Committee also considers major risks to the capital forecast such as changes to the regulatory requirements The Group has a number of regulated legal entities within the UK and overseas Local management has primary responsibility for ensuring these entities comply with their local capital requirements Where necessary, injections of capital may be made Such injections are approved by Group Treasury Committee	**Increasing Capital Requirements** There have been a number of recent developments in regulatory capital requirements which are likely to have a significant impact on the Group Most significantly, during 2010, the Capital Requirement Directives 2 and 3 and the guidelines from the Basel Committee for strengthening capital requirements (Basel III) have been finalised Aligned to this, markets and credit rating agencies now expect equity capital levels significantly in excess of the current regulatory minimum As a result, and in anticipation of the future regulatory changes, the Group continues to build its capital base and actively manage its risk weighted assets As at 31st December 2010, the Group's Core Tier 1 Capital ratio was 10 9% (2009 10 1%) For further information, see page 53
5 Liquidity Risk		
Liquidity Risk is the risk that the Group is unable to meet its obligations as they fall due resulting in an inability to support normal business activity failing to meet liquidity regulatory requirements, or rating agency concerns	The Group maintains a substantial liquidity buffer comprised of deposits with central banks and investments in highly liquid securities or deposits Stress reporting for a number of liquidity scenarios is run on a daily basis These tests measure the survival periods under Barclays defined stress scenarios Similar stresses are run for key entities within the Group as well as at the Group level Since June 2010 the Group has also reported its liquidity position against backstop Individual Liquidity Guidance provided by the FSA Calibration of the Groups liquidity framework anticipated final FSA rules and is therefore broadly consistent with current FSA standards Daily reporting monitors a number of indicators or stress as well as daily cash activity	**Inability To Meet Obligations As They Fall Due, At Reasonable Cost** As a result of sudden, large and potentially protracted increases in cash outflows the cash resources of the group could be severely depleted These outflows could be principally through customer withdrawals wholesale counterparties removing financing, ratings downgrades or loan drawdowns This could result in - limited ability to support client lending, trading activities and investments, - forced reduction in balance sheet and sales of assets - inability to fulfil lending obligations, and - regulatory breaches under the liquidity standards introduced by the FSA on 1st December 2009 These outflows could be the result of general market dislocations or specific concerns about Barclays For further information, see pages 54 to 62

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
6. People Risk		
People Risk arises from failures of the Group to manage its key risks as an employer, including lack of appropriate people resource, failure to manage performance and reward, unauthorised or inappropriate employee activity and failure to comply with employment related requirements	People Risk is mitigated through the operation of the People Risk Framework (PRF) The PRF consists of Group wide policies which mandate the minimum controls that all businesses globally need to operate to mitigate their people risks and covers the following areas – Recruitment, – Pre-employment screening, – Employment agreements, – Performance management, – Reward, – Discipline, Capability and Grievance, – Health and Safety, – Exit management, – Employee feedback, and – Hiring former employees of the statutory auditor Conformance with the policies is monitored by the HR Risk Committee through regular conformance reviews and quarterly key indicators Further oversight of the management of People Risk is provided by the Board Remuneration Committee and the Group Operating Committee	**Compensation and People Retention Risk** During 2010, external regulatory developments in relation to remuneration continued to impact the People Principal Risk On 17th December 2010, the FSA published its final Remuneration code following the July 2010 Consultation Paper The code was updated in order to implement the remuneration rules required by the Capital Requirements Directive (CRD 3) and the Financial Service Act 2010 The code applies to remuneration paid from 1st January 2011, including remuneration in respect of 2010 performance Barclays remuneration approach has been reviewed in detail and enhancements made as appropriate to ensure continued compliance with the FSA Code During 2010, Barclays developed a Group wide policy formalising the role of risk functions in remuneration activities and ensuring regulatory requirements are fulfilled An independent review of Barclays approach was conducted on behalf of the Board Risk Committee by a third party The review concluded Barclays approach is market leading and satisfies regulatory requirements
7 Legal Risk		
The Group is subject to a comprehensive range of legal obligations in all countries in which it operates As a result, the Group is exposed to many forms of legal risk which may arise in a number of ways – Business may not be conducted in accordance with applicable laws around the world – Contractual obligations may either not be enforceable as intended or may be enforced in an adverse way – Intellectual property may not be adequately protected – Liability for damages may be incurred to third parties harmed by the conduct of its business	Legal Risk is owned and managed by the Legal Function both at a Group level and by the business unit legal teams The General Counsel for each business unit is responsible for management and reporting of Legal Risk The adequacy and effectiveness of the controls operated in the business units is overseen by the Group Legal Executive Committee Specific risks relating to Legal Risk are reported on a quarterly basis to the Executive Committee and the Board	Key Legal Risks to which the Group was exposed during 2010 have included – Litigation in relation to Lehman Brothers Holdings Inc – Litigation in relation to American Depository Shares – Developments in relation to Payment Protection Insurance (see Regulatory Risk below) – Compliance with US economic sanctions (see Regulatory risk) Further details of these matters and other Legal Risks are set out in the Legal Proceedings Note (see page 117) and the Competition and Regulatory Matters Note (see page 118)

Risk management
Risk factors continued

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
8 Regulatory Risk Regulatory Risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry Non-compliance could lead to fines, public reprimands, damage to reputation increased prudential requirements, enforced suspension of operations or in extreme cases withdrawal of authorisations to operate	Regulatory Risk is owned and managed by the Compliance Function Business Unit compliance functions monitor and control compliance risks, applying a range of Compliance policies under the co-ordination and oversight of Group Compliance The primary focus is on adherence to the regulatory framework currently in place Specific reports on regulatory compliance are prepared on a regular basis for the Group Operating Committee the Group Governance and Control Committee and the Board Audit Committee Compliance risk and control issues are also included in quarterly reporting by the Legal and Compliance functions to the Executive Committee and the Board Not all risks that might be considered to be regulatory in origin fall under the Regulatory Principal Risk Most notably, prudential regulatory risks are managed and mitigated in the manner outlined in the sections on Wholesale and Retail Credit Risk, Market Risk, Operational Risk Capital Risk and Liquidity Risk	**Regulatory Change** The regulatory response to the financial crisis has led to very substantial regulatory change in the UK, EU and US and in the other countries in which the Group operates It has also led to a change in the style of supervision in a number of territories with a more assertive approach being demonstrated by the authorities **Anti-bribery and Corruption** Among other things, the Bribery Act 2010 which applies to UK companies worldwide has created an offence of failure by a commercial organisation to prevent a bribe being paid on its behalf However, it will be a defence if the organisation has adequate procedures in place to prevent bribery In anticipation of the entry into force of the Bribery Act later in 2011 the Group has been enhancing its framework of controls to comply with the provisions of the Act **Payment Protection Insurance (PPI)** PPI has been under scrutiny by the UK competition authorities and financial services regulators The UK Competition Commission (CC) has undertaken an in-depth enquiry into the PPI market which has resulted in the CC introducing a number of remedies including a prohibition on sale of PPI at the point of sale In addition a judicial review has been launched regarding the treatment of PPI complaints by the FSA and Financial Ombudsman Services **US Economic Sanctions** As announced on 18th August 2010 Barclays reached settlements with the US Authorities in relation to the investigation by those agencies into compliance with US sanctions and US dollar payment practices In addition, an Order to Cease and Desist has been issued upon consent by the Federal Reserve Bank of New York and the New York State Banking Department. Barclays has taken significant steps to enhance further its compliance programmes including the further development and implementation of its Sanctions Policy, substantial investment in advanced payment and customer screening technology, and the delivery of mandatory sanctions training for more than 100,000 staff around the world For further information see pages 63-65 and 118
9. Operations Risk Operations Risk has a broad scope and, for that reason, it is defined at a more granular level The risks are – Transaction operations, – New product development, – Premises, – External suppliers, – Payments process, and – Information, data quality and records management	These risks are managed by Business Units in accordance with control requirements articulated via mandated Group Policies and/or Risk Control Frameworks The adequacy and effectiveness of the controls operated in the Business Units is overseen by the Group Principal Risk Owner teams in the Group Centre via regular management information, conformance reviews and quarterly Risk Review meetings (attended by Business Unit representatives) The Group Operating Committee is responsible for oversight of these risks	During 2010 there were enhancements to the management of external suppliers and transaction operations risks

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
10 Financial Crime Risk		
Financial Crime Risk is the risk that the Group suffers losses as a result of internal and external fraud or intentional damage loss or harm to people, premises or moveable assets	The Group Financial Crime Team, Fraud Oversight Committee and Security Risk Management Committee provide oversight of the implementation of the Fraud Risk Control Framework and the Group Security Risk Control Framework Oversight is achieved via conformance reviews and other review activity undertaken by Group Financial Crime and within business units Monthly reports on fraud losses across the Group are produced for the Fraud Oversight Committee which monitors these events and considers the actions to be taken on a case by case basis Where relevant, the Fraud Oversight Committee takes actions to drive remediation of the root cause of such events Quarterly Financial Crime reports are submitted to the Group Risk Oversight Committee and Board Risk Committee	As a major financial institution, Barclays continues to be a target for financial crime The group has frameworks and systems in place to enable it to respond to threats to both the organisation and its customers as they emerge
11 Technology Risk		
Technology Risk includes the non-availability of IT systems inadequate design and testing of new and changed IT solutions and inadequate IT system security Data privacy issues are covered under Regulatory Risk and external supplier issues relating to technology are covered under Operations Risk	Technology is a key business enabler and requires an appropriate level of control to ensure that the most significant technology risks are effectively managed Technology Risk is managed through a formal risk governance framework A set of Key Risk Indicators (KRIs), consistent across Business Units, is periodically collated and reviewed by management Each KRI has a specific target state, defining the Group's attitude to risk Any areas falling short of this standard are highlighted to management for action Regular technology risk reporting is provided to the Group Operating Committee, the Governance and Control Committee and the Board Audit Committee	Similar to many large organisations, Barclays is exposed to the risk that systems may not be continually available This risk is monitored closely and enhancements to certain key systems are being undertaken

Risk management
Risk factors continued

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
12 Financial Reporting Risk Financial Reporting Risk arises from a failure or inability to comply fully with the laws, regulations or codes in relation to the disclosure of financial information Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate	Group wide requirements and any material external requirements are set out in the Financial Reporting Risk Control Framework During 2010 a review of the Financial Reporting Risk was undertaken, resulting in a broadening of its scope The Group monitoring process was also strengthened to provide the Group Financial Controller with a more effective oversight All business units and Group centre functions are required to comply with the Risk Control Framework requirements and retain evidence to support this accordingly Compliance with the Financial Reporting Risk policies is reported at Group level through core key indicators on at least a quarterly basis Group oversight is undertaken via conformance review, other ongoing monitoring activities and quarterly review meetings are held between the Group Financial Controller and Business Unit Finance Directors to review and challenge the Business Unit Financial Reporting Risk status and assessment Quarterly Financial Reporting Risk reports are submitted to the Group Operating Committee for oversight and monitoring Additionally, specific reports are submitted to the Group Governance & Control Committee and to the Board Audit Committee around the Group compliance with Sarbanes Oxley requirements	**Changes in accounting standards** As set out in Future Accounting Developments on page 91, the International Accounting Standards Board is undertaking a significant programme of revision to IFRS which it aims to complete by 30th June 2011 The final form of IFRS requirements, the time period over which new requirements will need to be applied and the impact on the results and financial positions is not yet known The Group is taking steps to ensure that it is able to appropriately respond to the changes as they emerge however the situation is evolving rapidly **Increased scrutiny** Following the financial crisis the financial reporting of banks has been subject to greater scrutiny by regulators This has included consideration of accounting policies accounting for particular transactions and financial statement disclosures For Barclays this has included the accounting treatment of Protium Finance LP Further details are provided on page 44 The Group continues to maintain an effective system of internal control over financial reporting and to enhance its disclosures in response to feedback received and the British Bankers Association (BBA) Disclosure Code Further details on internal control over financial reporting can be found on page 73 and on the BBA code and improvements to Annual Report disclosures on page 71

Principal Risk Factor	Principal Risk Management	Key Specific Risks and Mitigation
13 Taxation Risk		
Tax Risk is the risk that the Group suffers losses associated with changes in tax law or in the interpretation of tax law It also includes the risk of failure to comply with procedures required by tax authorities Failure to manage tax risks could lead to an additional tax charge It could also lead to reputational damage or a financial penalty for failure to comply with required tax procedures or other aspects of tax law	The Group's strategy is to maximise returns for shareholders whilst complying with relevant tax laws, disclosure requirements and regulations under an appropriate risk control framework The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk, specifically tax risks are assessed as part of the Groups formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee The tax charge is reviewed by the Board Audit Committee Barclays has adopted the Code of Practice for Taxation of Banks (The Code) and has confirmed to HMRC that it will have regard to the spirit of the law and the intent of Parliament in managing its tax affairs The Group employs high-quality tax professionals and takes appropriate advice from reputable professional firms Effective, well-documented and controlled processes are in place to ensure compliance with tax disclosure and filing obligations 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	During 2010 the Group settled open issues in a number of jurisdictions, principally the UK and South Africa, including agreement of the UK bank payroll tax liability with HMRC Governance and controls have been put in place to ensure compliance with the UK government's Code of Practice for Taxation of Banks The profit forecasts that support the Group's deferred tax assets, principally in the UK, US and Spain, have been subject to close scrutiny by management The Group continues to monitor the potential impact of proposed taxes aimed at banks such as the UK bank levy (see also pages 93 to 95)

Risk management
Financial risk management

All disclosures in this section (page 20) are unaudited unless otherwise indicated

Overview (audited)
There are no differences in the manner in which financial risks are managed and measured between the Barclays Bank PLC Group and the Barclays PLC Group Therefore, the explanations of the management, the control responsibilities and the measurement described in this section and the following sections on credit risk, market risk, capital and liquidity risk management are those for the Barclays PLC Group which includes the Barclays Bank PLC Group The amounts included in these sections are those for Barclays Bank PLC

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 Financial instruments are fundamental to the Group's business and managing financial risks, especially credit risk, is a fundamental part of its business activity

The Groups 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

Risk responsibilities (audited)
The Board approves risk appetite and the Board Risk Committee (BRC) monitors the Groups risk profile against this appetite

- The Chief Risk Officer 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 Group Risk Oversight Committee which is chaired by the Chief Risk Officer under authority delegated by the Group Finance Director The Group 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 Executive Committee monitors and manages risk-adjusted performance of businesses and receives a regular update on forward risk trends

The 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 Group Risk Oversight Committee is chaired by the Chief Risk Officer and oversees the management of the Groups 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 on pages 21 to 62

Risk management
Credit risk management

All disclosures in this section (pages 21 to 46) are unaudited unless otherwise indicated

Overview (audited)
Credit risk is the risk of suffering financial loss should any of the Group's customers clients or market counterparties fail to fulfil their contractual obligations to the Group

The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with clients Other sources of credit risk arise from trading activities including debt securities, settlement balances with market counterparties available for sale assets and reverse repurchase agreements

Losses arising from exposures held for trading (derivatives, debt securities) are accounted for as trading losses, rather than impairment charges, even though the fall in value causing the loss may be attributable to credit deterioration

Maximum exposure to credit risk before collateral held or other credit enhancements (audited)
The following tables present the maximum exposure at 31st December 2010 and 2009 to credit risk of balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements and after allowance for impairment and netting where appropriate

For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that Barclays would have to pay if the guarantees were to be called upon For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities

This analysis and all subsequent analyses of credit risk include only financial assets subject to credit risk They exclude other financial assets, mainly equity securities held in the trading portfolio or as available for sale assets as well as non-financial assets The nominal value of off-balance sheet credit related instruments is also shown, where appropriate

Financial assets designated at fair value 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

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

Risk management
Credit risk management continued

Maximum exposure to credit risk (audited)

As at 31st December 2010	Loans and advances[a] £m	Debt securities and other bills[b] £m	Derivatives[c] £m	Reverse repurchase agreements[d] £m	Other £m	Total assets £m
	Asset class					
The Group						
On-balance sheet						
Cash and balances at central banks	–	–	–	–	97,630	97,630
Items in the course of collection from other banks	–	–	–	–	1,384	1,384
Trading portfolio assets						
Debt securities	–	139,240	–	–	–	139,240
Traded loans	2,170	–	–	–	–	2,170
Total trading portfolio assets	2,170	139,240	–	–	–	141,410
Financial assets designated at fair value						
Loans and advances	22,352	–	–	–	–	22,352
Debt securities	–	1,918	–	–	–	1,918
Other financial assets	–	–	–	7,559	2,542	10,101
Total financial assets designated at fair value	22,352	1,918	–	7,559	2,542	34,371
Derivative financial instruments	–	–	420,319	–	–	420,319
Loans and advances to banks	37,799	–	–	–	–	37,799
Loans and advances to customers						
Home loans	168,055	–	–	–	–	168,055
Credit card receivables	22,658	–	–	–	–	22,658
Other personal lending	26,608	–	–	–	–	26,608
Wholesale and corporate	200,618	–	–	–	–	200,618
Finance lease receivables	10,003	–	–	–	–	10,003
Total loans and advances to customers	427,942	–	–	–	–	427,942
Reverse repurchase agreements and other similar secured lending	–	–	–	205,772	–	205,772
Available for sale debt securities	–	59,629	–	–	–	59,629
Other assets	–	–	–	–	2,824	2,824
Total on-balance sheet	490,263	200,787	420,319	213,331	104,380	1,429,080
Off-balance sheet						
Securities lending arrangements						27,672
Guarantees and letters of credit pledged as collateral security						13,783
Acceptances and endorsements						331
Documentary credits and other short-term trade related transactions						1,194
Standby facilities credit lines and other commitments						222,963
Total off-balance sheet						265,943
Total maximum exposure to credit risk						1,695,023

Notes
a Further analysis of loans and advances is on pages 32 to 40
b Further analysis of debt securities and other bills is on page 40
c Further analysis of derivatives is on page 41
d Further analysis of reverse repurchase agreements is on page 42

Maximum exposure to credit risk (audited)	Asset class					
As at 31st December 2010	Loans and advances £m	Debt securities and other bills £m	Derivatives £m	Reverse repurchase agreements £m	Other £m	Total assets £m
The Bank						
On-balance sheet						
Cash and balances at central banks	–	–	–	–	92,686	92,686
Items in the course of collection from other banks	–	–	–	–	1,268	1,268
Trading portfolio assets						
Debt securities	–	86,328	–	–	–	86,328
Traded loans	2,500	–	–	–	–	2,500
Total trading portfolio assets	2,500	86,328	–	–	–	88,828
Financial assets designated at fair value						
Loans and advances	25,093	–	–	–	–	25,093
Debt securities	–	783	–	–	–	783
Other financial assets	–	–	–	2,489	805	3,294
Total financial assets designated at fair value	25,093	783	–	2,489	805	29,170
Derivative financial instruments	–	–	441,145	–	–	441,145
Loans and advances to banks	40,390	–	–	–	–	40,390
Loans and advances to customers						
Home loans	123,995	–	–	–	–	123,995
Credit card receivables	12,184	–	–	–	–	12,184
Other personal lending	14,230	–	–	–	–	14,230
Wholesale and corporate	372,301	–	–	–	–	372,301
Finance lease receivables	226	–	–	–	–	226
Total loans and advances to customers	522,936	–	–	–	–	522,936
Reverse repurchase agreements and other similar secured lending	–	–	–	227,343	–	227,343
Available for sale debt securities	–	45,076	–	–	–	45,076
Other assets	–	–	–	–	1,054	1,054
Total on-balance sheet	590,919	132,187	441,145	229,832	95,813	1,489,896

Off-balance sheet	
Securities lending arrangements	27,672
Guarantees and letters of credit pledged as collateral security	11,823
Acceptances and endorsements	302
Documentary credits and other short-term trade related transactions	924
Standby facilities, credit lines and other commitments	173,795
Total off-balance sheet	214,516
Total maximum exposure to credit risk	1,704,412

Risk management
Credit risk management continued

Maximum exposure to credit risk (audited)

As at 31st December 2009	Loans and advances £m	Debt securities and other bills £m	Derivatives £m	Reverse repurchase agreements £m	Other £m	Total assets £m
	Asset class					
The Group						
On-balance sheet						
Cash and balances at central banks	–	–	–	–	81,483	81,483
Items in the course of collection from other banks	–	–	–	–	1,593	1,593
Trading portfolio assets						
Debt securities	–	126 520	–	–	–	126,520
Traded loans	2,962	–	–	–	–	2,962
Total trading portfolio assets	2,962	126 520	–	–	–	129,482
Financial assets designated at fair value						
Loans and advances	22 390	–	–	–	–	22,390
Debt securities	–	4,007	–	–	–	4,007
Other financial assets	557	–	–	7,757	344	8,658
Total financial assets designated at fair value	22 947	4,007	–	7,757	344	35,055
Derivative financial instruments	–	–	416,815	–	–	416,815
Loans and advances to banks	41,135	–	–	–	–	41,135
Loans and advances to customers						
Home loans	149 099	–	–	–	–	149 099
Credit card receivables	21,889	–	–	–	–	21,889
Other personal lending	25,435	–	–	–	–	25,435
Wholesale and corporate	212 928	–	–	–	–	212 928
Finance lease receivables	10 873	–	–	–	–	10,873
Total loans and advances to customers	420 224	–	–	–	–	420,224
Reverse repurchase agreements and other similar secured lending	–	–	–	143 431	–	143,431
Available for sale debt securities	–	49,807	–	–	–	49,807
Other assets	–	–	–	–	3,476	3 476
Total on-balance sheet	487 268	180 334	416 815	151,188	86,896	1,322,501
Off-balance sheet						
Securities lending arrangements						27,406
Guarantees and letters of credit pledged as collateral security						15 406
Acceptances and endorsements						375
Documentary credits and other short-term trade related transactions						762
Standby facilities, credit lines and other commitments						206,513
Total off-balance sheet						250,462
Total maximum exposure to credit risk						1,572,963

Maximum exposure to credit risk (audited)	Asset class					
As at 31st December 2009	Loans and advances £m	Debt securities and other bills £m	Derivatives £m	Reverse repurchase agreements £m	Other £m	Total assets £m
The Bank						
On-balance sheet:						
Cash and balances at central banks	–	–	–	–	78,447	78 447
Items in the course of collection from other banks	–	–	–	–	1 373	1,373
Trading portfolio assets						
Debt securities	–	83,680	–	–	–	83 680
Traded loans	2 945	–	–	–	–	2 945
Total trading portfolio assets	2,945	83 680	–	–	–	86,625
Financial assets designated at fair value						
Loans and advances	21 636	–	–	–	–	21 636
Debt securities	–	3,338	–	–	–	3 338
Other financial assets	423	–	–	2,083	99	2,605
Total financial assets designated at fair value	22 059	3,338	–	2 083	99	27,579
Derivative financial instruments	–	–	429,895	–	–	429 895
Loans and advances to banks	42,963	–	–	–	–	42,963
Loans and advances to customers.						
Home loans	110 605	–	–	–	–	110 605
Credit card receivables	11 523	–	–	–	–	11,523
Other personal lending	14,125	–	–	–	–	14,125
Wholesale and corporate	375,513	–	–	–	–	375,513
Finance lease receivables	362	–	–	–	–	362
Total loans and advances to customers	512 128	–	–	–	–	512 128
Reverse repurchase agreements and other similar secured lending	–	–	–	145,433	–	145,433
Available for sale debt securities	–	35,984	–	–	–	35,984
Other assets	–	–	–	–	1,198	1,198
Total on-balance sheet	580,095	123 002	429,895	147,516	81,117	1,361 625

Off-balance sheet.	
Securities lending arrangements	27 406
Guarantees and letters of credit pledged as collateral security	13,150
Acceptances and endorsements	350
Documentary credits and other short-term trade related transactions	535
Standby facilities, credit lines and other commitments	159 281
Total off-balance sheet	200,722
Total maximum exposure to credit risk	1 562,347

Risk management
Credit risk management continued

Credit risk concentrations (audited)

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged

Credit risk concentrations by geographical sector (audited)

As at 31st December 2010	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
The Group						
On-balance sheet						
Cash and balances at central banks	18,535	13,558	41,288	2,293	21,956	97,630
Items in the course of collection from other banks	1,169	114	–	100	1	1,384
Trading portfolio assets	16,063	30,066	66,148	1,516	27,617	141,410
Financial assets designated at fair value	14,800	3,613	9,001	2,918	4,039	34,371
Derivative financial instruments	129,183	129,497	110,467	4,234	46,938	420,319
Loans and advances to banks	5,233	10,375	12,559	1,475	8,157	37,799
Loans and advances to customers	209,995	83,269	53,297	52,938	28,443	427,942
Reverse repurchase agreements and other similar secured lending	50,044	45,265	77,430	23	33,010	205,772
Available for sale financial investments	25,466	14,839	6,399	7,281	5,644	59,629
Other assets	1,612	235	314	537	126	2,824
Total on-balance sheet	472,100	330,831	376,903	73,315	175,931	1,429,080
Off-balance sheet						
Securities lending arrangements	–	–	27,672	–	–	27,672
Guarantees and letters of credit pledged as collateral security	3,803	2,273	4,266	2,179	1,262	13,783
Acceptances and endorsements	125	4	6	29	167	331
Documentary credits and other short-term trade related transactions	476	156	143	183	236	1,194
Standby facilities, credit lines and other commitments	94,676	29,985	64,812	24,522	8,968	222,963
Total off-balance sheet	99,080	32,418	96,899	26,913	10,633	265,943
Total	571,180	363,249	473,802	100,228	186,564	1,695,023
The Bank						
On-balance sheet						
Cash and balances at central banks	18,425	12,805	40,160	83	21,213	92,686
Items in the course of collection from other banks	1,169	93	–	5	1	1,268
Trading portfolio assets	15,269	28,383	24,873	168	20,135	88,828
Financial assets designated at fair value	20,554	3,424	1,290	208	3,694	29,170
Derivative financial instruments	158,106	128,684	107,005	947	46,403	441,145
Loans and advances to banks	4,473	11,175	15,356	678	8,708	40,390
Loans and advances to customers	390,007	64,225	38,924	3,277	26,503	522,936
Reverse repurchase agreements and other similar secured lending	53,665	50,170	97,375	10	26,123	227,343
Available for sale financial investments	24,716	9,353	5,184	202	5,621	45,076
Other assets	919	66	20	1	48	1,054
Total on-balance sheet	687,303	308,378	330,187	5,579	158,449	1,489,896
Off-balance sheet						
Securities lending arrangements	–	–	27,672	–	–	27,672
Guarantees and letters of credit pledged as collateral security	3,744	1,916	4,755	147	1,261	11,823
Acceptances and endorsements	125	3	6	1	167	302
Documentary credits and other short-term trade related transactions	476	43	143	27	235	924
Standby facilities, credit lines and other commitments	87,208	25,599	51,390	397	9,201	173,795
Total off-balance sheet	91,553	27,561	83,966	572	10,864	214,516
Total	778,856	335,939	414,153	6,151	169,313	1,704,412

Credit risk concentrations by geographical sector (audited)

As at 31st December 2009	United Kingdom £m	Other European Union £m	United States £m	Africa £m	Rest of the World £m	Total £m
The Group						
On-balance sheet.						
Cash and balances at central banks	37,697	5,584	32 279	1,742	4,181	81 483
Items in the course of collection from other banks	1 340	56	–	196	1	1 593
Trading portfolio assets	12,232	35 088	52 229	1,414	28,519	129 482
Financial assets designated at fair value	13,945	3,986	10,800	2,352	3 972	35,055
Derivative financial instruments	133 713	128,881	111,269	2,511	40 441	416,815
Loans and advances to banks	5,117	12,697	13,137	2,388	7,796	41,135
Loans and advances to customers	203,582	84,343	58,355	47,495	26,449	420,224
Reverse repurchase agreements and other similar secured lending	22,222	44 014	60,759	527	15 909	143,431
Available for sale financial investments	16 752	14,028	7,175	4 993	6,859	49,807
Other assets	1,565	417	651	661	182	3,476
Total on-balance sheet	448,165	329 094	346,654	64,279	134,309	1 322,501
Off-balance sheet.						
Securities lending arrangements	–	–	27,406	–	–	27,406
Guarantees and letters of credit pledged as collateral security	3,337	2,783	5,443	1,795	2,048	15,406
Acceptances and endorsements	134	5	–	26	210	375
Documentary credits and other short-term trade related transactions	357	94	–	174	137	762
Standby facilities, credit lines and other commitments	94,763	26 250	57,598	19 306	8,596	206 513
Total off-balance sheet	98 591	29,132	90,447	21 301	10,991	250,462
Total	546,756	358,226	437,101	85,580	145,300	1,572,963
The Bank						
On-balance sheet:						
Cash and balances at central banks	37,619	4,983	31 690	54	4,101	78,447
Items in the course of collection from other banks	1,339	25	–	8	1	1,373
Trading portfolio assets	11 808	34,614	17,687	161	22 355	86,625
Financial assets designated at fair value	17,208	3,931	2,939	151	3,350	27,579
Derivative financial instruments	151,461	130,841	107,394	908	39,291	429,895
Loans and advances to banks	7,927	12,828	14 109	789	7,310	42,963
Loans and advances to customers	375,761	61,909	47 520	3,654	23,284	512,128
Reverse repurchase agreements and other similar secured lending	26,661	44 778	60,993	9	12,992	145 433
Available for sale financial investments	17,085	9,738	4,505	254	4 402	35,984
Other assets	1,036	11	72	1	78	1,198
Total on-balance sheet	647,905	303,658	286 909	5,989	117,164	1 361,625
Off-balance sheet:						
Securities lending arrangements	–	–	27 406	–	–	27,406
Guarantees and letters of credit pledged as collateral security	3,271	2 380	5,445	7	2,047	13,150
Acceptances and endorsements	134	5	–	1	210	350
Documentary credits and other short-term trade related transactions	356	14	–	26	139	535
Standby facilities, credit lines and other commitments	87,410	21,876	41,773	391	7,831	159,281
Total off-balance sheet	91,171	24 275	74,624	425	10,227	200,722
Total	739,076	327 933	361 533	6,414	127,391	1,562,347

Risk management
Credit risk management continued

Credit Risk concentrations by industrial sector (audited)

As at 31st December 2010	Financial institutions £m	Manufacturing £m	Construction and property £m	Government £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
The Group											
On-balance sheet											
Cash and balances at central banks	–	–	–	97,630	–	–	–	–	–	–	97,630
Items in the course of collection from other banks	1,378	–	–	6	–	–	–	–	–	–	1,384
Trading portfolio assets	51,337	2,222	986	79,055	3,408	873	2,209	–	17	1,303	141,410
Financial assets designated at fair value	11,507	71	11,746	5,328	1,389	683	2,944	–	109	594	34,371
Derivative financial instruments	382,038	4,810	2,953	7,637	11,265	3,193	2,622	–	61	5,740	420,319
Loans and advances to banks	36,606	–	–	1,193	–	–	–	–	–	–	37,799
Loans and advances to customers	87,405	14,766	28,670	5,108	9,231	17,357	26,228	168,055	46,668	24,454	427,942
Reverse repurchase agreements and other similar secured lending	197,808	50	7	7,247	–	279	339	–	–	42	205,772
Available for sale financial investments	23,585	154	336	33,402	37	117	1,359	410	72	157	59,629
Other assets	1,267	4	47	436	9	9	383	4	615	50	2,824
Total on-balance sheet	792,931	22,077	44,745	237,042	25,339	22,511	36,084	168,469	47,542	32,340	1,429,080
Off-balance sheet											
Securities lending arrangements	27,672	–	–	–	–	–	–	–	–	–	27,672
Guarantees and letters of credit pledged as collateral security	5,213	1,445	752	358	1,256	686	2,196	439	477	961	13,783
Acceptances and endorsements	28	111	38	–	4	48	92	–	8	2	331
Documentary credits and other short-term trade related activities	396	35	103	–	3	124	477	–	56	–	1,194
Standby facilities, credit lines and other commitments	47,784	20,999	9,860	2,307	15,671	9,220	10,664	16,789	79,341	10,328	222,963
Total off-balance sheet	81,093	22,590	10,753	2,665	16,934	10,078	13,429	17,228	79,882	11,291	265,943
Total	874,024	44,667	55,498	239,707	42,273	32,589	49,513	185,697	127,424	43,631	1,695,023

Credit Risk concentrations by industrial sector (audited)

As at 31st December 2010	Financial institutions £m	Manufac-turing £m	Construc-tion and property £m	Govern-ment £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
The Bank											
On-balance sheet:											
Cash and balances at central banks	–	–	–	92,686	–	–	–	–	–	–	92,686
Items in the course of collection from other banks	1,263	–	–	5	–	–	–	–	–	–	1,268
Trading portfolio assets	22,985	1,040	669	58,317	2,740	656	1,714	–	–	707	88,828
Financial assets designated at fair value	9,861	51	10,654	4,816	398	447	2,791	–	–	152	29,170
Derivative financial instruments	402,702	4,824	2,950	7,637	10,994	3,415	2,936	–	36	5,651	441,145
Loans and advances to banks	39,486	–	–	904	–	–	–	–	–	–	40,390
Loans and advances to customers	273,376	12,785	20,413	3,969	8,378	15,424	26,556	123,995	27,383	10,657	522,936
Reverse repurchase agreements and other similar secured lending	219,560	50	7	7,066	–	279	339	–	–	42	227,343
Available for sale financial investments	20,466	154	337	23,498	3	52	387	–	23	156	45,076
Other assets	296	4	15	40	–	2	238	1	457	1	1,054
Total on-balance sheet	989,995	18,908	35,045	198,938	22,513	20,275	34,961	123,996	27,899	17,366	1,489,896
Off-balance sheet:											
Securities lending arrangements	27,672	–	–	–	–	–	–	–	–	–	27,672
Guarantees and letters of credit pledged as collateral security	4,878	1,321	619	358	1,196	591	1,822	–	196	842	11,823
Acceptances and endorsements	27	111	38	–	4	48	64	–	8	2	302
Documentary credits and other short-term trade related transactions	395	35	–	–	3	124	311	–	56	–	924
Standby facilities, credit lines and other commitments	36,982	20,509	8,825	2,307	15,246	9,024	12,956	14,570	43,219	10,157	173,795
Total off-balance sheet	69,954	21,976	9,482	2,665	16,449	9,787	15,153	14,570	43,479	11,001	214,516
Total	1,059,949	40,884	44,527	201,603	38,962	30,062	50,114	138,566	71,378	28,367	1,704,412

Risk management
Credit risk management continued

Credit Risk concentrations by industrial sector (audited)

As at 31st December 2009	Financial institutions £m	Manufacturing £m	Construction and property £m	Government £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards unsecured loans and other personal lending £m	Other £m	Total £m
The Group											
On-balance sheet											
Cash and balances at central banks	–	–	–	81,483	–	–	–	–	–	–	81,483
Items in the course of collection from other banks	1,586	–	–	7	–	–	–	–	–	–	1,593
Trading portfolio assets	41 482	3 899	1,063	76,454	3 136	608	1 569	–	–	1,271	129,482
Financial assets designated at fair value	13,366	78	11 929	5,435	330	775	2,569	150	4	419	35,055
Derivative financial instruments	379,901	4,230	2,416	6,119	12,081	3,472	5,627	–	69	2,900	416,815
Loans and advances to banks	36,710	–	–	4 425	–	–	–	–	–	–	41,135
Loans and advances to customers	93,113	18 197	29 175	4,801	10,723	19 156	29 603	149,099	40,575	25 782	420,224
Reverse repurchase agreements and other similar secured lending	136,184	87	926	5,347	–	279	608	–	–	–	143 431
Available for sale financial investments	30 398	285	269	16 320	57	82	1,896	416	–	84	49,807
Other assets	1,588	23	60	414	13	38	478	106	682	74	3,476
Total on-balance sheet	734,328	26,799	45,838	200,805	26,340	24,410	42 350	149,771	41,330	30,530	1,322 501
Off-balance sheet											
Securities lending arrangements	27 406	–	–	–	–	–	–	–	–	–	27,406
Guarantees and letters of credit pledged as collateral security	5 711	1 266	715	–	2,872	955	2,164	584	411	728	15,406
Acceptances and endorsements	85	108	2	–	33	45	8	–	5	89	375
Documentary credits and other short-term trade related transactions	242	33	80	–	–	171	233	–	3	–	762
Standby facilities, credit lines and other commitments	39,564	19 530	10,567	1,687	13,502	7,949	9,243	15,356	79,052	10,063	206,513
Total off-balance sheet	73,008	20,937	11 364	1,687	16,407	9,120	11 648	15,940	79,471	10,880	250,462
Total	807,336	47,736	57,202	202,492	42 747	33,530	53,998	165,711	120,801	41,410	1,572,963

Credit Risk concentrations by industrial sector (audited)

As at 31st December 2009	Financial institutions £m	Manufacturing £m	Construction and property £m	Government £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards unsecured loans and other personal lending £m	Other £m	Total £m
The Bank											
On-balance sheet:											
Cash and balances at central banks	–	–	–	78,447	–	–	–	–	–	–	78,447
Items in the course of collection from other banks	1,373	–	–	–	–	–	–	–	–	–	1,373
Trading portfolio assets	20,065	2,552	605	58 375	2 690	307	1 223	–	–	808	86,625
Financial assets designated at fair value	9,611	41	10,077	4,806	113	474	2 353	24	–	80	27,579
Derivative financial instruments	393,237	4,199	2,415	5,983	11,925	3,456	5,845	–	16	2,819	429,895
Loans and advances to banks	40 187	–	–	2 776	–	–	–	–	–	–	42,963
Loans and advances to customers	272,970	16,457	20 683	4,748	9,706	17,961	23,710	110 605	25,297	9,991	512,128
Reverse repurchase agreements and other similar secured lending	139,505	87	7	5,009	–	279	546	–	–	–	145,433
Available for sale financial investments	25,688	285	167	8,928	3	82	330	469	–	32	35,984
Other assets	414	13	13	31	–	7	233	–	487	–	1 198
Total on-balance sheet	903,050	23,634	33,967	169 103	24 437	22,566	34 240	111 098	25 800	13 730	1,361,625
Off-balance sheet.											
Securities lending arrangements	27,406	–	–	–	–	–	–	–	–	–	27,406
Guarantees and letters of credit pledged as collateral security	5,064	1,125	596	–	2 822	886	1,899	–	129	629	13,150
Acceptances and endorsements	63	108	2	–	33	45	7	–	5	87	350
Documentary credits and other short-term trade related transactions	176	33	–	–	–	171	152	–	1	2	535
Standby facilities, credit lines and other commitments	29 986	19 025	9 311	1,687	13,115	7,402	11,051	13,377	44,549	9,778	159,281
Total off-balance sheet	62,695	20,291	9 909	1 687	15,970	8,504	13,109	13,377	44,684	10,496	200,722
Total	965,745	43,925	43,876	170 790	40 407	31,070	47,349	124 475	70,484	24 226	1,562,347

Risk management
Credit risk management continued

Loans and advances (audited)

Governance and responsibilities

The credit risk management teams in each business are accountable to the business risk directors in those businesses who in turn, report to the heads of their businesses and also to the Chief Risk Officer

The 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 its implementation across the businesses

The principal committees that review credit risk management, formulate overall Group credit policy and resolve all significant credit policy issues are the Board Risk Committee, the Group Risk Oversight Committee, the Wholesale Credit Risk Management Committee and the Retail Credit Risk Management Committee

On a semi-annual basis, the Credit Risk Impairment Committee (CRIC) obtains assurance on behalf of the Group that all businesses are recognising impairment in their portfolios accurately promptly and in accordance with policy, accounting standards and established governance

CRIC is chaired by the Credit Risk Director and reviews the movements in impairment, including those already agreed at Credit Committee as well as potential credit risk loans, loan loss rates, asset quality metrics and impairment coverage ratios

CRIC makes twice-yearly recommendations to the Board Audit Committee on the adequacy of Group impairment allowances Impairment allowances are reviewed relative to the risk in the portfolio, business and economic trends, current policies and methodologies, and the Groups position relative to peer banks

Credit monitoring

Wholesale and corporate loans which are deemed to contain heightened levels of risk are recorded on early-warning or watch lists These lists are graded in line with the perceived severity of the risk attached to the lending and its probability of default The lists are updated on a monthly basis and are closely monitored

Regardless of whether they are recorded on early-warning or watch lists, all Wholesale and corporate loans 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 loans (which tend to comprise homogeneous assets) are monitored on a portfolio basis

Credit risk measurement

Barclays uses statistical modelling techniques throughout its business in its credit rating systems 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) The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness

For Wholesale and corporate lending, Barclays assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating Barclays 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 all assigned internal risk ratings in this way for account management purposes, therefore their probability of default is considered

The Group considers credit risk loans (defined as all customers overdue by 90 days or more, and/or individually impaired or restructured) and loan loss rates when assessing the credit performance of its loan portfolios, other than those held at fair value For the purposes of historical and business unit comparison, loan loss rates are defined as total annualised credit impairment charge (excluding available for sale assets and reverse repurchase agreements) divided by gross loans and advances to customers and banks (at amortised cost)

Credit risk mitigation

Where appropriate, the Group takes action to mitigate credit risk such as reducing amounts outstanding (in discussion with the customers, clients or counterparties if appropriate), using credit derivatives securitising assets and disposals

Diversification to avoid unwanted credit risk concentrations is achieved through setting maximum exposure guidelines to individual counterparties Excesses are reported to the Board Risk Committee and the Group Risk Oversight Committee Mandate and scale limits are used to limit the stock of current exposures in a loan portfolio and the flow of new exposures into a loan portfolio Limits are typically based on the term and nature of the lending

Collateral and security
The Group routinely obtains collateral and security to mitigate credit risk

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

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

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

Credit quality of loans and advances (audited)
All loans and advances are categorised as either

- neither past due nor individually impaired,
- past due but not individually impaired, or
- individually impaired, which includes restructured loans

A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract
The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment
Loans subject to collective impairment allowances are included in either Neither past due but not impaired or Past due but not impaired

Credit risk loans comprise loans and advances to banks and customers 90 days overdue or more and those subject to individual impairment The coverage ratio is calculated by reference to the total impairment allowance and the carrying value (before impairment) of credit risk loans

Credit quality of loans and advances (audited)

As at 31st December 2010	Neither past due nor individually impaired[a] £m	Past due but not individually impaired[b] £m	Individually impaired £m	Total £m	Impairment allowance £m	Total carrying value £m	Credit risk loans[c] £m	Coverage ratio %
The Group								
Trading portfolio								
Traded loans	2,170	–	–	2,170	–	2,170	–	–
Financial assets designated at fair value								
Loans and advances	22,273	79	–	22,352	–	22,352	–	–
Other financial assets	–	–	–	–	–	–	–	–
Loans and advances to banks	37,149	663	35	37,847	(48)	37,799	35	100 0
Loans and advances to customers								
Home loans	156,908	9,488	2,513	168,909	(854)	168,055	4,294	19 9
Credit card receivables	20,734	1,253	3,112	25,099	(2,441)	22,658	3,642	67 0
Other personal lending	24,363	1,975	3,397	29,735	(3,127)	26,608	3,886	80 5
Wholesale and corporate	181,473	6,746	18,010	206,229	(5,611)	200,618	19,331	29 0
Finance lease receivables	9,338	589	427	10,354	(351)	10,003	694	50 6
Total	454,408	20,793	27,494	502,695	(12,432)	490,263	31,882	39 0
The Bank								
Trading portfolio								
Traded loans	2,500	–	–	2,500	–	2,500	–	–
Financial assets designated at fair value								
Loans and advances	25,022	71	–	25,093	–	25,093	–	–
Other financial assets	–	–	–	–	–	–	–	–
Loans and advances to banks	39,794	609	35	40,438	(48)	40,390	35	100.0
Loans and advances to customers								
Home loans	116,983	6,296	931	124,210	(215)	123,995	1,461	14 7
Credit card receivables	11,097	645	1,831	13,573	(1,389)	12,184	2,044	68 0
Other personal lending	13,012	1,293	1,986	16,291	(2,061)	14,230	2,262	91 1
Wholesale and corporate	358,760	2,311	15,641	376,712	(4,411)	372,301	16,196	27 2
Finance lease receivables	226	–	–	226	–	226	–	–
Total	567,394	11,225	20,424	599,043	(8,124)	590,919	21,998	36 9

Notes
a Financial assets subject to collective impairment allowance are included in this column if they are not past due
b Financial assets subject to collective impairment allowance are included in this column if they are past due
c Credit Risk Loans include the loan to Protium of £7 560m against which an impairment of £532m is held

Risk management
Credit risk management continued

Credit quality of loans and advances (audited)

As at 31st December 2009	Neither past due nor individually impaired[a] £m	Past due but not individually impaired[b] £m	Individually impaired £m	Total £m	Impairment allowance £m	Total carrying value £m	Credit risk loans £m	Coverage ratio %
The Group								
Trading portfolio								
Traded loans	2,962	–	–	2,962	–	2,962	–	–
Financial assets designated at fair value								
Loans and advances	22 210	180	–	22,390	–	22 390	–	–
Other financial assets	557	–	–	557	–	557	–	–
Loans and advances to banks	38,859	2 280	57	41,196	(61)	41,135	57	100 0
Loans and advances to customers								
Home loans[c]	139,045	8 839	1,854	149,738	(639)	149,099	3,758	17 0
Credit card receivables	20 195	1,544	2 459	24,198	(2,309)	21,889	3 068	75 3
Other personal lending	23,796	2 175	2,372	28 343	(2,908)	25,435	3,466	83 9
Wholesale and corporate	199,800	7 598	10,088	217,486	(4,558)	212,928	11,497	39 6
Finance lease receivables	10 128	664	402	11,194	(321)	10 873	696	46 1
Total	457,552	23,280	17,232	498,064	(10,796)	487,268	22 542	47 9
The Bank								
Trading portfolio								
Traded loans	2,945	–	–	2,945	–	2,945	–	–
Financial assets designated at fair value								
Loans and advances	21,467	169	–	21 636	–	21,636	–	–
Other financial assets	423	–	–	423	–	423	–	–
Loans and advances to banks	40 784	2,183	57	43,024	(61)	42 963	57	100 0
Loans and advances to customers								
Home loans[c]	103 883	5,893	977	110,753	(148)	110 605	1 686	8 8
Credit card receivables	10,920	582	1,363	12,865	(1,342)	11,523	1 578	85 0
Other personal lending	13,043	1 030	1,959	16,032	(1 907)	14,125	2,485	76 7
Wholesale and corporate	365 778	3,854	9,825	379,457	(3,944)	375 513	10 584	37 3
Finance lease receivables	362	–	–	362	–	362	–	–
Total	559 605	13,711	14 181	587 497	(7,402)	580 095	16,390	45 2

Notes
a Financial assets subject to collective impairment allowance are included in this column if they are not past due
b Financial assets subject to collective impairment allowance are included in this column if they are past due
c Comparative figures for home loans have been restated to align with externally disclosed arrears definition

Loans and advances neither past due nor individually impaired (audited)

As at 31st December	2010 Strong £m	2010 Satisfactory £m	2010 Higher risk £m	2010 Total £m	2009 Strong £m	2009 Satisfactory £m	2009 Higher risk £m	2009 Total £m
The Group								
Trading portfolio								
Traded loans	352	1,203	615	2,170	1,366	1 290	306	2,962
Financial assets designated at fair value								
Loans and advances	17,496	2,100	2,677	22,273	15,909	3,809	2,492	22,210
Other financial assets	–	–	–	–	261	–	296	557
Loans and advances to banks	35,666	1,360	123	37,149	35,825	2,492	542	38,859
Loans and advances to customers								
Home loans	85,351	69,784	1,773	156,908	66 831	69,890	2,324	139 045
Credit card receivables	–	20,538	196	20,734	–	20,038	157	20 195
Other personal lending	5,555	16,130	2,678	24,363	3,417	18,108	2,271	23,796
Wholesale and corporate	115,783	59,921	5,769	181,473	119,764	70,132	9,904	199,800
Finance lease receivables	3,684	5,228	426	9,338	2,664	7,082	382	10,128
Total	263,887	176,264	14,257	454,408	246,037	192,841	18 674	457,552
The Bank								
Trading portfolio								
Traded loans	337	1,203	960	2,500	1,366	1,273	306	2,945
Financial assets designated at fair value								
Loans and advances	21,808	1,342	1,872	25,022	17,657	2,892	918	21,467
Other financial assets	–	–	–	–	423	–	–	423
Loans and advances to banks	35,607	3,403	784	39,794	37,160	1,851	1,773	40 784
Loans and advances to customers								
Home loans	75,658	41,131	194	116,983	59,900	42,935	1,048	103,883
Credit card receivables	–	11,097	–	11,097	–	10,920	–	10,920
Other personal lending	5,088	5,780	2,144	13,012	2,911	8 178	1,954	13,043
Wholesale and corporate	309,533	45,146	4,081	358,760	303,545	54 510	7 723	365,778
Finance lease receivables	–	226	–	226	–	362	–	362
Total	448,031	109,328	10,035	567,394	422,962	122 921	13,722	559,605

For the purposes of the analysis of credit quality the following internal measures of credit quality have been used

Strong	0 0-0 60%	0 0-0 05%	1-3
		0 05-0 15%	4-5
		0 15-0 30%	6-8
		0 30-0 60%	9-11
Satisfactory	0 60-10 00%	0 60-2 15%	12-14
		2 15-11 35%	15-19
Higher risk	10 00%+	11 35%+	20-21

Financial statement descriptions can be summarised as follows

Strong – there is a very high likelihood of the asset being recovered in full

Satisfactory – whilst there is a high likelihood that the asset will be recovered and therefore of no cause for concern to the Group, the asset may not be collateralised, or may relate to retail facilities such as credit card balances and unsecured loans which have been classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of some deterioration, mortgages with a high loan to value ratio, and unsecured retail loans operating outside normal product guidelines

Higher risk – there is concern over the obligor's ability to make payments when due However these have not yet converted to actual delinquency There may also be doubts over value of collateral or security provided However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest

Risk management
Credit risk management continued

Loans and advances that are past due but not individually impaired (audited)
An age analysis of loans and advances that are past due but not individually impaired is set out below

For the purposes of this analysis an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed The amount included is the entire financial asset not just the payment, of principal or interest or both overdue

The table below provides a breakdown of total financial assets past due but not individually impaired In general, retail and wholesale loans fall into this category for two separate reasons Retail loans and advances to customers may come under this category because the impairment allowance on such loans is calculated on a collective – not individual – basis This reflects the homogenous nature of the assets, which allows statistical techniques to be used, rather than individual assessment

In contrast, some loans to Wholesale customers and banks may come under this category because of instances where a payment on a loan is past due without requiring an individual impairment allowance For example an individual impairment allowance will not be required when a loss is not expected due to a corporate loan being fully secured or collateralised As a result, it is past due but not individually impaired

Loans and advances past due but not individually impaired (audited)

As at 31st December 2010	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Of which credit risk loans £m
The Group							
Financial assets designated at fair value							
Loans and advances	–	–	70	1	8	79	–
Loans and advances to banks	663	–	–	–	–	663	–
Loans and advances to customers							
Home loans	4,915	1,875	917	1,381	400	9,488	1,781
Credit card receivables	214	156	353	441	89	1,253	530
Other personal lending	422	672	392	362	127	1,975	489
Wholesale and corporate	4,104	788	533	620	701	6,746	1,321
Finance lease receivables	175	80	67	266	1	589	267
Total financial assets past due but not individually impaired	10,493	3,571	2,332	3,071	1,326	20,793	4,388
The Bank							
Financial assets designated at fair value							
Loans and advances	–	–	70	1	–	71	–
Loans and advances to banks	609	–	–	–	–	609	–
Loans and advances to customers							
Home loans	3,445	1,561	760	342	188	6,296	530
Credit card receivables	78	77	277	202	11	645	213
Other personal lending	107	581	329	186	90	1,293	276
Wholesale and corporate	1,220	269	267	260	295	2,311	555
Total financial assets past due but not individually impaired	5,459	2,488	1,703	991	584	11,225	1,574

Loans and advances past due but not individually impaired (audited)

As at 31st December 2009	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Of which credit risk loans £m
The Group							
Financial assets designated at fair value							
Loans and advances	170	–	1	–	9	180	–
Loans and advances to banks	2 280	–	–	–	–	2,280	–
Loans and advances to customers							
Home loans	4,849	1,453	633	1,403	501	8,839	1,904
Credit card receivables	501	214	220	459	150	1,544	609
Other personal lending	369	295	417	413	681	2,175	1,094
Wholesale and corporate	5 403	292	494	866	543	7,598	1,409
Finance lease receivables	186	86	98	282	12	664	294
Total financial assets past due but not individually impaired	13,758	2,340	1 863	3 423	1,896	23,280	5 310
The Bank							
Financial assets designated at fair value							
Loans and advances	169	–	–	–	–	169	–
Loans and advances to banks	2,183	–	–	–	–	2,183	–
Loans and advances to customers.							
Home loans	3,648	1,183	353	539	170	5,893	709
Credit card receivables	209	67	91	207	8	582	215
Other personal lending	87	185	232	290	236	1,030	526
Wholesale and corporate	2 629	161	305	377	382	3,854	759
Total financial assets past due but not individually impaired	8,925	1,596	981	1,413	796	13,711	2,209

Loans and advances individually assessed as impaired (audited)

	2010			2009		
As at 31st December	**Original carrying amount £m**	**Impairment allowance £m**	**Revised carrying amount £m**	Original carrying amount £m	Impairment allowance £m	Revised carrying amount £m
The Group						
Total loans and advances to banks individually impaired	35	(31)	4	57	(49)	8
Loans and advances to customers						
Home loans	**2,513**	**(627)**	**1,886**	1,854	(317)	1,537
Credit card receivables	**3,112**	**(2,025)**	**1,087**	2,459	(1 690)	769
Other personal lending	**3,397**	**(2,075)**	**1,322**	2,372	(1,531)	841
Wholesale and corporate	**18,010**	**(4,986)**	**13,024**	10,088	(3,837)	6,251
Finance lease receivables	**427**	**(265)**	**162**	402	(233)	169
Total loans and advances individually impaired	**27,494**	**(10,009)**	**17,485**	17,232	(7,657)	9 575
Collective impairment allowance		**(2,423)**			(3,139)	
Total impairment allowance		**(12,432)**			(10,796)	
The Bank						
Total loans and advances to banks individually impaired	35	(31)	4	57	(49)	8
Loans and advances to customers						
Home loans	**931**	**(116)**	**815**	977	(92)	885
Credit card receivables	**1,831**	**(1,048)**	**783**	1,363	(826)	537
Other personal lending	**1,986**	**(1,432)**	**554**	1,959	(1,331)	628
Wholesale and corporate	**15,641**	**(3,841)**	**11,800**	9,825	(3 323)	6,502
Total loans and advances individually impaired	**20,424**	**(6,468)**	**13,956**	14,181	(5,621)	8,560
Collective impairment allowance		**(1,656)**			(1 781)	
Total impairment allowance		**(8,124)**			(7,402)	

Risk management
Credit risk management continued

The movements on the impairment allowance during the year were as follows

Movements in allowance for impairment by asset class (audited)

2010	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
The Group								
Loans and advances to banks	61	–	–	(1)	(11)	17	(18)	48
Loans and advances to customers								
Home loans	639	18	(54)	63	(134)	6	316	854
Credit card receivables	2,309	74	(100)	50	(1,374)	77	1,405	2,441
Other personal lending	2,908	–	(47)	45	(1,059)	37	1,243	3,127
Wholesale and corporate	4,558	(14)	(6)	148	(1,547)	40	2,432	5,611
Finance lease receivables	321	–	(6)	26	(185)	24	171	351
Total loans and advances to customers	10,735	78	(213)	332	(4,299)	184	5,567	12,384
Total impairment allowance	10,796	78	(213)	331	(4,310)	201	5,549	12,432
The Bank								
Loans and advances to banks	61	–	–	(1)	(11)	12	(13)	48
Loans and advances to customers								
Home loans	148	18	(3)	(1)	(22)	1	74	215
Credit card receivables	1,342	63	(89)	(17)	(811)	78	823	1,389
Other personal lending	1,907	–	(23)	8	(715)	14	870	2,061
Wholesale and corporate	3,944	–	–	124	(1,417)	32	1,728	4,411
Finance lease receivables	–	–	–	–	–	–	–	–
Total loans and advances to customers	7,341	81	(115)	114	(2,965)	125	3,495	8,076
Total impairment allowance	7,402	81	(115)	113	(2,976)	137	3,482	8,124

Movements in allowance for impairment by asset class (audited)

2009	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
The Group								
Loans and advances to banks	51	–	–	(11)	–	10	11	61
Loans and advances to customers								
Home loans	321	19	(59)	46	(82)	3	391	639
Credit card receivables	1,445	415	(79)	(28)	(1,009)	78	1,487	2,309
Other personal lending	1,869	–	(26)	(89)	(633)	21	1,766	2,908
Wholesale	2,699	–	(15)	(48)	(1 538)	28	3,432	4 558
Finance lease receivables	189	–	(6)	3	(118)	10	243	321
Total loans and advances to customers	6,523	434	(185)	(116)	(3,380)	140	7,319	10 735
Total impairment allowance	6,574	434	(185)	(127)	(3 380)	150	7,330	10 796
The Bank								
Loans and advances to banks	51	–	–	(11)	–	7	14	61
Loans and advances to customers								
Home loans	91	19	(2)	6	(18)	–	52	148
Credit card receivables	901	115	(79)	5	(336)	38	698	1 342
Other personal lending	1,232	14	(28)	(103)	(397)	10	1,179	1,907
Wholesale	2,999	–	–	(867)	(1,393)	25	3,180	3,944
Finance lease receivables	–	–	–	–	–	–	–	–
Total loans and advances to customers	5,223	148	(109)	(959)	(2,144)	73	5,109	7,341
Total impairment allowance	5,274	148	(109)	(970)	(2,144)	80	5 123	7 402

Loan loss rates (audited)

As at 31st December	Gross loans and advances £m	Impairment allowance £m	Loans and advances net of impairment £m	Impairment charge £m	Loan loss rate bps
The Group					
2010	**478,173**	**(12,432)**	**465,741**	**5,625**	**118**
2009	472 155	(10,796)	461,359	7,358	156
The Bank					
2010	**571,450**	**(8,124)**	**563,326**	**3,476**	**61**
2009	562 493	(7,402)	555 091	5,195	92

Renegotiated loans and advances (audited)

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset In other cases, renegotiation will lead to a new agreement, which is treated as a new loan

Collateral and other credit enhancements held (audited)

Financial assets that are past due or individually assessed as impaired may be partially or fully collateralised or subject to other forms of credit enhancement

Assets in these categories subject to collateralisation are mainly corporate loans, Home Loans and finance lease receivables Credit card receivables and other personal lending are generally unsecured (although in some instances a charge over the borrower's property or other assets may be sought)

Corporate loans (audited)

Security is usually taken in the form of a fixed charge over the borrower's property or a floating charge over the assets of the borrower Loan covenants may be put in place to safeguard the Group's financial position If the exposure is sufficiently large, either individually or at the portfolio level, credit protection in the form of guarantees, credit derivatives or insurance may be taken out For these and other reasons collateral given is only accurately valued on origination of the loan or in the course of enforcement actions and as a result it is not practicable to estimate the fair value of the collateral held

Home loans (audited)

Home Loans are secured by a fixed charge over the property

A description and the estimated fair value of collateral held in respect of Home Loans that are past due or individually assessed as impaired is as follows

Nature of assets (audited)

	The Group		The Bank	
As at 31st December	2010 Fair value £m	2009 Fair value £m	2010 Fair value £m	2009 Fair value £m
Residential property	**10,057**	9,628	**6,132**	6,255

Collateral included in the above table reflects the Groups interest in the property in the event of default That held in the form of charges against residential property in the UK is restricted to the outstanding loan balance In other territories, where the Group is not obliged to return any sale proceeds to the mortgagee, the full estimated fair value has been included

Finance lease receivables (audited)

The net investment in the lease is secured through retention of legal title to the leased assets

Risk management
Credit risk management continued

Collateral and other credit enhancements obtained (audited)
The carrying value of assets held by the Group as at 31st December 2010 as a result of the enforcement of collateral was as follows

Assets received (audited)	The Group		The Bank	
As at 31st December	2010 Carrying amount £m	2009 Carrying amount £m	2010 Carrying amount £m	2009 Carrying amount £m
Residential property	**71**	71	**19**	22
Commercial and industrial property	**14**	66	**–**	–
Other credit enhancements	**210**	248	**177**	209
Total	**295**	385	**196**	231

Any properties repossessed are made available for sale in an orderly and timely fashion, with any proceeds realised being used to reduce or repay the outstanding loan For business customers, in some circumstances, where excess funds are available after repayment in full of the outstanding loan, they are offered to any other, lower ranked, secured lenders Any additional funds are returned to the customer Barclays does not, as a rule, occupy repossessed properties for its business use

The Group does not use assets obtained in its operations Assets obtained are normally sold, generally at auction, or realised in an orderly manner for the maximum benefit of the Group, the borrower and the borrower's other creditors in accordance with the relevant insolvency regulations

Debt Securities (audited)
Credit Quality of Debt Securities
Trading portfolio assets, financial assets designated at fair value and available for sale assets are measured on a fair value basis The fair value will reflect among other things, the credit risk of the issuer

Most listed and some unlisted securities are rated by external rating agencies The Group mainly uses external credit ratings provided by Standard & Poor s or Moody's Where such ratings are not available or are not current, the Group will use its own internal ratings for the securities

Securities rated as investment grade amounted to 93 0% of the portfolio (2009 91 8%) An analysis of the credit quality of the Group's debt securities is set out below

Debt securities (audited)	2010				2009			
As at 31st December	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m
The Group								
Trading portfolio	**130,744**	**6,663**	**1,833**	**139,240**	119,138	5,346	2,036	126,520
Financial assets designated at fair value	**942**	**644**	**332**	**1,918**	2,200	1,791	16	4,007
Available for sale financial investments	**55,107**	**2,022**	**2,500**	**59,629**	44,233	5,055	519	49,807
Total debt securities	**186,793**	**9,329**	**4,665**	**200,787**	165,571	12,192	2,571	180,334
% of total	**93 0%**	**4 7%**	**2 3%**	**100 0%**	91 8%	6 8%	1 4%	100 0%

Included in the table above are impaired available for sale debt securities with a carrying value at 31st December 2010 of £358m (2009 £265m), after a write down of £583m (2009 £692m)

Debt securities (audited)	2010				2009			
As at 31st December	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m
The Bank								
Trading portfolio	**80,732**	**3,774**	**1,822**	**86,328**	79,144	3,568	968	83,680
Financial assets designated at fair value	**244**	**252**	**287**	**783**	1,901	1,422	15	3,338
Available for sale financial investments	**42,656**	**287**	**2,133**	**45,076**	33,893	1,942	149	35,984
Total debt securities	**123,632**	**4,313**	**4,242**	**132,187**	114,938	6 932	1 132	123,002
% of total	**93 5%**	**3 3%**	**3 2%**	**100 0%**	93 5%	5 6%	0 9%	100 0%

Collateral is not generally obtained directly from the issuers of debt securities Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default

Derivatives (audited)
Derivatives are measured on a fair value basis

The credit quality of the Groups derivative assets according to the credit quality of the counterparty at 31st December 2010 and 2009 was as follows

Credit quality (audited)	2010				2009			
	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m
The Group								
Derivatives	**401,242**	**15,598**	**3,479**	**420,319**	399 534	15 565	1 716	416,815
	95 5%	**3 7%**	**0 8%**	**100 0%**	95 9%	3 7%	0 4%	100 0%
The Bank								
Derivatives	**423,625**	**14,046**	**3,474**	**441,145**	413,816	14,366	1,713	429,895
	96 0%	**3.2%**	**0.8%**	**100 0%**	96 3%	3 3%	0 4%	100 0%

Credit risk from derivatives is mitigated where possible through netting agreements whereby derivative assets and liabilities with the same counterparty can be offset Group policy requires all netting arrangements to be legally documented The ISDA Master Agreement is the Group's preferred agreement for documenting OTC derivatives It provides the contractual framework within which dealing activities across a full range of OTC products are conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur

Collateral is obtained against derivative assets depending on the creditworthiness of the counterparty and/or nature of the transaction Any collateral taken in respect of OTC trading exposures will be subject to a 'haircut' which is negotiated at the time of signing the collateral agreement A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security The collateral obtained for derivatives is either cash, direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country, debt issued by supranationals or letters of credit issued by an institution with a long-term unsecured debt rating of A+/A3 or better Where the Group has ISDA master agreements, the collateral document will be the ISDA Credit Support Annex (CSA) The collateral document must give Barclays the power to realise any collateral placed with it in the event of the failure of the counterparty, and to place further collateral when requested or in the event of insolvency, administration or similar processes, as well as in the case of early termination

Derivative assets and liabilities would be £378bn (2009 £374bn) lower than reported if netting were permitted for assets and liabilities with the same counterparty or for which the Group holds cash collateral

Risk management
Credit risk management continued

Reverse Repurchase Agreements and Other Financial Assets (audited)
Reverse repurchase agreements and securities borrowing arrangements are collateralised loans typically of short maturities

The loans are fully collateralised with highly liquid securities legally transferred to the Group The level of collateral is monitored daily and further collateral called when required

Credit quality (audited)	2010				2009			
	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m	AAA to BBB- (investment grade) £m	BB+ to B £m	B- and below £m	Total £m
The Group								
Financial assets designated at fair value								
Other financial assets	7,285	271	3	7,559	4,749	1,955	1 053	7,757
Reverse repurchase agreements	179,625	24,801	1,346	205,772	136 366	6,674	391	143 431
Total reverse repurchase agreements	186,910	25,072	1,349	213,331	141 115	8,629	1,444	151,188
	87 6%	11 8%	0 6%	100 0%	93 3%	5 7%	1 0%	100 0%
The Bank								
Financial assets designated at fair value								
Other financial assets	2,324	165	–	2,489	1,890	73	120	2,083
Reverse repurchase agreements	208,120	17,920	1,303	227,343	140,739	4 391	303	145 433
Total reverse repurchase agreements	210,444	18,085	1,303	229,832	142 629	4,464	423	147 516
	91 5%	7 9%	0 6%	100 0%	96 7%	3 0%	0 3%	100 0%

No reverse repurchase agreements held by the Group at 31st December 2010 or 2009 were individually impaired, however during the year, the Group wrote back £4m of impairment on reverse repurchase agreements (2009 £43m charge)

Other Credit Risk Assets (audited)
Cash and balances at central banks
Cash and balances with central banks were £97630m (2009 £81,483m) There is a reduced level of credit risk in relation to balances at central banks

Items in the course of collection from other banks
Items in the course of collection from other banks were £1,384m (2009 £1,593m), of which there is reduced credit risk in light of the banking industry clearing system

Other financial assets
Other financial assets comprise £2 824m (2009 £3,476m) of other assets and £2,542m (2009 £344m) of assets held at fair value

Off-balance sheet
The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks In the case of commitments to lend customers and counterparties will be subject to the same credit management policies as for loans and advances Collateral may be sought depending on the strength of the counterparty and the nature of the transaction

Credit market exposures
Barclays Capital s credit market exposures primarily relate to commercial real estate leveraged finance and a loan to Protium Finance LP These include positions subject to fair value movements in the income statement and positions that are classified as loans and advances and as available for sale

The balances and write downs presented below represent credit market exposures held at the time of the market dislocation in mid-2007 Similar assets acquired subsequent to the market dislocation are actively traded in secondary markets and are therefore excluded from the disclosure

The balances and write downs to 31st December 2010 are set out by asset class below

Barclays Capital credit market exposures (audited)	As at 31st December				Year ended 31st December 2010		
	2010 $m	2009 $m	2010 £m	2009 £m	Fair value (losses)/ gains £m	Impairment (charge)/ release £m	Total (losses)/ gains £m
US Residential Mortgages							
ABS CDO Super Senior	3,085	3,127	1,992	1 931	–	137	137
Other US sub-prime and Alt-A[b]	1,025	1 447	662	894	(43)	(11)	(54)
Monoline protection on US RMBS	–	9	–	6	(1)	–	(1)
Commercial Mortgages							
Commercial real estate loans and properties owned	11,006	12,525	7,106	7,734	(110)	–	(110)
Commercial mortgage-backed securities[b]	184	352	119	218	(5)	–	(5)
Monoline protection on CMBS	18	49	12	30	40	–	40
Other Credit Market							
Leveraged Finance[c]	7,636	8,919	4,930	5,507	–	(242)	(242)
SIVs, SIV-Lites and CDPCs	618	896	399	553	50	27	77
Monoline protection on CLO and other	2,541	3,443	1,641	2,126	(55)	–	(55)
Loan to Protium	10,884	12,727	7,028	7 859	–	(532)	(532)
Total	36,997	43,494	23,889	26,858	(124)	(621)	(745)

During the year ended 31st December 2010 these credit market exposures decreased £2,969m to £23,889m (2009 £26,858m) The decrease reflected net sales and paydowns and other movements of £3,000m and total write downs of £745m, offset by foreign exchange rate movements of £776m, primarily relating to the appreciation of the US Dollar against Sterling

In the year ended 31st December 2010 write downs comprised £621m (2009 £1,669m) of impairment charges and £124m (2009 £4,417m) of net fair value losses through income Total write downs included an impairment charge of £532m (2009 £nil) relating to the Protium loan, losses of £75m (2009 £3,007m) against commercial mortgage positions and losses of £220m (2009 £997m) against other credit market positions partially offset by a gain of £82m (2009 loss of £2 082m) against US residential mortgage positions

Loan to Protium
On 16th September 2009, Barclays Capital sold assets of £7,454m ($12,285m), including £5,087m ($8,384m) in credit market assets, to Protium Finance LP (Protium) a newly established fund As part of the transaction Barclays extended a $12 641m 10 year loan to Protium

The table below includes all assets held by Protium as collateral for the loan At 31st December 2010 there were assets wrapped by a monoline insurer with a fair value of $4,806m (2009 $4 095m) Following the commutation of contracts with one monoline insurer in January 2011 there are no longer any assets wrapped by monoline insurers Cash and cash equivalents at 31st December 2010 were $1,364m (2009 $688m) including cash realised from sales and paydowns and funds available to purchase third party assets Other assets at 31st December 2010 were $811m (2009 $567m) including residential mortgage-backed securities purchased by Protium post inception and other asset-backed securities

Principal and interest payments have been received in accordance with contractual terms However, following a reassessment of the expected realisation period, the loan is carried at an amount equivalent to the fair value of the underlying collateral This has resulted in an impairment charge of $824m (£532m)

Notes
a As the majority of exposure is held in US Dollars the exposures above are shown in both US Dollars and Sterling
b 31st December 2009 comparatives have been adjusted to exclude actively traded positions relating to other US sub-prime and Alt-A of £498m and commercial mortgage-backed securities of £253m.
c Includes undrawn commitments of £264m (2009 £257m)

Risk management
Credit risk management continued

Protium assets

The ongoing review of Barclays financial statements by regulators includes consideration of the non-consolidation of Protium Barclays continues to conclude that it is appropriate not to consolidate Protium within the Group financial statements It should be noted that the Groups results would not be materially different if Protium were to be consolidated

Fair value disclosures equivalent to those made for Barclays own financial assets have been provided below in respect of Protiums financial assets totalling £7,028m (2009 £7,644m) which are used to collateralise the loan from Barclays The analysis below excludes cash and cash equivalents of £881m (2009 £425m) that are also used to collateralise the loan The valuation techniques that would be used to measure these assets are described on pages 153 to 156 The valuations have been subject to Barclays valuation control framework, which is described on page 158

The following table shows Protiums financial assets measured at fair value disaggregated by valuation technique within the fair value hierarchy and by product type

Financial assets measured at fair value	2010				2009			
As at 31st December	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
Trading portfolio assets								
Other US sub-prime whole loans and real estate	–	–	528	528	–	–	641	641
Other US sub-prime securities	–	35	372	407	–	51	306	357
Alt-A	–	41	1,399	1,440	–	70	1,234	1,304
Other trading portfolio assets	106	110	308	524	8	220	122	350
Fair value of underlying assets wrapped by monoline insurers	–	323	2,780	3,103	–	316	2,213	2 529
Derivative financial assets								
Monoline protection	–	145	–	145	–	–	2,038	2 038
Total	106	654	5,387	6,147	8	657	6 554	7,219

The following table shows movements in the Level 3 balances during the year

Analysis of movements in Level 3 financial assets	Trading portfolio assets £m	Derivative financial instruments £m	Total £m
As at 1st January 2010	4,516	2,038	6,554
Purchases	–	–	–
Sales	(14)	–	(14)
Settlements	(415)	(87)	(502)
Total gains and losses in the period recognised in the income statement	1,225	(1,805)	(580)
Transfers in/(transfers out)	75	(146)	(71)
As at 31st December 2010	5,387	–	5,387

The significant movements in the Level 3 positions during the year ended 31st December 2010 are explained below

- Settlements represent assets that were paid in full, amortisation of principal, and payments from monoline insurers
- Total gains and losses represent changes in the fair value of the assets, and losses due to commutation of contracts with monoline insurers

Sensitivity analysis of valuations using unobservable inputs

As at 31st December	2010 Total assets £m	2010 Favourable changes £m	2010 Unfavourable changes £m	2009 Total assets £m	2009 Favourable changes £m	2009 Unfavourable changes £m
Trading portfolio assets						
Other US sub-prime whole loans and real estate	**528**	**75**	**(43)**	641	112	(92)
Other US sub-prime securities	**372**	**53**	**(31)**	306	54	(44)
Alt-A	**1,399**	**198**	**(115)**	1,234	216	(178)
Other trading portfolio assets	**308**	**5**	**(4)**	122	6	(3)
Fair value of underlying assets wrapped by monoline insurers	**2,780**	**166**	**(162)**	2 213	227	(446)
Derivative financial assets						
Monoline protection	**–**	**–**	**–**	2 038	209	(411)
Total	**5,387**	**497**	**(355)**	6,554	824	(1,174)

The effect of stressing the unobservable assumptions to a range of reasonably possible alternatives would be to increase the fair values by up to £0 5bn (2009 £0 8bn) or to decrease the fair values by up to £0 4bn (2009 £1 2bn) with all the potential effect impacting profit and loss

The stresses applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data

In all cases, an assessment is made to determine the suitability of available data The sensitivity methodologies that are used to assess the Protium assets are described on pages 157 to 158 and are consistent with that of Barclays valuation control framework

Analysis of Barclays Capital credit market exposures by asset class

As at 31st December	Trading portfolio assets – debt securities £m	Financial assets designated at fair value – equity securities £m	Financial assets designated at fair value – debt securities £m	Financial assets designated at fair value – L&A £m	Derivative financial instruments £m	L&A to customers £m	Available for sale debt securities £m	Other assets £m	2010 Total £m	2009 Total £m
ABS CDO Super Senior	–	–	–	–	–	1,992	–	–	**1,992**	1 931
Other US Sub-prime and Alt-A	–	–	–	–	250	5	407	–	**662**	894
Monoline Protection on US RMBS	–	–	–	–	–	–	–	–	**–**	6
Commercial Real Estate Loans and Property	–	743	–	4,712	–	–	–	1,651	**7,106**	7 734
CMBS	154	–	–	–	(35)	–	–	–	**119**	218
Monoline Protection on CMBS	–	–	–	–	12	–	–	–	**12**	30
Leveraged Finance[a]	–	–	–	–	–	4,666	–	–	**4,666**	5 250
SIVs, SIV-lites and CDPCs	–	–	345	–	54	–	–	–	**399**	553
Monoline Protection on CLO and Other	–	–	–	–	1,641	–	–	–	**1,641**	2,126
Loan to Protium Finance LP	–	–	–	–	–	7,028	–	–	**7,028**	7,859
Total exposures	154	743	345	4,712	1,922	13,691	407	1,651	**23,625**	26,601

Note

a Undrawn commitments of £264m (2009 £257m) are off-balance sheet and therefore not included in the table above

Risk management
Credit risk management continued

Exposures to Selected Eurozone and Other Countries
The tables below show the Group's exposures to selected countries (Spain, Italy Portugal and Ireland), representing Eurozone countries that have a credit rating of AA or below from Standard and Poor's and where the Group has an exposure of over £0 5bn

The Groups exposure to Greece, which has a sovereign credit rating of BB+, was below £0 5bn The Group's balance sheet exposure to Egypt was approximately £2bn, a significant proportion of which represented available for sale assets held in Treasury bills with a maturity less than one year In addition, contingent liabilities and commitments included less than £1bn relating to Barclays Africa trade finance business in Egypt

The balances included in the tables below represent the Groups exposure to retail customers and wholesale customers (comprising corporates and sovereigns) in each of the respective countries

Assets are stated gross of any trading liability positions and before any risk mitigation but net of impairment allowances and of derivative counterparty netting and collateral held

Retail exposures	As at 31st December 2010		As at 30th June 2010	
	Loans and advances at amortised cost £m	Contingent liabilities and commitments £m	Loans and advances at amortised cost £m	Contingent liabilities and commitments £m
Spain	**19,053**	**1,306**	18,124	1,805
Italy	**16,324**	**1,004**	14 239	945
Portugal	**5,813**	**1,384**	4,978	1 162
Ireland	**77**	**9**	142	19

Retail exposures mainly related to our domestic lending in Spain, Italy and Portugal, principally residential mortgages The credit quality of our mortgage lending in Spain and Italy reflects low LTV lending, with average mark to market LTVs at 31st December 2010 in Spain of 58% and in Italy of 45% Credit risk loan balances in Spain and Italy increased by 22% to £832m and 15% to £553m, respectively

Wholesale exposures	Loans and advances at amortised cost		Assets held at fair value		
	Total £m	Of which Government £m	Total £m	Of which Government £m	Contingent liabilities and commitments £m
As at 31st December 2010					
Spain	**6,574**	**86**	**8,625**	**6,665**	**2,550**
Italy	**3,180**	**–**	**9,258**	**7,382**	**2,622**
Portugal	**2,706**	**7**	**2,495**	**1,207**	**1,739**
Ireland	**3,069**	**–**	**3,320**	**452**	**1,422**
As at 30th June 2010					
Spain	7 167	133	8,731	6,403	3,182
Italy	3,159	–	10,466	8,606	1,546
Portugal	2 405	19	2 408	1 177	1,543
Ireland	3 324	–	3,160	328	1 482

Wholesale exposures relating to Barclays Capital and Barclays Corporate activities in Spain, Italy, Portugal and Ireland cover a broad range of SME corporate and investment banking activities as well as Western Europe treasury operations holdings of sovereign and corporate bonds in those countries Loans and advances include exposures at 31st December 2010 to the property and construction industry in Spain of £2 951m, in Portugal of £937m, in Ireland of £195m and in Italy of £71m

Assets held at fair value primarily comprise trading portfolio assets, which are highly liquid in nature, available for sale positions in investment grade debt securities and derivatives

Risk management
Market risk management

All disclosures in this section (pages 47 to 52) are unaudited unless otherwise indicated

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

Overview (audited)
The main sources of risk are traded market risk, non-traded interest rate risk, translational foreign exchange risk and pension risk Traded risk resides primarily in Barclays Capital while non-traded market risk resides mainly in Global Retail Banking, Barclays Corporate, Barclays Wealth and Group Treasury Translational foreign exchange risk is managed by Group Treasury Pension risk is managed centrally with the cost borne by respective businesses

Barclays market risk objectives are to

- understand and control market risk by robust measurement and the setting of limits,
- facilitate business growth within a controlled and transparent risk management framework,
- ensure traded market risk resides primarily in Barclays Capital, and
- minimise non-traded market risk

Organisation and structure
The Board approves market risk appetite for trading and non-trading activities The Group Market Risk Director is responsible for the Barclays Market Risk Control Framework and under delegated authority from the Chief Risk Officer, sets a limit framework within the context of the approved market risk appetite A daily market risk report summarises Barclays market risk exposures against agreed limits This daily report is sent to the Chief Risk Officer, the Group Market Risk Director, the Group Finance Director and the appropriate Business Risk Directors

Market Risk Committee approves, and makes recommendations concerning the market risk profile across Barclays This includes approving Barclays Market Risk Control Framework and Group Policies, reviewing current and forward issues, limits and utilisation, and proposing risk appetite levels for the Board The Committee is chaired by the Group Market Risk Director and attendees include the Chief Risk Officer, respective business risk managers and senior managers from Group Market Risk

The head of each business, assisted by the business market risk management team, is accountable for all market risks associated with its activities The head of each business market risk team is responsible for implementing the Barclays Market Risk Control Framework which sets out how market risk should be identified, measured, controlled, reported and reviewed The Framework also outlines and references Group market risk policies

Market risk oversight and challenge is provided by business committees, Group Committees including Market Risk Committee and the Group Market Risk team

Traded market risk (audited)
Traded market risk is predominantly the result of client facilitation in wholesale markets This involves market making, offering hedge solutions pre-hedging and assisting clients to execute large trades Not all client trades are hedged completely, giving rise to market risk In Barclays Capital, trading risk is measured for the trading book, as defined for regulatory purposes, and certain banking books Barclays policy is to concentrate trading activities in Barclays Capital

Risk Measurement
Barclays uses a range of complementary technical approaches to measure and control traded market risk including Daily Value at Risk (DVaR), Expected Shortfall 3W, Primary and Secondary risk factor stress testing and Combined scenario stress testing

DVaR is an estimate of the potential loss arising from unfavourable market movements, if the current positions were to be held unchanged for one business day Barclays Capital uses the historical simulation methodology with a two-year equally weighted historical period at the 95% confidence level

The historical simulation methodology can be split into three parts

- Calculate hypothetical daily profit or loss for each position over the most recent two years, using observed daily market moves,
- Sum all hypothetical profits or losses for day one across all positions, giving one total profit or loss Repeat for all other days in the two-year history, and
- DVaR is the 95th percentile selected from the two-year history of daily hypothetical total profit or loss

Market volatility in 2010 was impacted by concerns over future economic growth and the sovereign debt crisis, but remained below the high levels observed in 2008 During 2010, the high volatility observations of 2008 rolled out of the two year DVaR historical data set and were replaced in the data time series by less volatile 2010 observations

Barclays Capital s DVaR model has been approved by the FSA to calculate regulatory capital for certain trading book portfolios The approval covers general market risk in interest rate, foreign exchange, commodities and equity products, and issuer specific risk for the majority of single name and portfolio traded credit products For internal management purposes DVaR is also calculated for certain banking books as well as trading book portfolios

Risk management
Market risk management continued

Traded market risk continued (audited)
The FSA categorises a DVaR model as green, amber or red A green model is consistent with a good working DVaR model and is achieved for models that have four or less back-testing exceptions in a 12-month period Back-testing counts the number of days when a loss (as defined by the FSA) exceeds the corresponding DVaR estimate, measured at the 99% confidence level For Barclays Capital s DVaR model, green model status was maintained for 2010 and 2009

The DVaR model is regularly assessed and reviewed internally by the Group Executive Models Committee and the Barclays Capital Model Committee

When reviewing DVaR estimates, a number of considerations should be taken into account These are

- Historical simulation uses the most recent two years of past data to generate possible future market moves but the past may not be a good indicator of the future
- The one-day time horizon does not fully capture the market risk of positions that cannot be closed out or hedged within one day,
- DVaR is based on positions as at close of business and consequently intra-day risk the risk from a position bought and sold on the same day, is not captured, and
- DVaR does not indicate the potential loss beyond the 95th percentile

In part due to the points above and in part due to the desire to measure risk beyond DVaR, Barclays uses additional metrics These include Expected Shortfall, 3W, Primary risk factor stress testing, Secondary risk factor stress testing and Combined scenario stress testing

Both Expected Shortfall and 3W metrics use the same two-year historical simulation data set as used to calculate DVaR Expected Shortfall is the average of all one day hypothetical losses beyond the 95% confidence level DVaR while 3W is the average of the three largest one day estimated losses

Stress testing provides an estimate of potential significant future losses that might arise from extreme market moves or scenarios Primary stress testing applies stress moves to key liquid risk factors for each of the major trading asset classes including interest rate, credit spread, commodity, equity and foreign exchange Secondary stress testing applies stress moves to less liquid risks such as option volatility skew Combined scenario stress testing applies simultaneous shocks to several risk factors reflecting a defined extraordinary, but plausible scenario e g what is the estimated impact on profits of a fixed exchange rate becoming floating This is assessed by applying respective changes on foreign exchange rates, interest rates credit spreads and equities to the portfolio

Risk Control
Market Risk is controlled through the use of limits where appropriate, on the above risk measures Limits are set at the total Barclays Capital level, risk factor level e g interest rate risk and business line level e g Emerging Markets Stress limits and many book limits, such as foreign exchange and interest rate sensitivity limits, are also in place

The total DVaR limit risk factor DVaR limits and 3W limit are approved by the Board Risk Committee Primary stress limits are approved by the Chief Risk Officer and are tabled for noting by the Board Risk Committee Compliance with limits is monitored by Barclays Capital's Market Risk team with oversight provided by Group Market Risk

In 2010, to further improve the application of the market risk control framework, Group Market Risk initiated an ongoing programme of conformance visits to Barclays Capital business areas These visits review both the current market risk profile and potential market risk developments, as well as verifying conformance with Barclays Market Risk Control Framework

The oversight and governance of Barclays Capital's market risk models was also improved in 2010 This included making the model committee more granular by having two distinct committees, one specifically for model methodology and the other specifically for data integrity and infrastructure Group Market Risk is a member of both these committees

Risk Reporting
Barclays Capital Market Risk team produce a number of detailed and summary market risk reports daily, weekly fortnightly and monthly These include new for 2010, the Executive Key Risk Report (daily) and the Senior Management Significant Risk Pack (monthly) These reports summarise the positions, risks and top stresses covering interest rate, credit spread, commodity equity and foreign exchange Barclays Capital market risk reports are sent to Group Market Risk for review and inclusion in the Group Daily Market Risk Report

Analysis of traded market risk exposures (audited)
The trading environment in 2010 was characterised by weak underlying economic growth as well as unclear market direction resulting in lower client activity In this environment, Barclays Capital's market risk exposure, as measured by average total DVaR, decreased by 31% to £53m (2009 £77m) The reduction was due to a fall in exposures reflecting the lower client activity increased diversification, and the rolling off of the 2008 highly volatile historical data points

The two main risk factors with material DVaR were credit spread and interest rate The average DVaR for each of these decreased by £10m (17%) and £11m (25%) respectively Total DVaR as at 31st December 2010 was £48m (2009 £55m)

Expected Shortfall and 3W in 2010 averaged £78m and £144m respectively representing decreases of £43m (36%) and £65m (31%) compared to 2009

As we enter 2011 the principal uncertainties which may impact Barclays market risk relate to volatility in interest rates, commodities, credit spreads, equity prices and foreign exchange rates Price instability and higher volatility may arise as government policy targets future economic growth against a background of fiscal pressures, accommodatory monetary policy and exogenous economic events

The daily average, maximum and minimum values of DVaR Expected Shortfall and 3W were calculated as below

The daily average, maximum and minimum values of DVaR, Expected Shortfall and 3W (audited)

	Year ended 31st December 2010			Year ended 31st December 2009		
DVaR (95%)	Average £m	High[a] £m	Low[a] £m	Average £m	High[a] £m	Low[a] £m
Interest rate risk	**33**	**50**	**21**	44	83	23
Credit Spread risk	**48**	**62**	**30**	58	102	35
Commodity risk	**16**	**25**	**9**	14	20	11
Equity risk	**14**	**29**	**6**	13	27	5
Foreign exchange risk	**6**	**15**	**2**	8	15	3
Diversification effect	**(64)**	**n/a**	**n/a**	(60)	n/a	n/a
Total DVaR	**53**	**75**	**36**	77	119	50
Expected Shortfall	**78**	**147**	**47**	121	188	88
3W	**144**	**311**	**72**	209	301	148

The Bank
Barclays Capital's market risk exposure, as measured by average total DVaR of 95%, decreased by 32% to £52m (2009 £76m) The high for the year was £74m (2009 £118m) and the low for the year was £35m (2009 £49m)

Non-traded interest rate risk (audited)
Non-traded interest rate risk arises from the provision of retail and wholesale (non-traded) banking products and services, when the interest rate repricing date for loans (assets) is different to the repricing date for deposits (liabilities) This includes current accounts and equity balances which do not have a defined maturity date and an interest rate that does change when the base rate changes The risk resides mainly in Global Retail Banking Barclays Corporate, Barclays Wealth and Group Treasury

Barclays objective is to minimise non-traded interest rate risk and this is achieved by transferring interest rate risk from the business to a local treasury or Group Treasury which in turn hedges the net exposure with the external market Limits exist to ensure no material risk is retained within any business or product area

Risk measurement
The risk in each business is measured and controlled using both an income metric (Annual Earnings at Risk) and a present value metric (Economic Value of Equity, Economic Capital, Daily Value at Risk, risk factor stress testing scenario stress testing)

Annual Earnings at Risk (AEaR) measures the sensitivity of net interest income over the next 12 months It is calculated as the difference between the estimated income using the current yield curve and the lowest estimated income following a 100 basis points increase or decrease in interest rates, subject to a minimum interest rate of 0%

The main model assumptions are

- The balance sheet is kept at the current level i e no growth is assumed, and
- Balances are adjusted for an assumed behavioural profile This includes the treatment of fixed rate loans including mortgages

Economic Value of Equity (EVE) calculates the change in the present value of the banking book for a 100 basis point upward and downward rate shock This calculation is equivalent to that of AEaR except Economic Value of Equity is a present value sensitivity while AEaR is an income sensitivity

Economic Capital (EC) consistent models are used to measure recruitment risk, the risk from customers not taking up their fixed rate loan offer and prepayment risk, the risk of a customer deciding not to carry on with their fixed rate loan Behavioural profiles are also used when modelling the balance sheet

Daily Value at Risk (DVaR) and risk factor stress testing methodologies are consistent with those used by Barclays Capital DVaR and stress are used by Treasuries that operate within liquid currencies such as Sterling US Dollar and Euros while for Treasuries that operate in less liquid currencies stress risk is the only present value metric used

Risk Control
Market Risk is controlled through the use of limits on the above risk measures Limits are set at the total business level and then cascaded down The total business level limits for AEaR, EVE, EC, DVaR and stress are agreed by Market Risk Committee In 2010, a range of formal present value limits was extended to include stress and EVE limits Compliance with limits is monitored by the respective business market risk team with oversight provided by Group Market Risk

Market Risk is also controlled through an ongoing programme of conformance visits by both the business market risk departments and Group Market Risk These visits review both the current market risk profile and potential market risk developments as well as verifying conformance with Barclays policies and standards as detailed in the Barclays Market Risk Control Framework

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

Risk management
Market risk management continued

The interest rate risk for balances with no defined maturity date and an interest rate that is not linked to the base rate is managed by Group Treasury A series of continuous equity and product structural hedges is used to mitigate the interest rate risk

Risk Reporting (audited)
Each business area is responsible for their respective market risk reports A combination of daily and monthly risk reports are produced and used by the business These are also sent to Group Market Risk for review and inclusion in the Group daily market risk report A risk summary is also presented at Market Risk Committee and respective Asset and Liability Committees

Analysis of Net Interest Income sensitivity
The table below shows the pre-tax net interest income for the non-trading financial assets and financial liabilities held at 31st December 2010 and 31st December 2009 The sensitivity has been measured using the AEaR methodology as described above The benchmark interest rate for each currency is set as at 31st December 2010 The figures include the effect of hedging instruments but exclude banking book exposures held or issued by Barclays Capital as these are measured and managed using DVaR

Net Interest Income Sensitivity (AEaR) by currency (audited)

The Group	31st December 2010 +100 basis points £m	31st December 2010 -100 basis points £m	31st December 2009 +100 basis points £m	31st December 2009 -100 basis points £m
GBP	**297**	**(377)**	30	(360)
USD	**(12)**	**(8)**	(43)	14
EUR	**(16)**	**12**	(34)	–
ZAR	**13**	**(10)**	29	(27)
Others	**–**	**–**	(1)	4
Total	**282**	**(383)**	(19)	(369)
As percentage of net interest income	**2 25%**	**(3 06%)**	(0 16%)	(3 16%)

Non-traded interest rate risk as measured by AEaR, was £383m as at 31st December 2010 an increase of of £14m compared to 31st December 2009 The 2010 and 2009 AEaR estimates both reflect the reduced spread generated on retail and commercial banking liabilities associated with a lower interest rate environment If the interest rate hedges had not been in place then the AEaR for 2010 would have been £601m (2009 £704m)

DVaR is also used to control market risk in Western Europe Retail Banking and in Group Treasury The indicative average 2010 DVaRs were £1 6m (2009 £1 4m) for Western Europe and £0 7m (2009 £1 0m) for Group Treasury

Net Interest Income Sensitivity (AEaR) by currency (audited)

The Bank	31st December 2010 +100 basis points £m	31st December 2010 -100 basis points £m	31st December 2009 +100 basis points £m	31st December 2009 -100 basis points £m
GBP	**172**	**(219)**	16	(186)
USD	**(7)**	**(5)**	(22)	7
EUR	**(9)**	**7**	(18)	–
ZAR	**8**	**(6)**	15	(14)
Others	**–**	**–**	(1)	2
Total	**164**	**(223)**	(10)	(191)
As percentage of net interest income	**2 25%**	**(3 06%)**	(0 16%)	(3 10%)

Note This table excludes exposures held or issued by Barclays Capital as these are measured and managed using DVaR

Analysis of Equity sensitivity (audited)

Analysis of equity sensitivity (audited)	31st December 2010		31st December 2009	
The Group	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis points £m
Net Interest Income	282	(383)	(19)	(369)
Taxation effects on the above	(70)	96	4	85
Effect on profit for the year	212	(287)	(15)	(284)
As percentage of net profit after tax	4 65%	(6 29%)	(0 15%)	(2 76%)
Effect on profit for the year (per above)	212	(287)	(15)	(284)
Available for sale reserve	(2,051)	2,051	(527)	527
Cash flow hedge reserve	(1,298)	1,288	(929)	957
Taxation effects on the above	835	(833)	335	(341)
Effect on equity	(2,302)	2,219	(1,136)	859
As percentage of equity	(3 67%)	3 54%	(1 94%)	1 46%

Analysis of equity sensitivity (audited)	31st December 2010		31st December 2009	
The Bank	+100 basis points £m	100 basis points £m	+100 basis points £m	-100 basis points £m
Net Interest Income	164	(223)	(10)	(191)
Taxation effects on the above	19	(26)	–	(4)
Effect on profit for the year	183	(249)	(10)	(195)
As percentage of net profit after tax	7 27%	(9 89%)	(0 10%)	(1 91%)
Effect on profit for the year (per above)	183	(249)	(10)	(195)
Available for sale reserve	(1,865)	1,865	(334)	334
Cash flow hedge reserve	(1,136)	1,126	(798)	826
Taxation effects on the above	(356)	355	(24)	25
Effect on equity	(3,174)	3,097	(1,166)	990
As percentage of equity	(6 34%)	6.19%	(2 44%)	2 07%

Foreign exchange risk (audited)
The Group is exposed to two sources of foreign exchange risk

a) Transactional foreign currency exposure
Transactional foreign exchange exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity

The Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by Barclays Capital which is monitored through DVaR

There were no material net transactional foreign currency exposures outside the trading portfolio at either 31st December 2010 or 2009 Due to the low level of non-trading exposures no reasonably possible change in foreign exchange rates would have a material effect on either the Group's profit or movements in equity for the year ended 31st December 2010 or 2009

b) Translational foreign exchange exposure
The Group's translational foreign currency exposure arises from both its capital resources (including investments in subsidiaries and branches, intangible assets, non-controlling interests, deductions from capital and debt capital instruments) and risk weighted assets (RWAs) being denominated in foreign currencies Changes in foreign exchange rates result in changes in the Sterling equivalent value of foreign currency denominated capital resources and risk weighted assets As a result, the Group's regulatory capital ratios are sensitive to foreign exchange rate movements

The Groups capital ratio hedge strategy is to minimise the volatility of the capital ratios caused by foreign exchange rate movements To achieve this the Group aims to maintain the ratio of foreign currency Core Tier 1 Tier 1 and Total Capital resources to foreign currency RWAs the same as the Groups capital ratios

Risk management
Market risk management continued

The Groups investments in foreign currency subsidiaries and branches create capital resources denominated in foreign currencies Changes in the Sterling value of the investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in Core Tier 1 capital

During 2010, structural currency exposures net of hedging instruments increased from £12 5bn to £15 3bn as a result of hedging decisions taken in accordance with the Group's capital ratio management strategy for foreign exchange rate movements

To create foreign currency Tier 1 and Total Capital resources additional to the Core Tier 1 capital resources the Group issues where possible, debt capital in non-Sterling currencies This is primarily achieved by the issuance of debt capital from Barclays Bank PLC, but can also be achieved by subsidiaries issuing capital in local currencies

The carrying value of the Group's foreign currency net investments in subsidiaries and branches and the foreign currency borrowings and derivatives used to hedge them as at 31st December 2010 were as follows

Functional currency of the operation involved (audited)

	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
As at 31st December 2010						
US Dollar	**22,646**	**7,406**	**–**	**15,240**	**6,330**	**8,910**
Euro	**7,327**	**3,072**	**1,294**	**2,961**	**2,069**	**892**
Rand	**4,826**	**–**	**1,626**	**3,200**	**–**	**3,200**
Japanese Yen	**5,304**	**3,603**	**1,683**	**18**	**–**	**18**
Swiss Franc	**152**	**–**	**157**	**(5)**	**–**	**(5)**
Other	**3,139**	**–**	**824**	**2,315**	**–**	**2,315**
Total	**43,394**	**14,081**	**5,584**	**23,729**	**8,399**	**15,330**
As at 31st December 2009						
US Dollar	16,677	3 205	–	13,472	6,056	7,416
Euro	6,772	3 418	–	3 354	2,902	452
Rand	4,055	–	1,542	2 513	189	2,324
Japanese Yen	4,436	3,484	940	12	–	12
Swiss Franc	2,840	2 734	92	14	–	14
Other	2,983	–	677	2,306	–	2,306
Total	37 763	12,841	3 251	21,671	9,147	12,524

The economic hedges primarily represent the US Dollar and Euro Preference Shares and Reserve Capital Instruments in issue that are treated as equity under IFRS, and do not qualify as hedges for accounting purposes During the year €850m Reserves Capital Instruments were redeemed

The impact of a change in the exchange rate between Sterling and any of the major currencies would be

- a higher or lower Sterling equivalent value of non-Sterling denominated capital resources and risk weighted assets This includes a higher or lower currency translation reserve within equity, representing the retranslation of non-Sterling subsidiaries, branches and associated undertakings net of the impact of foreign exchange rate changes on derivatives and borrowings designated as hedges of net investments,
- a higher or lower profit after tax, arising from changes in the exchange rates used to translate items in the consolidated income statement and
- a higher or lower value of available for sale investments denominated in foreign currencies, impacting the available for sale reserve

Risk management
Capital management

All disclosures in this section (page 53) are unaudited unless otherwise indicated

Overview (audited)
Barclays operates a centralised capital management model, considering both regulatory and economic capital The Group's capital management objectives are to maintain sufficient capital resources to

- ensure the financial holding company is well capitalised relative to the minimum regulatory capital requirements set by the UK FSA and the US Federal Reserve,
- ensure locally regulated subsidiaries can meet their minimum regulatory capital requirements,
- support the Group's Risk Appetite and Economic Capital requirements, and
- support the Group's credit rating

Capital is allocated to businesses to support the Group's strategic objectives, including optimising returns on regulatory and economic capital

The Group Treasury Committee manages compliance with the Group's capital management objectives The Committee reviews actual and forecast capital demand and resources on a monthly basis The processes in place for delivering the Groups capital management objectives are to

- establishment of internal targets for capital demand and ratios,
- manage capital ratio sensitivity to foreign exchange movement, and
- manage local entity regulatory capital adequacy

External regulatory capital requirements (audited)
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

Under Basel II effective from 1st January 2008 the Group has approval by the FSA to use the advanced approaches to credit and operational risk management Pillar 1 capital requirements are generated using the Group's risk models

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

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 Groups 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)

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 countries meet their minimum capital requirements The current policy of the Group is that the local capital requirements are met, to the greatest possible extent through the retention of profit Certain countries also operate exchange control regulations which limit the amount of dividends that can be remitted to non-resident shareholders 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 entities are centrally controlled by the Group Treasury Committee, under authorities delegated from the Group Executive Committee The Group's policy is for surplus capital held in Group entities to be repatriated to Barclays Bank PLC in the form of dividends and/ or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications

Other than as indicated above, the Group is not aware of any material impediments to the prompt transfer of capital resources or repayment of intra-group liabilities when due

Regulatory capital
The table below provides details of the regulatory capital resources managed by the Group

Regulatory capital summary (audited)	Basel II 2010 £m	Basel II 2009 £m
Total qualifying Tier 1 capital	**53,729**	49,722
Total qualifying Tier 2 capital	**15,823**	14,620
Total deductions	**(2,250)**	(880)
Total net capital resources	**67,302**	63 462

Risk management
Liquidity risk management

All disclosures in this section (pages 54 to 62) are unaudited unless otherwise indicated

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows Such outflows would deplete available cash resources for client lending trading activities, investments and deposits In extreme circumstances lack of liquidity could result in reductions in balance sheet and sales of assets, or potentially an inability to fulfil lending commitments The risk that it will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events

Organisation and structure (audited)
Barclays Treasury operates a centralised governance and control process that covers all of the Group's liquidity risk management activities Businesses assist Barclays Treasury in policy formation and limit setting by providing relevant and expert input for their local markets and customers

Execution of the Group's liquidity risk management strategy is carried out at country level within agreed policies, controls and limits, with the Country Treasurer providing reports directly to Barclays Treasury to evidence conformance with the agreed risk profile Liquidity risk is a standing agenda item at Country and Cluster Asset and Liability Committees and on a consolidated basis is reported to the Groups Treasury Committee

The objective of the Group's liquidity risk management strategy is to ensure that the funding profile of individual businesses and the Group as a whole is appropriate to underlying market conditions and the profile of our business in each given country Liquidity risk limits and controls are flexed to achieve that profile and are based on regular qualitative and quantitative assessments of conditions under both normal and stressed conditions Businesses are only allowed to have funding exposure to wholesale markets where they can demonstrate that their market is sufficiently deep and liquid and then only relative to the size and complexity of their business

Liquidity limits reflect both local regulatory requirements as well as the behavioural characteristics of their balance sheets Breaches of limits are reported to Treasury Committee together with details of the requirements to return to compliance

Liquidity risk framework (audited)
Barclays has a comprehensive Liquidity Risk Management Framework (the Liquidity Framework) for managing the Group's liquidity risk The objective of the Liquidity Framework is for the Group to have sufficient liquidity to continue to operate for at least the minimum period specified by the FSA in the event that the wholesale funding markets are neither open to Barclays nor to the market as a whole Stress tests applied under the Liquidity Framework consider a range of possible wholesale and retail factors leading to loss of financing including

- Maturing of wholesale liabilities,
- Loss of secured financing and widened haircuts on remaining book
- Retail and commercial outflows from savings and deposit accounts,
- Drawdown of loans and commitments
- Potential impact of a 2 notch ratings downgrade, and
- Withdrawal of initial margin amounts by counterparties

These stressed scenarios are used to assess the appropriate level for the Groups liquidity pool which comprises unencumbered assets and central bank deposits Barclays regularly uses these assets to access secured funding markets, thereby testing the liquidity assumptions underlying pool composition The Group does not presume the availability of central bank borrowing facilities to monetise the liquidity pool in any of the stress scenarios under the Liquidity Framework

Liquidity pool (audited)
The Group liquidity pool as at 31st December 2010 was £154bn gross (2009 £127bn) and comprised the following cash and unencumbered assets (of which £140bn are FSA eligible) The Group maintains additional liquid assets to support ongoing business requirements such as payment services The cost of the Group liquidity pool for 2010 has been allocated on the basis of the projected stress outflows arising in each relevant business

Composition of the Group liquidity pool	Cash and deposits with central banks £bn	Government guaranteed bonds £bn	Governments and supranational bonds £bn	Other available liquidity £bn	Total £bn
As at 31st December 2010	**96**	**1**	**46**	**11**	**154**
As at 31st December 2009	81	3	31	12	127

Liquidity regulation

Since June 2010 the Group has reported its liquidity position against backstop Individual Liquidity Guidance (ILG) provided by the FSA Calibration of the Group's Liquidity Framework anticipated final FSA rules and is therefore broadly consistent with current FSA standards

The Basel Committee of Banking Supervisors (BCBS) issued its final guidelines for liquidity risk management, standards and monitoring in December 2010 These guidelines include a short term liquidity stress metric (the Liquidity Coverage Ratio (LCR)) and a longer term liquidity metric (the Net Stable Funding Ratio (NSFR)) The BCBS guidelines have yet to be implemented into European and UK law and therefore remain subject to refinement and change

However, the Group monitors compliance against these BCBS metrics and the FSA is expected to bring its ILG metrics into line with the Basel LCR over time Applying the expected BCBS guidelines to the Group's liquidity position as at 31st December 2010, the relevant ratios were estimated at 80% of the LCR requirement and 94% of the NSFR requirement

Term financing (audited)

The Group continues to attract deposits in unsecured money markets and to raise additional secured and unsecured term funding in a variety of markets As at 31st December 2009, the Group had £15bn of publicly issued term debt maturing during 2010 The corresponding figure for 2011 is £25bn During 2010 the Group issued approximately £35bn of term funding comprising

- £8bn equivalent of public senior term funding,
- £4bn equivalent of public covered bonds/ABS,
- £2bn equivalent of public subordinated debt, and
- £21bn equivalent of structured notes

This £35bn of term funding refinanced the 2010 requirement, both maturities and early repayments as well as pre-financed some of the 2011 and 2012 maturities Additional term funding raised in 2011 will support balance sheet growth, further extension of liability maturities and strengthening of our liquidity position

The Group liquidity pool is sufficient to cover more than one year of wholesale maturities

Funding structure (audited)

Global Retail Banking, Barclays Corporate Barclays Wealth and Head Office Functions are structured to be self-funded through customer deposits, Barclays equity and other long term funding Barclays Capital and, in part, Absa are funded through the wholesale secured and unsecured funding markets

The loan to deposit and long term funding ratio improved to 77% at 31st December 2010 (2009 81%) The loan to deposit ratio also improved to 124% at 31st December 2010 (2009 130%)

Global Retail Banking, Barclays Corporate, Barclays Wealth and Head Office functions (audited)

An important source of structural liquidity is provided by our core retail deposits in the UK Europe and Africa mainly current accounts and savings accounts Although, contractually current accounts are repayable on demand and savings accounts at short notice, the Groups broad base of customers – numerically and by depositor type – helps to protect against unexpected fluctuations Such accounts form a stable funding base for the Groups operations and liquidity needs

The Global Retail Banking, Barclays Corporate, Barclays Wealth businesses, together with Head Office functions, do not rely on short term wholesale funding Rather, these businesses are funded through a combination of customer deposits and long term debt and equity

In order to assess the funding requirement for these businesses, the balance sheet is modelled to reflect behavioural experience in both assets and liabilities The maturity profile, excluding Absa, resulting from this behavioural modelling is set out below As at 31st December 2010 behavioural modelling showed that expected repayments on assets are larger than the roll off of liabilities resulting in cash inflows for each of the first five years Maturities of net liabilities are, therefore behaviourally expected to occur after 5 years

Risk management
Liquidity risk management continued

Behavioural maturity profile of assets and liabilities (audited)

		Cash inflow/(outflow)					
	Funding surplus £bn	Not more than 1 yr[a] £bn	Over 1 yr but not more than 2 yrs £bn	Over 2 yrs but not more than 3 yrs £bn	Over 3 yrs but not more than 4 yrs £bn	Over 4 yrs but not more than 5 yrs £bn	Over 5 yrs £bn
As at 31st December 2010	**89 9**	**4 7**	**17 7**	**30 1**	**10 4**	**2 2**	**(155 0)**
As at 31st December 2009	94 5	(10 2)	17 8	21 2	7 8	1 8	(132 9)

Included within the 'Not More Than 1 yr' time bucket in the above analysis are £18 9bn of Group liquidity pool assets These assets have a contractual maturity of greater than 1 year However they could be used to generate short-term cash flows, either through the sale or secured funding and so the balance has been classified as generating cash flow inflows within 1 year

Barclays Capital (audited)
Barclays Capital manages its liquidity to be primarily funded through wholesale markets, generating sufficient liquidity to ensure that potential cash outflows in a stressed environment are covered Much of the short term funding is invested in highly liquid assets and central bank cash and therefore contributes towards the Group liquidity pool

Barclays Capital undertakes secured funding in the repo markets based on liquidity characteristics 66% (2009 73%) of the inventory is funded on a secured basis Limits are in place for each security asset class reflecting liquidity in the cash and financing markets for these assets The percentage of secured funding using each asset class as collateral is set out below

Secured funding by asset class (audited)	Govt %	Agency %	MBS %	ABS %	Corporate %	Equity %	Other %
As at 31st December 2010	**64**	**7**	**9**	**3**	**7**	**7**	**3**
As at 31st December 2009	59	7	7	6	10	8	3

Unsecured wholesale funding for the Group (excluding Absa) is managed by Barclays Capital within specific term limits Excluding short term deposits that are placed within the Group liquidity pool the term of unsecured liabilities has been extended, with average life improving from at least 26 months at 31st December 2009 to at least 30 months at 31st December 2010

Absa (audited)
Absa operates in a market with structural dependence on wholesale funding sources This dependence is a function of customer behaviours in relation to savings in South Africa as a whole, where there is a higher concentration of cash in investment funds than in the bank savings This structural shortfall relating to bank savings is transparent and carefully monitored

Note
a Includes £18 9bn of Group liquidity pool assets that have a contractual maturity of greater than one year but can be used to generate short-term cash flows either through sale or secured lending

Contractual maturity of financial assets and liabilities (audited)

Details of contractual maturities for assets and liabilities form an important source of information for the management of liquidity risk Such information is used (amongst other things) as the basis for modelling a behavioural balance sheet for input into the liquidity framework, as discussed above

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the on demand column at their fair value Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value Derivatives designated in a hedging relationship are included according to their contractual maturity

Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have been included in other assets and other liabilities as the Group is not exposed to liquidity risk arising from them any request for funds from creditors would be met by simultaneously liquidating or transferring the related investment

Contractual maturity of financial assets and liabilities (audited)

At 31st December 2010 The Group	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	96,842	788	–	–	–	–	–	–	97,630
Items in the course of collection from other banks	1,168	216	–	–	–	–	–	–	1,384
Trading portfolio assets	168,930	–	–	–	–	–	–	–	168,930
Financial assets designated at fair value	789	5,678	1,110	2,773	7,411	3,745	2,461	16,089	40,056
Derivative financial instruments	418,587	114	20	96	488	444	396	174	420,319
Loans and advances to banks	5,698	26,462	1,858	946	2,260	5	111	459	37,799
Loans and advances to customers	48,222	60,908	9,553	16,079	53,374	44,324	65,809	129,673	427,942
Reverse repurchase agreements and other similar secured lending	114	192,423	7,366	5,089	390	124	238	28	205,772
Available for sale financial investments	297	7,589	2,979	5,851	15,053	10,007	12,127	11,537	65,440
Other financial assets	–	2,040	–	–	784	–	–	–	2,824
Total financial assets	740,647	296,218	22,886	30,834	79,760	58,649	81,142	157,960	1,468,096
Other assets									21,942
Total assets									1,490,038
Liabilities									
Deposits from banks	5,754	65,755	2,161	2,247	739	790	249	280	77,975
Items in the course of collection due to other banks	1,312	9	–	–	–	–	–	–	1,321
Customer accounts	230,895	77,607	13,958	11,423	5,211	3,539	2,263	906	345,802
Repurchase agreements and other similar secured borrowing	907	216,454	4,358	2,755	739	256	59	6	225,534
Trading portfolio liabilities	72,693	–	–	–	–	–	–	–	72,693
Financial liabilities designated at fair value	1,237	17,866	6,191	6,963	21,453	18,446	13,553	10,073	95,782
Derivative financial instruments	403,163	303	72	101	390	927	286	274	405,516
Debt securities in issue	17	50,735	17,982	33,172	23,130	13,032	12,028	6,527	156,623
Subordinated liabilities	–	835	–	218	2,094	475	9,499	15,378	28,499
Other financial liabilities	–	4,295	–	–	990	–	–	–	5,285
Total financial liabilities	715,978	433,859	44,722	56,879	54,746	37,465	37,937	33,444	1,415,030
Other liabilities									12,367
Total liabilities									1,427,397
Cumulative liquidity gap	24,669	(112,972)	(134,808)	(160,853)	(135,839)	(114,655)	(71,450)	53,066	62,641

Risk management
Liquidity risk management continued

Contractual maturity of financial assets and liabilities (audited)

At 31st December 2010 The Bank	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	92,041	645	–	–	–	–	–	–	92,686
Items in the course of collection from other banks	1,165	103	–	–	–	–	–	–	1,268
Trading portfolio assets	95,034	–	–	–	–	–	–	–	95,034
Financial assets designated at fair value	77	3,496	346	1,824	4,202	1,991	2,295	14,950	29,181
Derivative financial instruments	439,278	108	12	61	286	293	344	763	441,145
Loans and advances to banks	5,303	20,929	1,900	3,978	5,274	134	1,933	939	40,390
Loans and advances to customers	51,708	230,225	5,774	12,711	39,694	35,288	53,752	93,784	522,936
Reverse repurchase agreements and other similar secured lending	531	210,915	6,671	4,085	390	401	238	4,112	227,343
Available for sale financial investments	7	3,750	1,289	2,003	10,338	7,616	12,141	8,077	45,221
Other financial assets	–	1,263	–	–	241	–	–	–	1,504
Total financial assets	685,144	471,434	15,992	24,662	60,425	45,723	70,703	122,625	1,496,708
Other assets									39,582
Total assets									1,536,290
Liabilities									
Deposits from banks	23,008	67,112	2,311	2,418	1,348	637	250	442	97,526
Items in the course of collection due to other banks	1,261	9	–	–	–	–	–	–	1,270
Customer accounts	182,057	223,697	19,040	8,741	9,374	5,313	4,346	1,258	453,826
Repurchase agreements and other similar secured borrowing	884	205,814	5,326	1,123	739	256	59	6	214,207
Trading portfolio liabilities	44,352	–	–	–	–	–	–	–	44,352
Financial liabilities designated at fair value	1,225	17,463	6,771	7,124	22,293	18,920	13,705	9,541	97,042
Derivative financial instruments	423,980	303	72	82	345	903	286	272	426,243
Debt securities in issue	–	29,045	13,097	27,541	12,971	10,073	10,782	2,758	106,267
Subordinated liabilities	–	833	–	218	760	155	9,499	15,529	26,994
Other financial liabilities	–	14,926	–	–	291	–	–	–	15,217
Total financial liabilities	676,767	559,202	46,617	47,247	48,121	36,257	38,927	29,806	1,482,944
Other liabilities									3,301
Total liabilities									1,486,245
Cumulative liquidity gap	8,377	(79,391)	(110,016)	(132,601)	(120,297)	(110,831)	(79,055)	13,764	50,045

Contractual maturity of financial assets and liabilities (audited)

At 31st December 2009 The Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets									
Cash and balances at central banks	80,592	891	–	–	–	–	–	–	81,483
Items in the course of collection from other banks	1,243	350	–	–	–	–	–	–	1,593
Trading portfolio assets	151,395	–	–	–	–	–	–	–	151,395
Financial assets designated at fair value	679	10,795	1,679	2 456	5,514	3,998	2,293	13,897	41,311
Derivative financial instruments	415,638	216	115	89	236	101	334	86	416,815
Loans and advances to banks	5,114	30,385	314	1,787	2,396	544	98	497	41,135
Loans and advances to customers	44,826	68,876	8,987	17,848	51,886	38 357	63,180	126,264	420,224
Reverse repurchase agreements and other similar secured lending	248	129,095	3,558	5 604	4,680	31	210	5	143,431
Available for sale financial investments	1 157	6 999	8,356	3,434	20,530	6,039	6 802	3,334	56,651
Other financial assets	–	2 816	–	–	660	–	–	–	3 476
Total financial assets	700,892	250,423	23,009	31,218	85 902	49,070	72,917	144 083	1,357,514
Other assets									21,634
Total assets									1,379 148
Liabilities									
Deposits from banks	3,861	50,020	4,850	15 558	1 325	200	420	212	76,446
Items in the course of collection due to other banks	1,373	93	–	–	–	–	–	–	1,466
Customer accounts	205 894	86,481	8,226	11,940	2,954	3 049	2,864	1,047	322,455
Repurchase agreements and other similar secured borrowing	502	189 843	5 446	2,525	326	108	29	2	198,781
Trading portfolio liabilities	51,252	–	–	–	–	–	–	–	51 252
Financial liabilities designated at fair value	1,219	17,599	5,755	7,145	18,780	14,701	14,647	6 356	86,202
Derivative financial instruments	402,019	186	68	37	111	433	394	168	403,416
Debt securities in issue	64	43,390	17,761	19 408	29,904	11,607	7,838	5,930	135,902
Subordinated liabilities	–	173	1	27	1,234	1 375	9,871	13,135	25,816
Other financial liabilities	–	4 959	–	–	1 135	–	–	–	6 094
Total financial liabilities	666,184	392,744	42,107	56,640	55,769	31,473	36,063	26 850	1,307,830
Other liabilities									12,619
Total liabilities									1,320 449
Cumulative liquidity gap	34 708	(107,613)	(126,711)	(152 133)	(122,000)	(104,403)	(67,549)	49,684	58,699

Risk management
Liquidity risk management continued

Contractual maturity of financial assets and liabilities (audited)

At 31st December 2009 The Bank	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	77,674	773	–	–	–	–	–	–	78,447
Items in the course of collection from other banks	1,248	125	–	–	–	–	–	–	1,373
Trading portfolio assets	93,806	–	–	–	–	–	–	–	93,806
Financial assets designated at fair value	–	3,838	840	1,564	2 841	2,635	2,263	13 664	27 645
Derivative financial instruments	428,976	194	72	42	158	73	272	108	429,895
Loans and advances to banks	2,818	24,456	548	4,201	5,746	620	2,331	2,243	42,963
Loans and advances to customers	39,694	226,426	6 472	10 977	44,604	35,637	57,177	91,141	512 128
Reverse repurchase agreements and other similar secured lending	17	135,677	2,144	3 179	4,184	29	198	5	145,433
Available for sale financial investments	24	3 194	5,879	2,124	13,218	3 353	5 392	3 390	36,574
Other financial assets	–	1 090	–	–	108	–	–	–	1,198
Total financial assets	644 257	395 773	15,955	22 087	70 859	42,347	67,633	110,551	1,369 462
Other assets									29,966
Total assets									1,399 428
Liabilities									
Deposits from banks	14 251	52,537	5,143	14,700	2,575	125	497	425	90,253
Items in the course of collection due to other banks	1,374	10	–	–	–	–	–	–	1 384
Customer accounts	162,323	245,996	6,036	12 223	10,874	3,139	2,183	1,745	444 519
Repurchase agreements and other similar secured borrowing	–	156,450	5,550	2,435	326	108	324	2	165,195
Trading portfolio liabilities	33 534	–	–	–	–	–	–	–	33,534
Financial liabilities designated at fair value	1,146	16,805	5,692	6 767	18 071	14,454	14,341	6,270	83 546
Derivative financial instruments	417,055	170	63	31	90	413	381	151	418,354
Debt securities in issue	–	21,775	12,059	12,287	20,608	8 043	6,378	991	82,141
Subordinated liabilities	–	–	–	27	1,100	792	9,693	13,281	24,893
Other financial liabilities	–	1,292	–	–	277	–	–	–	1,569
Total financial liabilities	629 683	495,035	34 543	48,470	53,921	27 074	33 797	22 865	1,345,388
Other liabilities									6,209
Total liabilities									1,351,597
Cumulative liquidity gap	14,574	(84 688)	(103 276)	(129 659)	(112 721)	(97,448)	(63,612)	24,074	47 831

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

- trading portfolio assets and liabilities and derivative financial instruments which may not be held to maturity as part of the Group's trading strategies For these instruments, which are mostly held by Barclays Capital, liquidity and repricing risk is managed through the Daily Value at Risk (DVaR) methodology,
- retail deposits which are included within customer accounts, are repayable on demand or at short notice on a contractual basis In practice, these instruments form a stable base for the Group's operations and liquidity needs because of the broad base of customers – both numerically and by depositor type, and
- financial assets designated at fair value held in respect of linked liabilities, which are managed with the associated liabilities

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

Contractual maturity of financial liabilities – undiscounted (audited)

At 31st December 2010	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
The Group					
Deposits from banks	5,754	70,197	1,636	613	78,200
Items in the course of collection due to other banks	1,312	9	–	–	1,321
Customer accounts	230,895	103,119	9,169	3,446	346,629
Repurchase agreements and other similar secured borrowing	907	223,589	1,099	71	225,666
Trading portfolio liabilities	72,693	–	–	–	72,693
Financial liabilities designated at fair value	1,237	32,408	45,573	34,745	113,963
Derivative financial instruments	403,163	509	1,478	1,131	406,281
Debt securities in issue	17	103,437	39,519	26,304	169,277
Subordinated liabilities	–	1,934	5,645	26,785	34,364
Other financial liabilities	–	4,295	990	–	5,285
Total financial liabilities	715,978	539,497	105,109	93,095	1,453,679
Off-balance sheet items					
Loan commitments	188,958	17,755	5,912	10,416	223,041
Other commitments	227	806	183	–	1,216
Total off-balance sheet items	189,185	18,561	6,095	10,416	224,257
Total financial liabilities and off-balance sheet items	905,163	558,058	111,204	103,511	1,677,936
The Bank					
Deposits from banks	23,008	71,893	2,114	766	97,781
Items in the course of collection due to other banks	1,261	9	–	–	1,270
Customer accounts	182,057	251,514	15,060	6,064	454,695
Repurchase agreements and other similar secured borrowing	884	212,285	1,099	71	214,339
Trading portfolio liabilities	44,352	–	–	–	44,352
Financial liabilities designated at fair value	1,225	32,831	46,971	34,504	115,531
Derivative financial instruments	423,980	488	1,437	1,117	427,022
Debt securities in issue	–	71,119	26,429	19,364	116,912
Subordinated liabilities	–	1,932	4,008	26,918	32,858
Other financial liabilities	–	14,926	291	–	15,217
Total financial liabilities	676,767	656,997	97,409	88,804	1,519,977
Off-balance sheet items					
Loan commitments	160,266	11,650	2,129	227	174,272
Other commitments	156	599	169	–	924
Total off-balance sheet items	160,422	12,249	2,298	227	175,196
Total financial liabilities and off-balance sheet items	837,189	669,246	99,707	89,031	1,695,173

Risk management
Liquidity risk management continued

Contractual maturity of financial liabilities – undiscounted (audited)

At 31st December 2009	On demand £m	Within one year £m	Over one year but not more than five years £m	Over five years £m	Total £m
The Group					
Deposits from banks	3,861	70,645	1,607	773	76 886
Items in the course of collection due to other banks	1,373	93	–	–	1 466
Customer accounts	205 894	106,991	6 899	5 488	325,272
Repurchase agreements and other similar secured borrowing	502	197,864	450	37	198,853
Trading portfolio liabilities	51,252	–	–	–	51,252
Financial liabilities designated at fair value	1 219	31 030	35 733	34 206	102 188
Derivative financial instruments	402,019	311	627	998	403,955
Debt securities in issue	64	82 215	46,055	22 243	150,577
Subordinated liabilities	–	2,101	6,295	26,842	35,238
Other financial liabilities	–	4,959	1,135	–	6 094
Total financial liabilities	666,184	496 209	98,801	90,587	1,351 781
Off-balance sheet items					
Loan commitments	127,540	74,111	4 181	861	206,693
Other commitments	386	384	19	–	789
Total off-balance sheet items	127,926	74,495	4,200	861	207,482
Total financial liabilities and off-balance sheet items	794,110	570 704	103 001	91 448	1,559,263
The Bank					
Deposits from banks	14,251	72 587	2 876	1,054	90,768
Items in the course of collection due to other banks	1,374	10	–	–	1,384
Customer accounts	162,323	263,207	15,340	7 311	448,181
Repurchase agreements and other similar secured borrowing	–	164 483	450	430	165 363
Trading portfolio liabilities	33,534	–	–	–	33,534
Financial liabilities designated at fair value	1 146	29 668	34 897	33,490	99,201
Derivative financial instruments	417 055	264	644	889	418,852
Debt securities in issue	–	47 324	32,274	12,485	92 083
Subordinated liabilities	–	1,785	5,242	26 535	33,562
Other financial liabilities	–	1,292	277	–	1,569
Total financial liabilities	629 683	580 620	92,000	82,194	1,384 497
Off-balance sheet items					
Loan commitments	117 879	38,581	2 815	440	159,715
Other commitments	319	250	1	–	570
Total off-balance sheet items	118,198	38,831	2 816	440	160,285
Total financial liabilities and off-balance sheet items	747 881	619 451	94 816	82 634	1 544 782

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

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

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

Risk management
Supervision and regulation

All disclosures in this section (pages 63 to 65) are unaudited

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

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

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

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

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

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

Banks, insurance companies and other financial institutions in the UK are subject to a single financial services compensation scheme (the Financial Services Compensation Scheme – FSCS) where an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances Most deposits made with branches of Barclays Bank PLC within the European Economic Area (EEA) which are denominated in Sterling or other EEA currencies (including the Euro) are covered by the FSCS Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC In the event that the FSCS raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Groups results Further details can be found in Note 24 (Contingent liabilities and commitments) on pages 117 and 118

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

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

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

Risk management
Supervision and regulation continued

In the United States, Barclays PLC, Barclays Bank PLC and Barclays US banking subsidiaries are subject to a comprehensive regulatory structure involving numerous statutes rules and regulations, including the International Banking Act of 1978 the Bank Holding Company Act of 1956 as amended (BHC Act) the Foreign Bank Supervision Enhancement Act of 1991, the Financial Services Modernization Act of 1999 and the USA PATRIOT Act of 2001 Such laws impose restrictions on the activities of Barclays, including its US banking subsidiaries and the Bank's US branches, as well as prudential restrictions, such as limits on extensions of credit by the Bank's US branches and the US banking subsidiaries to affiliates The New York and Florida branches of Barclays Bank PLC are subject to extensive federal and state supervision and regulation by the FRB and the New York and Florida banking supervisors Barclays Bank PLC also operates a federal agency in California that is licensed by and subject to regulation and examination by the OCC Barclays Bank Delaware a Delaware-chartered commercial bank is subject to supervision and regulation by the Delaware banking supervisor and the Federal Deposit Insurance Corporation (FDIC) Only the deposits of Barclays Bank Delaware are insured by the FDIC

Barclays PLC and Barclays Bank PLC are bank holding companies registered with the FRB Following the transfer of ownership of Barclays Bank Delaware from Barclays Group US Inc to Barclays Bank PLC, Barclays Group US Inc is no longer a bank holding company Barclays PLC and Barclays Bank PLC have each elected to be treated as a financial holding company under the BHC Act Financial holding companies may engage in a broader range of financial and related activities than are permitted to registered bank holding companies that do not maintain financial holding company status, including underwriting and dealing in all types of securities To maintain financial holding company status, each of Barclays PLC and Barclays Bank PLC is required to meet or exceed certain capital ratios and to be deemed to be 'well managed,' and Barclays Bank Delaware must meet certain capital requirements, be deemed to be 'well managed' and must have at least a 'satisfactory' rating under the Community Reinvestment Act of 1977

Barclays US securities broker/dealer, investment advisory and Investment banking operations are subject to ongoing supervision and regulation by the SEC the Financial Industry Regulatory Authority (FINRA) and other government agencies and self-regulatory organisations as part of a comprehensive scheme of regulation of all aspects of the securities business under the US federal and state securities laws

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

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

Global
While some of the uncertainty surrounding the nature of the future regulation of banks has been resolved, the full extent of the impact of regulatory change is not yet fully clear Nevertheless, the programme of reform of the global regulatory framework that was agreed by G20 Heads of Government in April 2009 has advanced substantially during 2010, notably through the issue of final guidelines on Basel III capital and liquidity standards in December 2010 The requirements of Basel III will be applicable from 1st January 2013 with a number of transitional provisions that run to the end of 2018 An initial assessment of the likely impact of the Basel III capital, leverage and liquidity requirements can be found on page 8 and 55

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

The FSB is also working on approaches to the resolution of systemically significant institutions that will include the preparation of Recovery and Resolution Plans, sometimes called 'living wills' Further detail is awaited from the FSB and from national regulatory bodies including the FSA, although the FSA has undertaken a pilot project with a group of large UK banks including Barclays

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

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

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

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

United Kingdom

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

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

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

United States

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

- The ability of the FSOC to make recommendations to the Federal Reserve regarding the establishment of heightened supervisory requirements and prudential standards applicable to 'systematically important' entities and activities and work with all primary financial regulatory agencies to establish regulations, as necessary, to address financial stability concerns It is not yet clear what regard the FSOC or the other agencies will have to the home country prudential regulators of non-US organisations such as the FSA in the case of the Group,
- The so-called 'Volcker Rule,' which will once effective, significantly restrict the ability of US bank holding companies and their affiliates and the US branches of foreign banks, to conduct proprietary trading in securities and derivatives as well as certain activities related to hedge funds and private equity funds The Volcker Rule is likely to have a significant impact on some of the Group's US operations The DFA states that the Rule does not affect activities conducted 'entirely' outside the United States by non-US organisations, but the Federal Reserve has not indicated how it intends to interpret this exclusion in practice,
- Significant changes to the trading and regulation of derivatives and participants in the derivatives markets Among the changes mandated by the DFA are that many types of derivatives now traded in the over-the-counter markets be traded on an exchange or swap execution facility and centrally cleared In addition, many participants in these markets will be required to register with the US Commodity Futures Trading Commission (CFTC) as 'swap dealers or 'major swap participants' and/or with the US SEC as 'securities swap dealers or major securities swap dealers' and be subject to CFTC and SEC regulation and oversight Barclays Bank PLC and one or more of its US subsidiaries may be subjected to these requirements
- In addition to the ability of the FSOC to recommend heightened prudential standards for specific institutions the DFA separate and apart from Basel III, also imposes higher capital, liquidity and leverage requirements on US banks and bank holding companies generally, and
- The ability of the CPFB to regulate the credit card industry, including the terms of credit card agreements with consumers, disclosures, and fees Actions by the CPFB in this area are likely to impact the Group's US credit card business

Citizenship

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

Bob Diamond, Chief Executive

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

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

Contributing to growth
We employ nearly 150,000 people around the world In 2010, 2,000 new jobs were created and 1,200 graduates were hired in the UK, bringing the total employed in the UK to 65,000 Our global tax contributions amounted to £6 1bn, including £2 8bn paid on behalf of our employees In addition, we paid more than £8 7bn to suppliers in 37 countries

In 2010, Barclays provided £43bn of gross new lending in the UK including £7 5bn from the acquisition of Standard Life Bank and assisted more than 106,000 business start-ups, an increase of 12% over 2009 In South Africa, Absa's Enterprise Development Centres helped almost 5,000 new businesses to start up in 2010

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

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

Supporting our communities
In 2010 we committed over £55m to community programmes across 37 countries Our programmes are driven by the passion and energy of 62,118 colleagues around the world, who volunteered their time or took part in fundraising and regular giving These efforts benefitted 1 5 million people and supported more than 8 000 organisations

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

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

- Managing our carbon footprint – including a commitment to reduce absolute carbon emissions by 4% by 2013 and creating an African Carbon Fund to supply seed capital to carbon mitigation projects in Africa
- Developing products and services to help enable the transition to a low-carbon economy – including financing and risk-management solutions to enable capital to flow to lower carbon opportunities
- Managing climate change risks – including collaborating with other stakeholders to manage the risks of climate change to our operations our clients and to society at large

Citizenship	
Contributing to growth	**Supporting our communities**
– Direct contribution employment and economic value added – Supporting growth today customers and clients – Investing in tomorrow	– Supporting social infrastructure – Increasing access to financial services – Investing in the community – Building a diverse workforce – Managing our environmental footprint
The way we do business	

Our People

Global minimum standards

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

Performance management and compensation

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

Diversity and inclusion

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

Health and safety

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

Training

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

Directors' report

Business Review
The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31st December 2010 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a 'Business Review') The purpose of the Business Review is to enable shareholders to assess how the Directors have performed their duty under Section 172 of the Companies Act 2006 (duty to promote the success of the Company)

The information that fulfils the requirements of the Business Review can be found on pages 2 to 67 and is incorporated into this report by reference

From the perspective of the Bank, the review of the business and the principal risks and uncertainties facing the Company are integrated with those of Barclays PLC, the Bank s ultimate parent Therefore additional information may be found in the 2010 Annual Report of Barclays PLC, which does not form part of this report

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

The results of the Group show a pre-tax profit of £6,079m (2009 continuing operations £4,559m) for the year and profit after tax of £4 563m (2009 continuing operations £3 512m) The Group had net assets of £62 641m at 31st December 2010 (2009 £58,669m)

Profit Attributable
The profit attributable to the equity holders of the parent for the year amounted to £4,172m compared with £3 228m from continuing operations and £6,765m from discontinued operations in 2009

Dividends
Total dividends on ordinary shares paid during 2010 are set out in Note 10 to the accounts Dividends paid on preference shares for the year ended 31st December 2010 amounted to £485m (2009 £477m)

Share Capital
There was no increase in ordinary share capital during the year Barclays PLC owns 100% of the issued ordinary shares

Directors
The Directors of the Bank are listed on page 70 The Directors' interests in shares are set out in Note 40 of Barclays PLC's Annual Report and Accounts The membership of the Boards of the Bank and of Barclays PLC is identical

Board Membership
The membership of the Boards of Directors of Barclays PLC and Barclays Bank PLC is identical Dambisa Moyo and Alison Carnwath were appointed as non-executive Directors with effect from 1st May 2010 and 1st August 2010 respectively Leigh Clifford and John Varley left the Board on 30th September 2010 and 31st December 2010 respectively

Directors' Indemnities
Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31st December 2010 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office

Community Involvement
Barclays has an extensive community investment programme covering many countries around the world The Group provides funding and support to over 8 000 charities and voluntary organisations, ranging from small, local charities like The Passage, supporting homeless people in London, to international organisations like Unicef We also have a very successful employee programme which in 2010 saw more than 62,000 employees and pensioners worldwide taking part in Barclays-supported volunteering, giving and fundraising activities Further information on our community involvement is given on pages 4 and 66 The total commitment for 2010 was £55 3m (2009 £54 9m) The Group committed £28 6m in support of the community in the UK (2009 £27 4m) and £26 7m was committed in international support (2009 £27 5m) The UK commitment includes £22 9m of charitable donations (2009 £19 3m)

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

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

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

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

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

Contracts of Significance
Under the terms of a stock purchase agreement dated 16th June 2009 which was entered into by and among Barclays Bank PLC, Barclays PLC and BlackRock, Inc (BlackRock), Barclays agreed to sell Barclays Global Investors (BGI) to BlackRock The sale completed on 1st December 2009 following the receipt of all necessary shareholder and regulatory approvals and satisfaction of other closing conditions The consideration at completion was US$15 2bn (£9 5bn), including 37567 million new BlackRock shares giving Barclays an economic interest of 19 9% of the enlarged BlackRock group Barclays has provided BlackRock with customary warranties and indemnities in connection with the sale Barclays Bank will also continue to provide support in respect of certain BGI cash funds until December 2013 and indemnities in respect of certain of BGI s fully collateralised securities lending activities until 30th November 2012

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

Financial Instruments
Barclays financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, and the exposure to market risk, credit risk and liquidity risk are set out on pages 20 to 62

Events after the Balance Sheet Date
Events after the balance sheet date are noted on page 166

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 in Note 8 to the accounts

PricewaterhouseCoopers LLP have been the Company's auditors for many years Having reviewed the independence and effectiveness of the external auditors, the Committee has not considered it necessary to date to require them to tender for the audit work but will keep this issue under review The external auditors are required to rotate the audit partners responsible for the Group and subsidiary audits every five years Our previous lead audit partner, who had been in place for five years, was replaced for the 2010 year end There are no contractual obligations restricting the Company's choice of external auditor The Committee has recommended to the Board that the existing auditors PricewaterhouseCoopers LLP be reappointed PricewaterhouseCoopers LLP have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorising the Directors to set their remuneration will be proposed at the 2011 AGM So far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware Each of 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

By order of the Board

Lawrence Dickinson
Joint Secretary
10th March 2011

Directors and Officers and Statement of Directors' responsibilities for accounts

Current Directors and Officers

Marcus Agius – Group Chairman

Executive Directors
Bob Diamond – Chief Executive
Chris Lucas – Group Finance Director

Non-executive Directors
Sir Richard Broadbent – Deputy Chairman
David Booth
Alison Carnwath
Fulvio Conti
Simon Fraser
Reuben Jeffery III
Sir Andrew Likierman
Dambisa Moyo
Sir Michael Rake
Sir John Sunderland

Current Executive Committee members		Appointed to Executive Committee
Bob Diamond	Chief Executive	1997
Chris Lucas	Group Finance Director	2007
Jerry del Missier	Co-Chief Executive of Barclays Capital and Co-Chief Executive of Corporate and Investment Banking	2009
Mark Harding	Group General Counsel	2009
Antony Jenkins	Chief Executive, Global Retail Banking	2009
Tom Kalaris	Chief Executive Barclays Wealth	2009
Robert Le Blanc	Chief Risk Officer	2009
Maria Ramos	Chief Executive, Absa	2009
Rich Ricci	Co-Chief Executive of Barclays Capital and Co-Chief Executive of Corporate and Investment Banking	2009
Cathy Turner[a]	Barclays Human Resources Director	2009

Other Officers		Appointed to position
Lawrence Dickinson	Joint Secretary	2002
Patrick Gonsalves	Joint Secretary	2002
John Worth[b]	Group Financial Controller	2011

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

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

Notes
a Cathy Turner will leave the Group at the end of March 2011
b John Worth held the position of Interim Group Financial Controller during 2010

Statement of Directors' responsibilities for accounts
The following statement, which should be read in conjunction with the Auditors' report set out on page 72, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts

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

The Directors consider that in preparing the accounts on pages 74 to 79, and the additional information contained on pages 80 to 166, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed

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

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

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

The Directors confirm to the best of their knowledge that

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

(b) The management report which is incorporated into the Directors Report on pages 68 to 69 includes a fair review of the development and performance of the business and the position of Barclays Bank PLC and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face

Signed on behalf of the Board

Marcus Agius
Group Chairman
10th March 2011

Registered in England Company No 1026167

Presentation of information

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

BBA Code for Financial Reporting Disclosure

In September 2010, the British Bankers' Association published a Code for Financial Reporting Disclosure The Code sets out five disclosure principles together with supporting guidance The principles are that UK banks will

- provide high quality, meaningful and decision-useful disclosures,
- review and enhance their financial instrument disclosures for key areas of interest,
- assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance,
- seek to enhance the comparability of financial statement disclosures across the UK banking sector, and
- clearly differentiate in their annual reports between information that is audited and information that is unaudited

Barclays PLC, the Parent Company of Barclays Bank PLC has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2010 Annual Report and Accounts in compliance with the Code

The Group aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and areas of focus

In particular, in 2010 we have refocused our financial statement disclosures to concentrate on material items and to reduce disclosures of immaterial items

Please refer to the Barclays PLC Annual Report for the additional disclosure items arising from the adoption of the Code Most significantly, additional information regarding the business model, more information on strategy on critical accounting estimates risk related information and a glossary of terms

Differences between Barclays Bank PLC and the Parent Company – Barclays PLC

Barclays Bank PLC is a wholly owned subsidiary of Barclays PLC, which is the Group's ultimate parent company The consolidated results and financial position of Barclays Bank PLC Group and Barclays PLC Group are materially the same, with the key differences being that, in accordance with IFRS

- Barclays PLC shares held by the Group in employee share schemes and for trading purposes are deducted from reserves in Barclays PLC but recognised as available for sale and trading portfolio assets within Barclays Bank PLC, and

- Preference shares issued by Barclays Bank PLC are included within share capital and share premium in the Barclays Bank PLC Group but represent non-controlling interests in the Barclays PLC Group, and

- 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 non-controlling interests in Barclays PLC

More extensive disclosures are contained in the Barclays PLC Annual Report for the year ended 31st December 2010 including risk exposures and business performance, which are materially the same as those in Barclays Bank PLC

Independent Auditors' report

Independent Auditors' report to the members of Barclays Bank PLC
We have audited the financial statements of Barclays Bank PLC for the year ended 31 December 2010 which comprise the Consolidated income statement and the related Consolidated statement of comprehensive income, Consolidated and Bank balance sheets, Consolidated and Bank Statements of changes in equity and Consolidated and Bank cash flow statements, the related notes and the parts of the Risk management section that are referenced as audited The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the groups and the parent company s circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the groups and of the parent company's affairs as at 31 December 2010 and of the group's profit and groups and parent company s cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not, made or
- we have not received all the information and explanations we require for our audit

Andrew Ratcliffe (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London United Kingdom
10th March 2011

Notes
a The maintenance and integrity of the Barclays website is the responsibility of the Directors the work carried out by the Auditors does not involve consideration of these matters and accordingly the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
b Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Registered Public Accounting Firm's report

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 statement and the related Consolidated statement of comprehensive income, Consolidated balance sheets Consolidated statements of changes in equity and Consolidated cash flow statements present fairly, in all material respects the financial position of Barclays Bank PLC and its subsidiaries at 31 December 20010 and 31 December 2009 and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2010 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
London, United Kingdom
10th March 2011

PricewaterhouseCoopers LLP

Consolidated accounts Barclays Bank PLC
Consolidated income statement

For the year ended 31st December	Notes	The Group 2010 £m	2009 £m
Continuing operations			
Interest income	2	**20,035**	21 236
Interest expense	2	**(7,517)**	(9,567)
Net interest income		**12,518**	11 669
Fee and commission income	3	**10,368**	9,946
Fee and commission expense	3	**(1,497)**	(1,528)
Net fee and commission income		**8,871**	8 418
Net trading income	4	**8,080**	6 994
Net investment income	5	**1,490**	283
Net premiums from insurance contracts		**1,137**	1,172
Gains on debt buy backs and extinguishments		**–**	1,249
Other income		**118**	140
Total income		**32,214**	29,925
Net claims and benefits incurred on insurance contracts		**(764)**	(831)
Total income net of insurance claims		**31,450**	29,094
Impairment charges and other credit provisions	6	**(5,672)**	(8 071)
Net income		**25,778**	21,023
Staff costs	7	**(11,916)**	(9,948)
Administration and general expenses	8	**(6,581)**	(5,557)
Depreciation of property, plant and equipment	19	**(790)**	(759)
Amortisation of intangible assets	18	**(437)**	(447)
Impairment of goodwill	18	**(243)**	(1)
Operating expenses		**(19,967)**	(16 712)
Share of post-tax results of associates and joint ventures		**58**	34
Profit on disposal of subsidiaries, associates and joint ventures	33	**81**	188
Gain on Acquisitions	35	**129**	26
Profit before tax from continuing operations		**6,079**	4,559
Tax	9	**(1,516)**	(1 047)
Profit after tax from continuing operations		**4,563**	3 512
Profit for the year from discontinued operations, including gain on disposal	34	**–**	6 777
Profit after tax		**4,563**	10,289
Profit attributable to equity holders of the Parent from			
Continuing operations		**4,172**	3,228
Discontinued operations		**–**	6,765
Total		**4,172**	9 993
Profit attributable to non-controlling interests	31	**391**	296

The Board of Directors approved the accounts set out on pages 74 to 166 on 10th March 2011

Note
As permitted by section 408(3) of the Companies Act 2006 an income statement for the parent company has not been presented

Consolidated accounts Barclays BankPLC
Consolidated statement of comprehensive income

For the year ended 31st December	The Group	
	2010 £m	2009 £m
Profit after tax	4,563	10 289
Other comprehensive income from continuing operations		
Currency translation reserve		
- Currency translation differences	1,177	(853)
- Tax	–	(2)
Available for sale reserve		
- Net (losses)/gains from changes in fair value	(152)	1,487
- Net gains transferred to Net profit on disposal	(1,020)	(649)
- Net losses transferred to net profit due to impairment	53	672
- Changes in insurance liabilities	31	(67)
- Net gains transferred to net profit due to fair value hedging	(308)	(123)
- Tax	141	(177)
Cash flow hedging reserve		
- Net gains from changes in fair value	601	285
- Net gains transferred to net profit	(684)	(120)
- Tax	39	(65)
Other	59	217
Other comprehensive income for the year, net of tax, from continuing operations	(63)	605
Other comprehensive income for the year, net of tax, from discontinued operations	–	(58)
Total comprehensive income for the year	4,500	10 836
Attributable to		
Equity holders of the Parent	3,609	10,286
Non-controlling interests	891	550
	4,500	10,836

Consolidated accounts Barclays Bank PLC
Balance sheet

As at 31st December		The Group		The Bank	
	Notes	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Assets					
Cash and balances at central banks		**97,630**	81 483	**92,686**	78,447
Items in the course of collection from other banks		**1,384**	1,593	**1,268**	1 373
Trading portfolio assets	11	**168,930**	151,395	**95,034**	93,806
Financial assets designated at fair value	12	**41,485**	42,568	**29,181**	27,645
Derivative financial instruments	13	**420,319**	416,815	**441,145**	429,895
Loans and advances to banks	14	**37,799**	41,135	**40,390**	42,963
Loans and advances to customers	14	**427,942**	420,224	**522,936**	512,128
Reverse repurchase agreements and other similar secured lending	16	**205,772**	143,431	**227,343**	145,433
Available for sale financial investments	15	**65,440**	56 651	**45,221**	36,574
Current tax assets	9	**196**	349	**161**	221
Prepayments, accrued income and other assets		**5,269**	6 358	**14,495**	5,197
Investments in associates and joint ventures	17	**518**	422	**181**	164
Investments in subsidiaries	32	**-**	-	**19,033**	18,796
Goodwill and intangible assets	18	**8,697**	8,795	**4,110**	4,181
Property, plant and equipment	19	**6,140**	5,626	**1,878**	1,832
Deferred tax assets	9	**2,517**	2,303	**1,228**	773
Total assets		**1,490,038**	1,379,148	**1,536,290**	1,399,428
Liabilities					
Deposits from banks		**77,975**	76,446	**97,526**	90,253
Items in the course of collection due to other banks		**1,321**	1,466	**1,270**	1,384
Customer accounts		**345,802**	322,455	**453,826**	444,519
Repurchase agreements and other similar secured borrowing	16	**225,534**	198,781	**214,207**	165,195
Trading portfolio liabilities	11	**72,693**	51,252	**44,352**	33,534
Financial liabilities designated at fair value	20	**97,729**	87,881	**97,042**	83,546
Derivative financial instruments	13	**405,516**	403,416	**426,243**	418,354
Debt securities in issue		**156,623**	135,902	**106,267**	82,141
Accruals, deferred income and other liabilities	21	**13,233**	14,241	**17,570**	6,423
Current tax liabilities	9	**646**	964	**126**	277
Subordinated liabilities	22	**28,499**	25,816	**26,994**	24 893
Deferred tax liabilities	9	**514**	470	**3**	38
Provisions	23	**947**	590	**651**	464
Retirement benefit liabilities	27	**365**	769	**168**	576
Total liabilities		**1,427,397**	1,320,449	**1,486,245**	1,351 597
Shareholders' equity					
Shareholders' equity excluding non-controlling interests		**59,174**	55 925	**50,045**	47,831
Non-controlling interests	31	**3,467**	2,774	**-**	-
Total shareholders' equity		**62,641**	58 699	**50,045**	47,831
Total liabilities and shareholders' equity		**1,490,038**	1 379 148	**1,536,290**	1,399 428

Marcus Agius
Group Chairman

Bob Diamond
Group Chief Executive

Chris Lucas
Group Finance Director

Consolidated accounts Barclays Bank PLC
Consolidated statement of changes in equity

The Group	Called up share capital and share premium[a] £m	Available for sale reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Other share-holders equity[c] £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 1st January 2010	14,494	(84)	252	1,615	2,559	37,089	55,925	2,774	58,699
Profit after tax	-	-	-	-	-	4,172	4,172	391	4 563
Other comprehensive income net of tax									
Currency translation movements	-	-	-	742	-	-	742	435	1,177
Available for sale investments	-	(1,264)	-	-	-	-	(1,264)	9	(1,255)
Cash flow hedges	-	-	(100)	-	-	-	(100)	56	(44)
Other	-	-	-	-	45	14	59	-	59
Total comprehensive income for the year	-	(1,264)	(100)	742	45	4,186	3,609	891	4,500
Equity settled share schemes	-	-	-	-	-	830	830	-	830
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	(718)	(718)	-	(718)
Capital injection from Barclays PLC	-	-	-	-	-	1,214	1,214	-	1,214
Dividends paid	-	-	-	-	-	(235)	(235)	(158)	(393)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	(645)	(645)	-	(645)
Net decrease in other shareholders equity arising on acquisitions disposals and capital issuances	-	-	-	-	(487)	-	(487)	-	(487)
Other reserve movements	-	-	-	-	(48)	(271)	(319)	(40)	(359)
Balance as at 31st December 2010	14,494	(1,348)	152	2,357	2,069	41,450	59,174	3,467	62,641
Balance as at 1st January 2009	14 458	(1 249)	132	2 840	2 564	22 457	41 202	2 372	43 574
Profit after tax	-	-	-	-	-	9 993	9 993	296	10 289
Other comprehensive income net of tax from continuing operations									
Currency translation movements	-	-	-	(1 140)	-	-	(1 140)	285	(855)
Available for sale investments	-	1 155	-	-	-	-	1 155	(12)	1 143
Cash flow hedges	-	-	119	-	-	-	119	(19)	100
Other	-	-	-	-	47	170	217	-	217
Other comprehensive income net of tax from discontinued operations	-	10	-	(85)	-	17	(58)	-	(58)
Total comprehensive income for the year	-	1 165	119	(1 225)	47	10 180	10 286	550	10,836
Issue of new ordinary shares	75	-	-	-	-	-	75	-	75
Equity settled share schemes	-	-	-	-	-	298	298	-	298
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	(80)	(80)	-	(80)
Capital injection from Barclays PLC	-	-	-	-	-	4 850	4 850	-	4,850
Dividends paid	-	-	-	-	-	(103)	(103)	(132)	(235)
Dividends on preference shares and other shareholders' equity	-	-	-	-	-	(599)	(599)	-	(599)
Net increase/decrease in non-controlling interests arising on acquisitions disposals and capital issuances	-	-	-	-	-	-	-	(82)	(82)
Other reserve movements	11	-	1	-	(52)	86	46	66	112
Balance as at 31st December 2009	14 494	(84)	252	1 615	2 559	37 089	55 925	2 774	58 699

Notes
a For further details refer to Note 28
b For further details refer to Note 29
c For further details refer to Note 30

Consolidated accounts Barclays Bank PLC
Consolidated statement of changes in equity continued

The Bank	Called up share capital and share premium[a] £m	Available for sale reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Other share-holders' equity[c] £m	Retained earnings £m	Total equity £m
Balance as at 1st January 2010	**14,494**	**(6)**	**209**	**(309)**	**2,623**	**30,820**	**47,831**
Profit after tax	-	-	-	-	-	2,518	2 518
Other comprehensive income net of tax							
Currency translation movements	-	-	-	435	-	-	435
Available for sale investments	-	(259)	-	-	-	-	(259)
Cash flow hedges	-	-	(170)	-	-	-	(170)
Other	-	-	-	-	45	4	49
Total comprehensive income for the year	-	(259)	(170)	435	45	2,522	2,573
Equity settled share schemes	-	-	-	-	-	174	174
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	(99)	(99)
Capital injection from Barclays PLC	-	-	-	-	-	1,214	1,214
Dividends paid	-	-	-	-	-	(235)	(235)
Dividends on preference shares and other shareholders equity	-	-	-	-	-	(645)	(645)
Net decrease in other shareholders' equity arising on acquisitions disposals and capital issuances	-	-	-	-	(487)	-	(487)
Other	-	-	-	-	(48)	(233)	(281)
Balance as at 31st December 2010	14,494	(265)	39	126	2,133	33,518	50,045
Balance as at 1 January 2009	14 458	(233)	312	292	2 628	16 422	33 879
Profit after tax	-	-	-	-	-	10 219	10 219
Other comprehensive income net of tax from continuing operations							
Currency translation movements	-	-	-	(601)	-	-	(601)
Available for sale investments	-	227	-	-	-	-	227
Cash flow hedges	-	-	(103)	-	-	-	(103)
Other	-	-	-	-	47	9	56
Total comprehensive income for the year	-	227	(103)	(601)	47	10 228	9 798
Issue of new ordinary shares	25	-	-	-	-	-	25
Equity settled share schemes	-	-	-	-	-	98	98
Vesting of Barclays PLC shares under share-based payment schemes	-	-	-	-	-	(59)	(59)
Capital injection from Barclays PLC	-	-	-	-	-	4 850	4,850
Dividends paid	-	-	-	-	-	(103)	(103)
Dividends on preference shares and other shareholders equity	-	-	-	-	-	(599)	(599)
Other	11	-	-	-	(52)	(17)	(58)
Balance as at 31st December 2009	14 494	(6)	209	(309)	2,623	30 820	47 831

Notes
a For further details refer to Note 28
b For further details refer to Note 29
c For further details refer to Note 30

Consolidated accounts Barclays Bank PLC
Consolidated cash flow statement

For the year ended 31st December	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
Continuing operations				
Reconciliation of profit before tax to net cash flows from operating activities				
Profit before tax	**6,079**	4,559	**2,251**	3,158
Adjustment for non-cash items				
Allowance for impairment	**5,672**	8,071	**3,512**	5,707
Depreciation amortisation and impairment of property, plant, equipment and intangibles	**1,346**	1,196	**590**	523
Other provisions, including pensions	**914**	428	**678**	254
Net profit on disposal of investments and property plant and equipment	**(1,057)**	(610)	**(958)**	(314)
Net profit from disposal of subsidiaries	**(77)**	(191)	**(365)**	(71)
Net gains on acquisitions	**(129)**	(26)	**(118)**	(26)
Other non-cash movements[a]	**(6,680)**	4,224	**(5,817)**	(1,376)
Changes in Operating assets and Liabilities				
Net (increase)/decrease in loans and advances to banks and customers	**(63,212)**	25 482	**(95,403)**	10,574
Net increase/(decrease) in deposits and debt securities in issue	**63,699**	(49,014)	**89,718**	(20,086)
Net (increase)/decrease in derivative financial instruments	**(1,298)**	3,321	**(3,361)**	3,047
Net (increase)/decrease in trading assets	**(17,517)**	34,292	**(1,211)**	22,757
Net increase/(decrease) in trading liabilities	**21,441**	(8,222)	**10,818**	(5 894)
Net decrease in financial investments	**11,126**	20,459	**11,960**	19,341
Net decrease/(increase) in other assets	**1,366**	(465)	**(9,193)**	(675)
Net (decrease)/increase in other liabilities	**(2,521)**	(907)	**10,064**	(9 867)
Corporate income tax paid	**(1,430)**	(1,176)	**(90)**	(99)
Net Cash from Operating activities	**17,722**	41 421	**13,075**	26,953
Purchase of available for sale investments	**(76,418)**	(78 420)	**(69,792)**	(62,829)
Proceeds from sale or redemption of available for sale investments	**71,251**	88 931	**64,587**	81,518
Net addition of intangible assets	**(217)**	(226)	**(125)**	(235)
Purchase of property, plant and equipment	**(1,767)**	(1,150)	**(732)**	(514)
Proceeds from sale of property, plant and equipment	**556**	372	**293**	119
Acquisitions of subsidiaries net of cash acquired	**886**	(28)	**-**	(8)
Disposal of subsidiaries net of cash disposed	**81**	339	**-**	92
Disposal of discontinued operation net of cash disposed	**-**	2 469	**-**	8,246
Other cash flows associated with investing activities	**1**	(27)	**(17)**	(49)
Investment in subsidiaries	**-**	-	**364**	(2 053)
Net Cash from investing activities	**(5,627)**	12,260	**(5,422)**	24 287
Dividends paid	**(1,011)**	(590)	**(235)**	(103)
Proceeds of borrowings and issuance of debt securities	**2,131**	3,549	**2,038**	2,882
Repayments of borrowings and redemption of debt securities	**(1,211)**	(4 383)	**(1,075)**	(4,137)
Net issue of shares and other equity instruments	**-**	14	**-**	25
Capital injection from Barclays PLC	**1,214**	800	**1,214**	800
Net Cash from financing activities	**1,123**	(610)	**1,942**	(533)
Effect of exchange rates on cash and cash equivalents	**3,842**	(2,864)	**3,057**	(2,394)
Net cash from discontinued operations	**-**	(376)	**-**	-
Net increase in cash and cash equivalents	**17,060**	49,831	**12,652**	48,313
Cash and cash equivalents at beginning of year	**114,340**	64,509	**96,357**	48,044
Cash and cash equivalents at end of year	**131,400**	114,340	**109,009**	96,357
Cash and cash equivalents comprise				
Cash and balances at central banks	**97,630**	81 483	**92,686**	78,447
Loans and advances to banks with original maturity less than three months	**31,934**	30 461	**15,989**	17,690
Available for sale treasury and other eligible bills with original maturity less than three months	**1,667**	2,244	**165**	68
Trading portfolio assets with original maturity less than three months	**169**	152	**169**	152
	131,400	114 340	**109,009**	96,357

Interest received in 2010 was £28,631m (2009 £32 437m) and interest paid in 2010 was £20 759m (2009 £20,889m)

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £2,310m at 31st December 2010 (2009 £2,470m)

Note
a Other non-cash movements principally comprise movements in exchange rates and the fair value of available for sale investments less subordinated debt hedging

Notes to the financial statements
For the year ended 31st December 2010 continued

1 Significant accounting policies

1 Reporting entity

These financial statements are prepared for the Barclays Bank PLC Group under Section 399 of the Companies Act 2006 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 Bank PLC (the Bank) Barclays Bank PLC is a public limited company incorporated and domiciled in England and Wales having a registered office in England and is the holding company of the Group

2 Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays Bank PLC Group and the individual financial statements of Barclays Bank PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as published by the International Accounting Standards Board (IASB) They are also in accordance with IFRS and IFRIC interpretations as adopted by the European Union 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 Changes in accounting policy are set out on page 91

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 investment property, 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 policies They are stated in millions of pounds Sterling (£m), the functional currency of Barclays Bank PLC

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates It also requires management to exercise judgement in applying the accounting policies Note 45 (Critical accounting estimates) sets out the key areas involving a higher degree of judgement or complexity or areas where assumptions are significant to the consolidated and individual financial statements

4 Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Barclays Bank 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 32 SPEs are consolidated when the substance of the relationship between the Group and that 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 This assessment of risks and benefits is based on arrangements in place and the assessed risk exposures at inception The initial assessment is reconsidered at a later date if

a) the Group acquires additional interests in the entity

b) the contractual arrangements of the entity are amended such that the relative exposure to risks and benefits change or

c) if the Group acquires control over the main operating and financial decisions of the entity

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

The acquisition method of accounting is used to account for the purchase of subsidiaries The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets given equity instruments issued and liabilities incurred or assumed

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement Acquisition related costs are expensed as incurred

The excess of the consideration paid in 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 A gain on acquisition is recognised in profit or loss if there is an excess of the Group s share of the fair value of the identifiable net assets acquired over the cost of the consideration paid Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control

As the consolidated financial statements include partnerships where the Group member is a partner, advantage has been taken of the exemption under Regulation 7 of the Partnerships (Accounts) Regulations 2008 with regard to the preparation and filing of individual partnership financial statements

In the individual financial statements, investments in subsidiaries are stated at cost less impairment, if any Cost also includes directly attributable costs of the investment

When the Group ceases to have control, any retained interests in the subsidiary is remeasured to its fair value, with the change in carrying amount recognised in profit or loss

1 Significant accounting policies continued

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 other comprehensive income 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 (less any accumulated impairment loss) When the Group's share of losses or other reductions in equity 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 3 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 associates and joint ventures are stated at cost less impairment, if any

5 Foreign currency translation

The presentation currency of the Group financial statements is pounds sterling (£), which is also the functional currency of Barclays PLC and Barclays Bank PLC

Items included in the financial statements of each of the Group's foreign entities are measured using their functional currency, being the currency of the primary economic environment in which they operate

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 similar non-monetary items are included directly in equity For the purposes of translation into the presentational currency of the Group financial statements, 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 The exchange differences arising on the translation of a foreign operation are included in cumulative translation reserves within shareholders' equity and included in profit or loss when the Group loses control of, joint control of or significant influence over or on 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

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

Notes to the financial statements
For the year ended 31st December 2010 continued

1 Significant accounting policies continued

Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised 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 both the sale and purchase of trading positions, margins, which are achieved through market-making and customer business and from changes in fair 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

Dividends are recognised when the right to receive payment is established In the individual financial statements of Barclays Bank PLC, this is when the dividends are received or when the dividends are appropriately authorised by the subsidiary

7 Financial assets and liabilities

Financial assets

The classifications of financial assets and the accounting policies applicable to each classification, are as follows

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

a) acquired principally for the purposes of selling or repurchasing in the near term,

b) 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

c) a derivative except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument

It is not possible to transfer a financial instrument out of this category whilst it is held or issued with the exception, from 1st July 2008 of non-derivative financial assets held for trading which may be transferred out of this category after initial classification where

a) in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term, or

b) they are no longer held for the purpose of trading, and they would have met the definition of loans and receivables on initial classification and the Group has the intention and ability to hold them for the foreseeable future or until maturity

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 fair value option is used in the following circumstances

a) 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,

b) 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,

c) 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

d) 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

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

1 Significant accounting policies continued

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)

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 Groups 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)

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 (the available for sale reserve) until sale when the cumulative gain or loss is transferred to the income statement Interest on debt instruments, determined using the effective interest method (see accounting policy 6), dividends on equity instruments, impairment losses and translation differences on monetary items are recognised in the income statement

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

A financial asset classified as available for sale that would have met the definition of loans and receivables may only be transferred from the available for sale classification where the Group has the intention and the ability to hold the asset for the foreseeable future or until maturity

Embedded derivatives

Some contracts ('hybrid contracts) contain both a derivative (the 'embedded derivative')and a non-derivative (the 'host contract') 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 and gains and losses are recognised in the income statement

Derecognition of financial assets

The Group derecognises a financial asset, or a portion of a financial asset, where the contractual rights to that asset have expired, or where the rights to further cash flows from the asset have been transferred to a third party and, with them, either

(i) substantially all the risks and rewards of the asset, or

(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset

Where significant risks and rewards have been transferred, but the transferee does not have the unconditional ability to sell or pledge the asset, the Group continues to account for the asset to the extent of its continuing involvement (continuing involvement accounting')

To assess the extent to which risks and rewards have been transferred, it is often necessary to perform a quantitative analysis Such an analysis will compare the Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer

Where neither derecognition nor continuing involvement accounting is appropriate, the Group continues to recognise the asset in its entirety and recognises any consideration received as a financial liability

Loan commitments

Loan commitments, where the Group has a past practice of selling the resulting assets shortly after origination are held at fair value through profit or loss Other loan commitments are accounted for in accordance with accounting policy 23

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

An exchange of an existing debt instrument for a new instrument with the lender on substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability An assessment is made as to whether the terms are substantially different considering qualitative and quantitive characteristics For example, if the discounted present value calculated using the original effective interest rate of the cash flows under the new terms, including fees, is at least 10 % different from the discounted present value of the remaining cash flows of the original financial liability or if the qualitative assessment concludes that the nature and risk profile of the original financial liability is materially different from that of the new financial liability based on the terms of the instruments including repayment terms, coupon terms and call options, the original financial liability is extinguished

When an exchange is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss

Notes to the financial statements For the year ended 31st December 2010 continued

1 Significant accounting policies continued

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 valuation 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 reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as spreads on Barclays issued bonds or credit default swaps 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 For valuations that include significant unobservable inputs, the difference between the model valuation and the initial transaction price is recognised in profit or loss, either

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 when 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 marketplace, 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 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 considered to be impaired and impairment losses are recognised 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 that have adversely impacted the estimated future cash flows of the financial asset or the portfolio 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
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 and
(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 then 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

Where appropriate, 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

1 Significant accounting policies continued
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 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 or properties 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 or investment properties 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 equity securities, 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 and other similar secured lending and borrowing
Securities may be 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 The transactions are treated as collateralised borrowing and the counterparty liability is presented separately on the balance sheet as repurchase agreements and other similar secured borrowing Similar secured borrowing transactions including securities lending transactions and collateralized short-term notes are treated and presented in the same way

Similarly, the Group borrows or purchases securities subject to a commitment to resell them (a reverse repo) Such securities are not included on balance sheet as the Group does not acquire the risks and rewards of ownership The transactions are treated as collateralised loans and the counterparty asset is presented separately on the balance sheet as reverse repurchase agreements and other similar secured lending Where the Group enters into similar secured lending transactions, such as securities borrowing, these are also treated and presented in the same way

These secured financing transaction are initially recognised at fair value, and subsequently valued at amortised cost, using the effective interest method Securities lent to counterparties are 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

10 Securitisation transactions
The Group enters into securitisation transactions in respect of its own financial assets and to facilitate client transactions as described in Note 36 to the accounts

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless

a) substantially all the risks and rewards associated with the financial instruments have been transferred in which case, the assets are derecognised in full, or

b) 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 Groups continuing involvement

Where a) or b) 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

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 customer liabilities

Notes to the financial statements
For the year ended 31st December 2010 continued

1 Significant accounting policies continued

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 Cash collateral received is recorded on the balance sheet with a corresponding liability within deposits received from banks or customers 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 on 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 on 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 required criteria 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

a) it is determined that a derivative is not or has ceased to be highly effective as a hedge,

b) the derivative expires, or is sold, terminated or exercised,

c) the hedged item matures or is sold or repaid, or

d) 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 does not disqualify the 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, or other reductions in the Group's investment in the operation

Hedges of net investments may include non-derivative liabilities as well as derivative financial instruments

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

1 Significant accounting policies continued

13 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment, if required Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset to its working condition for its intended use 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, plant 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

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%
Computers and similar equipment	20-33%
Fixtures and fittings and other equipment	10-20%
Leased assets	
Leasehold property over the remaining life of the lease (less than 50 years to run)	Over the remaining life of the lease
Cost of adaptation of freehold and leasehold property [a]	7-10%
Equipment installed in freehold and leasehold property [a]	7-10%

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

Investment property is property held to earn rentals or for capital appreciation or for both rather than for sale or use in the business The Group initially recognises investment properties at cost, and subsequently at their fair value at each balance sheet date reflecting market conditions at the reporting date The fair value of investment property is determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions Discounted cash flow techniques may be employed to calculate fair value where there have been no recent transactions, using current external market inputs such as market rents and interest rates Valuations are carried out by management with the support of appropriately qualified independent valuers

Movements in fair value subsequent to initial recognition are included in the income statement No depreciation is provided in respect of investment properties

14 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and joint ventures, and represents the excess of the fair value of the purchase consideration 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 other valuation methodologies including discounted cash flow techniques 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

Computer software

Computer software is stated at cost, less amortisation and provisions for impairment, if required

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 3-5 years

Notes

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

Notes to the financial statements
For the year ended 31st December 2010 continued

1 Significant accounting policies continued

Other intangible assets

Other intangible assets consist of brands customer lists, licences and other contracts, core deposit intangibles and mortgage servicing rights 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 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 fair value less costs to sell and its value in use Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's 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 Group'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 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 within the impairment charge Any liability remaining is recognised in the income statement when the guarantee is discharged cancelled or expires

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 Group 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 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

1 Significant accounting policies continued

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 as set out in policy 7

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

Liabilities under unit-linked life insurance contracts (such as endowment policies) reflect the value of assets held within unitised investment pools

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

Liability adequacy test

Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of contract liabilities net of deferred acquisition costs (DAC) and value of business acquired assets (VOBA) 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 are increased if required Any deficiency is immediately recognised in the income statement

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

As 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 transferred under 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 Groups 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

As Lessee

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

Short-term employee benefits such as salaries, paid absences and other benefits include any estimated tax payable in respect of employee services rendered during the period and are accounted for on an accruals basis over the period in which the employees provide the related services Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably

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 schemes' obligations using the projected unit credit method and the fair valuation of each of the schemes assets are performed annually, using the assumptions set out in Note 27 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 an asset or a liability in the balance sheet

Notes to the financial statements For the year ended 31st December 2010 continued

1 Significant accounting policies continued
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 (the corridor) are recognised in the income statement over the remaining average service lives of the employees of the related plan, on a straight-line basis

Gains and losses on curtailments are recognised when the curtailment occurs which is when there is a demonstrable commitment to make a significant reduction in the number of employees covered by the plan or amendments have been made to the terms of the plan so that a significant element of future service will no longer qualify for benefits or will qualify only for reduced benefits The gain or loss comprises any resulting change in the present value of the defined benefit obligation any resulting change in the fair value of the plan assets and any related actuarial gain or loss that had not previously been recognised since they fell within the corridor

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 benefits to certain retired employees the cost of which is accrued as a liability in the financial statements over the period of employment, using a methodology similar to that for defined benefit pensions plans

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 makes equity settled share-based payments in respect of services received from its employees The fair value of the services 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 employees provide services, which is generally 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 Vesting conditions, service or performance conditions are not taken into account in estimating fair value, but may lead to adjustments to 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 options

Vesting conditions that are related to market conditions are reflected in the fair value of the awards granted and 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 Similarly, non-vesting conditions which are other conditions not being service conditions or performance conditions are taken into account in estimating the grant date fair value and share-based payment charges and are recognised when all non-market vesting conditions are satisfied irrespective of whether the non-vesting conditions are satisfied If meeting a non-vesting condition is a matter of employee choice failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services

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, which 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, 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

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 Withholding taxes are also treated as income taxes Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against 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 which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled Deferred 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

1 Significant accounting policies continued

25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee The Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in Head Office Income and expenses directly associated with each segment are included in determining business segment performance

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 three months or less Repurchase and reverse repurchase agreements 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

Changes to Accounting Policy

The Group has continued to apply the accounting policies used for the 2009 Annual Report and has adopted the following standards from 1st January 2010 (prior periods are not affected by these revised standards)

- IFRS 3 Business Combinations For the Group, the main change is that any costs directly related to the acquisition of a subsidiary are expensed as incurred, and are not part of the cost of the business combination
- IAS 27 Consolidated and Separate Financial Statements Changes in ownership interests in subsidiaries are now accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control In addition, when the Group ceases to have control in a subsidiary, any retained interest in the subsidiary is re-measured to its fair value with the change in carrying amount recognised in profit or loss

Future accounting developments

IFRS 9 Financial Instruments contains new requirements for accounting for financial assets and liabilities, which by 30th June 2011 will include new requirements for impairment and hedge accounting, replacing the corresponding requirements in IAS 39 Financial Instruments Recognition and Measurement It will introduce significant changes in the way that the Group accounts for financial instruments The key changes issued and proposed relate to

- Financial assets Financial assets will be held at either fair value or amortised cost except for equity investments not held for trading which may be held at fair value through equity
- Financial liabilities Gains and losses on own credit arising from financial liabilities designated at fair value through profit or loss will be excluded from the Income Statement and instead taken to Other Comprehensive Income
- Impairment Both expected losses and incurred losses will be reflected in impairment allowances for loans and advances
- Hedge accounting Hedge accounting will be more closely aligned with financial risk management
- Offsetting The conditions for offsetting financial assets and financial liabilities in the balance sheet will be clarified

Adoption is not mandatory until accounting periods beginning on or after 1st January 2013 Earlier adoption is possible subject to EU endorsement At this stage it is not possible to determine the potential financial impacts of adoption on the Group

The International Accounting Standards Board is also undertaking a comprehensive review of other IFRSs which in June 2010, it prioritised into those IFRSs that it expects to issue by 30th June 2011 In addition to IFRS 9, the 30th June 2011 standards which are expected to be more significant for the Group are as follows

- Leases Under the proposals, lessees are required to recognise assets and liabilities arising from both operating and finance leases on the balance sheet
- Post employment benefits The amendments to IAS 19 Employee Benefits require net pension liabilities arising from defined benefit pension schemes to be recognised in full

In addition to the above the IASB plans to issue new standards on Insurance Contracts, Consolidation, Fair Value Measurement, the Presentation of Other Comprehensive Income and Revenue recognition The Group will consider the financial impacts of these new standards as they are finalised

A number of other amendments and interpretations to IFRS have been issued that first apply from 1st January 2010 or later periods These have not resulted in any material changes to the Group's accounting policies

Notes to the financial statements For the year ended 31st December 2010 continued

2 Net interest income

	2010 £m	2009 £m
Cash and balances with central banks	**271**	131
Available for sale investments	**1,483**	1,937
Loans and advances to banks	**440**	513
Loans and advances to customers	**17,677**	18,456
Other interest income	**164**	199
Interest income	**20,035**	21,236
Deposits from banks	**(370)**	(634)
Customer accounts	**(1,415)**	(2 720)
Debt securities in issue	**(3,632)**	(4 134)
Subordinated liabilities	**(1,778)**	(1,718)
Other interest expense	**(322)**	(361)
Interest expense	**(7,517)**	(9 567)
Net interest income	**12,518**	11 669

Interest income includes £213m (2009 £185m) 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 13

3 Net fee and commission income

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

4 Net trading income

	2010 £m	2009 £m
Trading income	**7,019**	8,132
Gain on foreign exchange dealings	**670**	682
Own credit gain/(charge)	**391**	(1,820)
Net trading income	**8,080**	6,994

Included within net trading income were gains of £32m (2009 £2,349m loss) on financial assets designated at fair value and losses of £903m (2009 £3 158m) on financial liabilities designated at fair value

The own credit adjustment arose on £96bn of Barclays Capital's financial liabilities designated at fair value (2009 £86bn)

5 Net investment income

	2010 £m	2009 £m
Net gain from disposal of available for sale assets	**1,027**	576
Dividend income	**129**	6
Net gain/(loss) from financial instruments designated at fair value	**274**	(208)
Other investment income/(losses)	**60**	(91)
Net investment income	**1,490**	283

6 Impairment Charges

The Group	2010 £m	2009 £m
Impairment charges on loans and advances		
New and increased impairment allowances	6,939	8 111
Releases	(1,189)	(631)
Recoveries	(201)	(150)
Impairment charges on loans and advances	5,549	7,330
Charges/(release) in respect of provision for undrawn contractually committed facilities and guarantees provided	76	28
Impairment charges on loans and advances and other credit provisions	5,625	7,358
Impairment charges on reverse repurchase agreements	(4)	43
Impairment charges on available for sale assets	51	670
Impairment charges and other credit provisions	5,672	8 071

7 Staff costs

	2010 £m	2009 £m
Salaries and accrued performance costs	8,809	7,795
Share based payments (Note 39)	860	286
Social security costs	719	606
Bank payroll tax	96	225
Post retirement benefits		
- defined contribution plans	297	224
- defined benefit plans (Note 27)	213	(33)
- other post-retirement benefits (Note 27)	18	16
Other	904	829
Staff costs	11,916	9 948

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

Staff costs above relate to continuing operations only Staff costs arising on discontinued operations for 2009 totalled £735m, principally comprising £514m of salaries and accrued performance costs, social security costs of £15m, post-retirement benefits of £29m and other staff costs of £177m

The average total number of persons employed by the Group including both continuing and discontinued operations was 151 300 (2009 153,800)

8 Administration and general expenses

	2010 £m	2009 £m
Property and equipment	1,813	1 641
Outsourcing and professional services	1,704	1,495
Operating lease rentals	637	639
Marketing, advertising and sponsorship	631	492
Subscriptions, publications and stationery	584	519
Travel and accommodation	358	273
Other administration and general expenses	729	437
Impairment of property equipment and intangible assets	125	61
Administration and general expenses	6,581	5,557

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

Notes to the financial statements
For the year ended 31st December 2010 continued

8 Administration and general expenses continued
Auditors' remuneration
Auditor's remuneration is included within outsourcing and professional services costs above and comprises

	Notes	Audit £m	Audit related £m	Taxation services £m	Other services £m	Total £m
2010						
Audit of the Group's annual accounts		**12**	**–**	**–**	**–**	**12**
Other services						
Fees payable for the Company's associates pursuant to legislation	a)	**26**	**–**	**–**	**–**	**26**
Other services supplied pursuant to such legislation	b)	**–**	**3**	**–**	**–**	**3**
Services relating to taxation						
– compliance services		**–**	**–**	**7**	**–**	**7**
– advisory services	c)	**–**	**–**	**1**	**–**	**1**
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	d)	**–**	**–**	**–**	**1**	**1**
Other		**–**	**4**	**–**	**2**	**6**
Total auditors' remuneration		**38**	**7**	**8**	**3**	**56**
2009						
Audit of the Group's annual accounts		12	–	–	–	12
Other services						
Fees payable for the Company's associates pursuant to legislation	a)	23	–	–	–	23
Other services supplied pursuant to such legislation	b)	–	2	–	–	2
Services relating to taxation						
– compliance services		–	–	6	–	6
– advisory services	c)	–	–	1	–	1
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	d)	–	–	–	3	3
Other		–	4	–	1	5
Total auditors' remuneration		35	6	7	4	52

The figures shown in the above table relate to fees paid to PricewaterhouseCoopers LLP and its associates for continuing operations of business Fees paid to other auditors not associated with PricewaterhouseCoopers LLP in respect of the audit of the Company's subsidiaries were £4m (2009 £3m)

a) 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 4m (2009 £0 5m)

b) Other services supplied pursuant to such legislation comprise services in relation to statutory and regulatory filings These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority

c) Advisory services relating to taxation include consultation on tax matters, tax advice relating to transactions and other tax planning and advice

d) Services relating to corporate finance transactions comprise due diligence related to transactions and other work in connection with such transactions

Excluded from the total auditors' remuneration above are fees paid to PricewaterhouseCoopers LLP and associates relating to Barclays Global Investors, the Group's discontinued operations, of £nil (2009 £4m)

9 Tax
Tax charge

	2010 £m	2009 £m
Current tax charge/(credit)		
Current year	**1,413**	1,235
Adjustment for prior years	**(20)**	(131)
	1,393	1,104
Deferred tax charge/(credit)		
Current year	**118**	45
Adjustment for prior years	**5**	(102)
	123	(57)
Tax charge	**1,516**	1,047

Tax relating to each component of other comprehensive income can be found in the consolidated statement of comprehensive income on page 75, including within Other, tax credits of £59m (2009 £218m) principally relating to share based payments

Factors impacting income tax charge for the year
The table below shows the reconciliation between the tax charge that would result from applying the standard UK corporation tax rate to the Group's profit before tax and the actual tax charge

	2010 £m	2009 £m
Profit before tax from continuing operations	**6,079**	4 560
Tax charge based on the standard UK corporation tax rate of 28% (2009 28%)	**1,702**	1,277
Adjustments for prior years	**(15)**	(233)
Effect of overseas tax rates different from the standard UK tax rate[a]	**(135)**	(27)
Non-taxable gains and income[b]	**(156)**	(119)
Impact of share price movements on share-based payments	**41**	(38)
Deferred tax assets (previously not recognised)/not recognised	**(160)**	27
Change in tax rates[c]	**34**	(12)
Non-deductible expenses and other items	**205**	172
Tax charge	**1,516**	1 047
Effective tax rate[d]	**25%**	23%

The introduction of the UK bank levy is expected to result in a charge to operating expenses in 2011 (see note 8)

Current tax assets and liabilities
Movements on current tax assets and liabilities were as follows

	2010 £m	2009 £m
The Group		
Assets	**349**	389
Liabilities	**(964)**	(1,215)
As at 1st January	**(615)**	(826)
Income statement	**(1,393)**	(1,125)
Equity	**180**	(109)
Corporate income tax paid	**1,430**	1,282
Acquisitions and disposals	**(4)**	(33)
Exchange and other adjustments	**(48)**	196
	(450)	(615)
Assets	**196**	349
Liabilities	**(646)**	(964)
As at 31st December	**(450)**	(615)

Notes
a Includes a deferred tax benefit of £205m in 2010 arising from the reorganisation of Spanish securitisation financing
b Non-taxable gains and income is net of £42m relating to £58m witholding tax on the intra-group return of capital Revenue of £58m has been recognised in relation to related payments received
c The UK has passed legislation to reduce the UK tax rate from 28% to 27% from 1st April 2011 This reduced the value of the net UK deferred tax asset at 31st December 2010 resulting in a tax charge of £14m (2009 £nil) included in the £34m for the impact of change in tax rates
d The low effective tax rate of 9% in 2008 mainly resulted from the Lehman Brothers North American business acquisition

Notes to the financial statements
For the year ended 31st December 2010 continued

9 Tax continued

	2010 £m	2009 £m
The Bank		
Assets	**221**	234
Liabilities	**(277)**	(651)
As at 1st January	**(56)**	(417)
Income statement	**(161)**	595
Equity	**145**	(89)
Corporate income tax paid	**91**	99
Acquisitions and disposals	**(1)**	-
Exchange and other adjustments	**17**	(244)
	35	(56)
Assets	**161**	221
Liabilities	**(126)**	(277)
As at 31st December	**35**	(56)

Deferred tax assets and liabilities
The deferred tax amounts disclosed on the balance sheet are as follows

	2010 £m	2009 £m	2010 £m	2009 £m
Deferred tax asset	**2,517**	2,303	**1,228**	773
Deferred tax liability	**(514)**	(470)	**(3)**	(38)
Net deferred tax	**2,003**	1 833	**1,225**	735

9 Tax continued

Deferred taxes are calculated on all temporary differences under the liability method Movements on deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows

The Group	Fixed asset timing differences £m	Available for sale investments £m	Cash flow hedges £m	Pensions and other retirement benefits £m	Allowance for impairment on loans £m	Other provisions £m	Tax losses carried forward[a] £m	Share based payments £m	Other £m	Total £m
Assets	**117**	**28**	**139**	**219**	**379**	**294**	**1,038**	**336**	**472**	**3,022**
Liabilities	**(660)**	**(54)**	**(278)**	**-**	**-**	**-**	**-**	**-**	**(197)**	**(1,189)**
As at 1st January 2010	**(543)**	**(26)**	**(139)**	**219**	**379**	**294**	**1,038**	**336**	**275**	**1,833**
Income statement	**42**	**12**	**(3)**	**(101)**	**(46)**	**(151)**	**591**	**25**	**(492)**	**(123)**
Equity	**-**	**53**	**38**	**-**	**-**	**-**	**-**	**12**	**(44)**	**59**
Acquisitions and disposals	**56**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**58**
Exchange and other adjustments	**21**	**(6)**	**(5)**	**-**	**12**	**19**	**(71)**	**(1)**	**207**	**176**
	(424)	**33**	**(109)**	**118**	**345**	**162**	**1,558**	**372**	**(52)**	**2,003**
Assets	**134**	**76**	**-**	**118**	**345**	**162**	**1,558**	**372**	**668**	**3,433**
Liabilities	**(558)**	**(43)**	**(109)**	**-**	**-**	**-**	**-**	**-**	**(720)**	**(1,430)**
As at 31st December 2010	**(424)**	**33**	**(109)**	**118**	**345**	**162**	**1,558**	**372**	**(52)**	**2,003**
Assets	87	57	246	403	356	532	1 659	342	1 116	4,798
Liabilities	(945)	(46)	(368)	-	-	-	-	-	(1,075)	(2,434)
As at 1st January 2009	(858)	11	(122)	403	356	532	1,659	342	41	2 364
Income statement	340	(8)	44	(189)	39	15	(785)	50	293	(201)
Equity	-	(21)	(59)	-	-	-	-	156	24	100
Acquisitions and disposals	1	-	-	(5)	(1)	(8)	4	(41)	(98)	(148)
Exchange and other adjustments	(26)	(8)	(2)	10	(15)	(245)	160	(171)	15	(282)
	(543)	(26)	(139)	219	379	294	1,038	336	275	1,833
Assets	117	28	139	219	379	294	1,038	336	472	3,022
Liabilities	(660)	(54)	(278)	-	-	-	-	-	(197)	(1,189)
As at 31st December 2009	(543)	(26)	(139)	219	379	294	1 038	336	275	1 833

Note
Refer to page 98 for notes

Notes to the financial statements
For the year ended 31st December 2010 continued

9 Tax continued

The Bank	Fixed asset timing differences £m	Available for sale investments £m	Cash flow hedges £m	Pensions and other retirement benefits £m	Allowance for impairment on loans £m	Other provisions £m	Tax losses carried forward[a] £m	Share based payments £m	Other £m	Total £m
Assets	36	-	-	142	170	51	368	44	121	932
Liabilities	-	(19)	(140)	-	-	-	-	-	(38)	(197)
As at 1st January 2010	36	(19)	(140)	142	170	51	368	44	83	735
Income statement	(45)	5	-	(88)	(43)	(100)	684	(2)	17	428
Equity	-	15	77	-	-	-	-	4	(7)	89
Acquisitions and disposals	(57)	-	-	-	-	-	-	-	4	(53)
Exchange and other adjustments	22	-	(1)	-	11	2	(69)	(22)	83	26
	(44)	1	(64)	54	138	(47)	983	24	180	1,225
Assets	-	1	-	54	138	-	983	24	215	1,415
Liabilities	(44)	-	(64)	-	-	(47)	-	-	(35)	(190)
As at 31st December 2010	(44)	1	(64)	54	138	(47)	983	24	180	1,225
Assets	-	-	-	335	85	12	410	23	207	1,072
Liabilities	(10)	(2)	(213)	-	-	-	-	-	-	(225)
As at 1st January 2009	(10)	(2)	(213)	335	85	12	410	23	207	847
Income statement	46	(12)	36	(193)	86	12	(257)	14	(111)	(379)
Equity	-	(4)	36	-	-	-	-	7	(4)	35
Acquisitions and disposals	-	-	-	-	-	-	-	-	(20)	(20)
Exchange and other adjustments	-	(1)	1	-	(1)	27	215	-	11	252
	36	(19)	(140)	142	170	51	368	44	83	735
Assets	36	-	-	142	170	51	368	44	121	932
Liabilities	-	(19)	(140)	-	-	-	-	-	(38)	(197)
As at 31st December 2009	36	(19)	(140)	142	170	51	368	44	83	735

Notes

a The deferred tax asset arising from tax losses mainly relates to entities in the USA the UK and Spain

b The net deferred tax asset at 31st December 2010 for the Group includes £1 715m (2009 £197m) in entities which have suffered a loss in either the current or prior year Recognition is based on profit forecasts which indicate that it is probable that the relevant entities will have future taxable profits against which the temporary differences can be utilised

c The amount of deferred tax liability expected to be settled after more than 12 months for the Group is £911m (2009 £955m) and for the Bank is £1 303m (2009 £167m) The amount of deferred tax asset expected to be recovered after more than 12 months for the Group is £1 645m (2009 £2 446m) and for the Bank is £165m (2009 £749m)

d Deferred tax assets have not been recognised for the Group in respect of deductible temporary differences (gross) of £506m (2009 £4m) and unused tax losses (gross) of £4 571m (2009 £8 542m) of which £70m (2009 £nil) expires within 5 years £239m (2009 £nil) expires within 6-10 years and £4 262m (2009 £8 542m) expires within 11-20 years Deferred tax assets have not been recognised for the Bank in respect of deductible temporary differences (gross) of £436m (2009 £4m) and unused tax losses (gross) of £4 331m (2009 8 505m) of which £70m (2009 £nil) expires within 6-10 years and £4 261m (2009 £8 505m) expires within 11 20 years Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise benefits The unused tax losses include amounts relating to the US branch of Barclays Bank PLC where the applicable tax rate for deferred tax purposes would be the excess of the US tax rate over the UK tax rate

e Deferred tax is not recognised in respect of the Groups investments in subsidiaries and branches where remittance is not contemplated and for those associates and interests in joint ventures where it has been determined that no additional tax will arise The aggregate amount of temporary differences for which deferred tax liabilities have not been recognised in the Group is £530m (2009 £738m)

10 Dividends
Dividends paid in the year were

	2010 £m	2009 £m
On ordinary shares		
Final dividend	-	-
Interim dividend	235	103
Dividends	235	103

These dividends are paid to enable Barclays PLC to fund its dividends to its shareholders and in 2009, to fund the repurchase by Barclays PLC ordinary share capital

Dividends per ordinary share for 2010 were 10p (2009 4p) Dividends paid on the 4 75% €100 preference shares amounted to £433 27 per share (2009 £441 42) Dividends paid on the 4 875% €100 preference shares amounted to £408 11 per share (2009 £439 34) Dividends paid on the 6 0% £100 preference shares amounted to £600 00 per share (2009 £600 00) Dividends paid on the 6 278% US$100 preference shares amounted to £413 25 per share (2009 £385 59) Dividends paid on the 6 625% US$0 25 preference shares amounted to £1 09 per share (2009 £1 06) Dividends paid on the 7 1% US$0 25 preference shares amounted to £1 17 per share (2009 £1 13) Dividends paid on the 7 75% US$0 25 preference shares amounted to £1 28 per share (2009 £1 24) Dividends paid on the 8 125% US$0 25 preference shares amounted to £1 34 per share (2009 £1 30)

Dividends paid on preference shares amounted to £485m (2009 £477m) Dividends paid on other equity instruments amounted to £160m (2009 £122m)

11 Trading portfolio

	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
Debt securities and other eligible bills	**139,240**	126,520	**86,328**	83,680
Equity securities	**25,676**	19,653	**4,901**	5,552
Traded loans	**2,170**	2,962	**2,500**	2,945
Commodities	**1,844**	2 260	**1,305**	1 629
Trading portfolio assets	**168,930**	151 395	**95,034**	93,806
Debt securities and other eligible bills	**(64,607)**	(44,708)	**(40,677)**	(30,993)
Equity Securities	**(7,568)**	(6 468)	**(3,157)**	(2,465)
Commodities	**(518)**	(76)	**(518)**	(76)
Trading portfolio liabilities	**(72,693)**	(51,252)	**(44,352)**	(33,534)

12 Financial assets designated at fair value

	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
Loans and advances	**22,352**	22 390	**25,093**	**21,636**
Debt securities	**1,918**	4,007	**783**	**3,338**
Equity securities	**5,685**	6,256	**11**	**66**
Customers' assets held under investment contracts	**1,429**	1,257	**-**	-
Other financial assets	**10,101**	8 658	**3,294**	**2,605**
Financial assets designated at fair value	**41,485**	42,568	**29,181**	**27,645**

The total portfolio of assets held in respect of linked liabilities to customers under investment contracts also includes £518m (2009 £422m) of cash and bank balances included within cash and balances at central banks The carrying value of the total assets is always the same as the carrying value of the liabilities to customers under investment contracts as shown in note 20 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 Therefore, the Group is not exposed to the financial risks inherent in the investments

Notes to the financial statements
For the year ended 31st December 2010 continued

12 Financial assets designated at fair value continued

Credit risk of loans and advances held at fair value and related credit derivatives

The following table shows the maximum exposure to credit risk, the changes in fair value due to credit risk and the cumulative changes in fair value since initial recognition on loans and advances designated at fair value together with the amount by which related credit derivatives mitigate this risk

	The Group						The Bank					
	Maximum Exposure as at 31st December		Changes in fair value during the year ended		Cumulative changes in fair value from inception		Maximum Exposure as at 31st December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Loans and advances designated at fair value, attributable to credit risk	**22,352**	22,390	**326**	(2 370)	**(4,995)**	(5,321)	**25,093**	21 636	**298**	(1,298)	**(3,398)**	(3,696)
Fair value of related credit derivatives	**2,206**	1,416	**(481)**	229	**263**	744	**1,977**	1 224	**(481)**	229	**246**	727

13 Derivative financial instruments

The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are discussed in the Risk Management section on pages 11 to 65

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

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 Groups 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

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 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

13 Derivative financial instruments continued

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 of the protection in return receives a predetermined amount

Equity derivatives

The Groups 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 The Group also enters into fund-linked derivatives, being swaps and options whose underlyings include mutual funds, hedge funds, indices and multi-asset portfolios

Commodity derivatives

The Groups 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

The Group's total derivative and liability position as reported on the balance sheet is as follows

	The Group			The Bank		
		Fair value			Fair value	
	Notional contract amount £m	Assets £m	Liabilities £m	Notional contract amount £m	Assets £m	Liabilities £m
Year ended 31st December 2010						
Total derivative assets/(liabilities) held for trading	**48,517,204**	**418,586**	**(403,163)**	**48,268,152**	**439,763**	**(423,938)**
Total derivative assets/(liabilities) held for risk management	**240,353**	**1,733**	**(2,353)**	**222,403**	**1,382**	**(2,305)**
Derivative assets/(liabilities)	**48,757,557**	**420,319**	**(405,516)**	**48,490,555**	**441,145**	**(426,243)**
Year ended 31st December 2009						
Total derivative assets/(liabilities) held for trading	39 131 979	415,638	(402,019)	39,325 860	428,976	(417 055)
Total derivative assets/(liabilities) held for risk management	180 018	1,177	(1,397)	149,114	919	(1,299)
Derivative assets/(liabilities)	39,311,997	416 815	(403,416)	39,474,974	429,895	(418,354)

Derivate movements on the balance sheet were broadly flat compared to prior year with assets of £420bn as at 31 December 2010 (2009 £417bn) and liabilities of £406bn (2009 £403bn) Movements in derivatives during the year were mainly the result of decreases in forward interest rates in major currencies and new and increased business activity, partly offset by initiatives to reduce balance sheet usage such as the placement of existing derivative postions with clearing houses and the compression of OTC derivative contracts via Tri-Optima, a third party intermediary

Derivative asset exposures would be £378bn (2009 £374bn) lower than reported under IFRS if netting were permitted for assets and liabilities with the same counterparty or for which we hold cash collateral Derivative liabilities would be £362bn (2009 £363bn) lower reflecting counterparty netting and collateral placed

Notes to the financial statements For the year ended 31st December 2010 continued

13 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for trading are set out in the following table

Derivatives held for trading	The Group			The Bank		
		Fair value			Fair value	
	Notional contract amount £m	Assets £m	Liabilities £m	Notional contract amount £m	Assets £m	Liabilities £m
Year ended 31st December 2010						
Foreign exchange derivatives						
Forward foreign exchange	1,823,186	22,882	(22,674)	1,794,499	22,481	(22,248)
Currency swaps	935,420	29,802	(32,433)	913,494	28,040	(30,647)
OTC options bought and sold	739,949	7,736	(7,034)	738,583	7,681	(7,008)
OTC derivatives	3,498,555	60,420	(62,141)	3,446,576	58,202	(59,903)
Exchange traded futures – bought and sold	8,149	–	–	8,149	–	–
Exchange traded options – bought and sold	7,207	–	–	7,207	–	–
Foreign exchange derivatives	3,513,911	60,420	(62,141)	3,461,932	58,202	(59,903)
Interest rate derivatives						
Interest rate swaps	10,316,455	202,050	(183,665)	10,124,429	199,367	(181,432)
Forward rate agreements	4,711,960	2,625	(2,881)	4,393,227	1,596	(1,686)
OTC options bought and sold	4,551,516	66,055	(65,395)	4,535,975	66,008	(65,360)
OTC derivatives	19,579,931	270,730	(251,941)	19,053,631	266,971	(248,478)
Exchange traded futures – bought and sold	706,678	–	–	686,913	–	–
Exchange traded options – bought and sold	268,855	–	–	240,232	–	–
Exchange traded swaps	21,209,173	–	–	21,209,145	–	–
Interest rate derivatives	41,764,637	270,730	(251,941)	41,189,921	266,971	(248,478)
Credit derivatives						
OTC swaps	1,780,264	45,977	(44,068)	1,778,812	46,054	(44,078)
Exchange traded credit default swaps	172,211	1,040	(976)	172,211	1,040	(976)
Credit derivatives	1,952,475	47,017	(45,044)	1,951,023	47,094	(45,054)
Equity and stock index derivatives						
OTC options bought and sold	118,363	9,340	(13,424)	106,796	9,137	(12,959)
Equity swaps and forwards	56,478	2,226	(2,359)	45,186	1,566	(1,519)
OTC derivatives	174,841	11,566	(15,783)	151,982	10,703	(14,478)
Exchange traded futures – bought and sold	96,582	1	(4)	87,239	–	(4)
Exchange traded options – bought and sold	206,881	3,016	(2,812)	34,731	–	–
Equity and stock index derivatives	478,304	14,583	(18,599)	273,952	10,703	(14,482)
Commodity derivatives						
OTC options bought and sold	93,937	3,778	(3,751)	92,220	3,764	(3,746)
Commodity swaps and forwards	326,336	18,743	(19,133)	325,448	18,567	(18,989)
OTC derivatives	420,273	22,521	(22,884)	417,668	22,331	(22,735)
Exchange traded futures – bought and sold	358,550	3,240	(2,326)	358,090	3,240	(2,326)
Exchange traded options – bought and sold	29,054	75	(228)	29,054	75	(228)
Commodity derivatives	807,877	25,836	(25,438)	804,812	25,646	(25,289)
Derivatives with subsidiaries				586,512	31,147	(30,732)
Derivative assets/(liabilities) held for trading	48,517,204	418,586	(403,163)	48,268,152	439,763	(423,938)

13 Dervatve financal instruments contnued

The far values and notonal amounts of dervatve instruments held for tradıng are set out ın the following table

Dervatves held for tradıng	The Group			The Bank		
		Far value			Far value	
	Notonal contract amount £m	Assets £m	Labilıtes £m	Notonal contract amount £m	Assets £m	Labilıtes £m
Year ended 31st December 2009						
Foreıgn exchange dervatıves						
Forward foreıgn exchange	1 457,271	18,148	(18,019)	1 435,729	17 581	(17 407)
Currency swaps	810 666	26,008	(32 357)	805,118	25,372	(31,648)
OTC optons bought and sold	539,976	7,332	(7,321)	537,623	7,292	(7 321)
OTC dervatves	2 807,913	51,488	(57,697)	2,778,470	50,245	(56,376)
Exchange traded futures – bought and sold	2 035	–	–	2,035	–	–
Exchange traded optons – bought and sold	28,220	–	–	28,220	–	–
Foreign exchange dervatves	2 838,168	51 488	(57,697)	2,808 725	50,245	(56,376)
Interest rate dervatves						
Interest rate swaps	9,408 811	193,133	(179,744)	9,276,271	191,651	(178,300)
Forward rate agreements	4,436,628	3,595	(3,289)	4 270,839	2,266	(2,105)
OTC optons bought and sold	5 113,613	63,647	(61,304)	5,090,650	63 608	(61,272)
OTC dervatves	18,959,052	260,375	(244 337)	18,637 760	257,525	(241,677)
Exchange traded futures – bought and sold	547,685	–	–	543 428	–	–
Exchange traded optons – bought and sold	272 960	–	–	272,953	–	–
Exchange traded swaps	13,424 261	–	–	13,424,261	–	–
Interest rate dervatves	33,203,958	260 375	(244,337)	32 878,402	257,525	(241 677)
Credıt dervatves						
OTC swaps	1,932,635	55,302	(51,000)	1,931,919	55,247	(50,891)
Exchange traded credıt default swaps	84,161	993	(780)	84 161	993	(780)
Credıt dervatves	2,016,796	56 295	(51,780)	2 016,080	56,240	(51,671)
Equıty and stock ındex derivatives						
OTC optons bought and sold	124 944	13,042	(15 681)	117,431	12 500	(14,797)
Equıty swaps and forwards	45,922	2 057	(1,718)	40,977	1,372	(1 059)
OTC dervatves	170,866	15,099	(17,399)	158,408	13,872	(15,856)
Exchange traded futures – bought and sold	57 565	–	–	44,787	–	–
Exchange traded optons – bought and sold	130 885	2,631	(2 371)	32,593	–	–
Equıty and stock ındex dervatves	359,316	17,730	(19,770)	235 788	13 872	(15,856)
Commodity dervatves						
OTC optons bought and sold	92,508	4,262	(4,215)	91,987	4,068	(4,162)
Commodıty swaps and forwards	252,621	22,872	(22,012)	251,803	22,832	(21,925)
OTC dervatves	345,129	27 134	(26,227)	343,790	26,900	(26 087)
Exchange traded futures – bought and sold	312 883	2,436	(2,008)	311,459	2,436	(2,007)
Exchange traded optons – bought and sold	55 729	180	(200)	54,876	179	(200)
Commodıty dervatves	713 741	29,750	(28 435)	710,125	29 515	(28,294)
Dervatves with subsıdıarıes				676,740	21,579	(23 181)
Dervatıve assets/(labılıtes) held for tradıng	39,131,979	415 638	(402,019)	39,325 860	428,976	(417,055)

Notes to the financial statements
For the year ended 31st December 2010 continued

13 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table

Derivatives held for risk management	The Group			The Bank		
		Fair value			Fair value	
	Notional contract amount £m	Assets £m	Liabilities £m	Notional contract amount £m	Assets £m	Liabilities £m
Year ended 31st December 2010						
Derivatives designated as cash flow hedges						
Interest rate swaps	126,904	760	(882)	102,655	393	(866)
Forward foreign exchange	581	–	(43)	581	–	(43)
Exchange traded interest rate swaps	22,278	–	–	22,278	–	–
Derivatives designated as cash flow hedges	149,763	760	(925)	125,514	393	(909)
Derivatives designated as fair value hedges						
Currency swaps	679	–	(54)	–	–	–
Interest rate swaps	42,301	905	(872)	39,324	826	(754)
Equity options	–	–	–	–	–	(1)
Forward foreign exchange	4,561	19	(86)	14,516	135	(225)
Exchange traded interest rate swaps	36,427	–	–	36,427	–	–
Derivatives designated as fair value hedges	83,968	924	(1,012)	90,267	961	(980)
Derivatives designated as hedges of net investments						
Forward foreign exchange	5,870	28	(199)	5,870	28	(199)
Currency swaps	752	21	(217)	752	–	(217)
Derivatives designated as hedges of net investment	6,622	49	(416)	6,622	28	(416)
Derivative assets/(liabilities) held for risk management	240,353	1,733	(2,353)	222,403	1,382	(2,305)
Year ended 31st December 2009						
Derivatives designated as cash flow hedges						
Interest rate swaps	79,241	478	(494)	56,675	324	(483)
OTC options bought and sold	673	2	–	673	2	–
Forward foreign exchange	2 224	237	(51)	2 215	236	(55)
Exchange traded interest rate swaps	33 534	–	–	33,534	–	–
Derivatives designated as cash flow hedges	115 672	717	(545)	93,097	562	(538)
Derivatives designated as fair value hedges						
Currency swaps	502	10	–	–	–	–
Interest rate swaps	12 199	357	(459)	11,948	317	(423)
Equity options	7 710	53	(56)	134	–	(1)
Forward foreign exchange	5,386	18	(103)	5,386	18	(103)
Exchange traded interest rate swaps	32,257	–	–	32,257	–	–
Derivatives designated as fair value hedges	58,054	438	(618)	49,725	335	(527)
Derivatives designated as hedges of net investments						
Forward foreign exchange	5,321	22	(97)	5,321	22	(97)
Currency swaps	971	–	(137)	971	–	(137)
Derivatives designated as hedges of net investment	6,292	22	(234)	6,292	22	(234)
Derivative assets/(liabilities) held for risk management	180 018	1 177	(1,397)	149,114	919	(1,299)

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

13 **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

	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
2010							
The Group							
Forecast receivable cash flows	**2,861**	**440**	**570**	**625**	**526**	**291**	**409**
Forecast payable cash flows	**307**	**69**	**52**	**76**	**82**	**22**	**6**
The Bank							
Forecast receivable cash flows	**2,530**	**289**	**469**	**574**	**505**	**285**	**408**
Forecast payable cash flows	**293**	**65**	**51**	**74**	**81**	**22**	**–**
2009							
The Group							
Forecast receivable cash flows	3,304	467	838	837	700	370	92
Forecast payable cash flows	558	51	96	122	145	116	28
The Bank							
Forecast receivable cash flows	3,147	393	792	811	691	368	92
Forecast payable cash flows	547	49	95	121	144	115	23

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 fourteen years (2009 nine years), and for the Bank, eight years (2009 nine years)

Amounts recognised in net interest income	The Group £m	The Bank £m
Year ended 31st December 2010		
Fair value hedging		
Losses on the hedged items attributable to the hedged risk	**(1,172)**	**(1,171)**
Gains on the hedging instruments	**1,286**	**1,310**
Fair value ineffectiveness	**114**	**139**
Cash flow hedging ineffectiveness	**138**	**136**
Net investment hedging ineffectiveness	**(10)**	**(10)**
Year ended 31st December 2009		
Fair value hedging		
Gains on the hedged items attributable to the hedged risk	1,604	1 624
Losses on the hedging instruments	(1,478)	(1,513)
Fair value ineffectiveness	126	111
Cash flow hedging ineffectiveness	21	22
Net investment hedging ineffectiveness	(5)	(5)

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

Transfers from cash flow hedging reserve

Gains and losses transferred from the cash flow hedging reserve in the current year were to Interest income £88m gain (2009 £22m loss), interest expense £515m gain (2009 £272m gain) net trading income £148m loss (2009 £165m loss), administration and general expenses £99m gain (2009 £7m gain), and for the Bank, interest income £nil (2009 £nil), interest expense 518m gain (2009 £245m gain), net trading income £73m loss (2009 £11m loss) and administration and general expenses £99m gain (2009 £7m gain)

14 **Loans and advances to banks and customers**

	The Group 2010 £m	The Group 2009 £m	The Bank 2010 £m	The Bank 2009 £m
Gross loans and advances to banks	**37,847**	41,196	**40,438**	43 024
Less Allowance for impairment	**(48)**	(61)	**(48)**	(61)
Loans and advances to banks	**37,799**	41 135	**40,390**	42 963
Gross loans and advances to customers	**440,326**	430 959	**531,012**	519,469
Less Allowance for impairment	**(12,384)**	(10,735)	**(8,076)**	(7,341)
Loans and advances to customers	**427,942**	420,224	**522,936**	512,128

Notes to the financial statements For the year ended 31st December 2010 continued

15 Available for sale financial investments

	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
Debt securities and other eligible bills	**59,629**	49 807	**45,076**	35,984
Equity securities	**5,811**	6 844	**145**	590
Available for sale financial investments	**65,440**	56 651	**45,221**	36 574

16 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

(a) Reverse repurchase agreements and other similar secured lending

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

	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
Banks	**104,233**	67,872	**72,997**	47,108
Customers	**101,539**	75,559	**154,346**	98 325
Reverse repurchase agreements and cash collateral held on securities borrowed	**205,772**	143 431	**227,343**	145,433

b) Repurchase agreements and other similar secured borrowing

Securities that are not recorded on the balance sheet (for example securities that have been obtained as a result of reverse repurchase and stock borrowing 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

	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
Banks	**99,997**	93 692	**61,692**	53 791
Customers	**125,537**	105,089	**152,515**	111,404
Repurchase agreements and cash collateral on securities lent	**225,534**	198,781	**214,207**	165,195

17 Investments in associates and joint ventures

	2010 £m	2009 £m
Investment in associates	**261**	250
Investment in joint ventures	**257**	172
Total	**518**	422

Summarised financial information for the Group's associates and joint ventures is set out below The amounts shown are assets, liabilities and net income of the investees, not just the Group's share, as at and for the year ended 31st December 2010 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

	2010		2009	
	Associates £m	Joint Ventures £m	Associates £m	Joint Ventures £m
Total assets	**4,819**	**3,452**	4,939	3,521
Total liabilities	**4,089**	**3,024**	4,236	3,238
(Loss)/Profit after tax	**(167)**	**93**	(96)	30

The Group's share of commitments and contingencies of its associates and joint ventures is comprised of insurance guarantees of £nil (2009 £5m) and unutilised credit facilities provided to customers of £1,237m (2009 £1,126m)

18 Goodwill and intangible assets

	Goodwill £m	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
The Group									
Cost									
As at 1st January 2010	**7,058**	**963**	**237**	**301**	**175**	**1,521**	**164**	**462**	**10,881**
Acquisitions and disposals of subsidiaries	**12**	–	–	–	–	**28**	–	**25**	**65**
Additions and disposals	–	**88**	**3**	–	–	–	**(168)**	**(3)**	**(80)**
Exchange and other adjustments	**189**	**40**	**(6)**	**46**	**27**	**137**	**4**	**(11)**	**426**
As at 31st December 2010	**7,259**	**1,091**	**234**	**347**	**202**	**1,686**	–	**473**	**11,292**
Accumulated amortisation and impairment									
As at 1st January 2010	**(826)**	**(465)**	**(58)**	**(82)**	**(84)**	**(318)**	**(117)**	**(136)**	**(2,086)**
Disposals	–	**100**	–	–	–	**2**	**144**	**11**	**257**
Amortisation charge	–	**(178)**	**(36)**	**(19)**	**(18)**	**(141)**	**(7)**	**(38)**	**(437)**
Impairment charge	**(243)**	**(14)**	–	**(7)**	–	**(15)**	**(19)**	**(17)**	**(315)**
Exchange and other adjustments	**29**	**5**	**8**	**(13)**	**(7)**	**(21)**	**(1)**	**(14)**	**(14)**
As at 31st December 2010	**(1,040)**	**(552)**	**(86)**	**(121)**	**(109)**	**(493)**	–	**(194)**	**(2,595)**
Net book value	**6,219**	**539**	**148**	**226**	**93**	**1,193**	–	**279**	**8,697**
The Bank									
Cost									
As at 1st January 2010	**4,281**	**675**	**136**	**7**	**4**	**17**	**164**	**117**	**5,401**
Acquisitions and disposals of subsidiaries	–	–	–	–	–	**28**	–	**2**	**30**
Additions and disposals	–	**32**	**(18)**	–	–	–	**(168)**	–	**(154)**
Exchange and other adjustments	**(2)**	–	–	–	**(4)**	**(29)**	**4**	**(2)**	**(33)**
As at 31st December 2010	**4,279**	**707**	**118**	**7**	–	**16**	–	**117**	**5,244**
Accumulated amortisation and impairment									
As at 1st January 2010	**(727)**	**(320)**	**(21)**	**(3)**	**(6)**	**(7)**	**(115)**	**(21)**	**(1,220)**
Disposals	–	**94**	–	–	–	–	**144**	**11**	**249**
Amortisation charge	–	**(111)**	**(13)**	**(1)**	–	**(5)**	**(7)**	**(11)**	**(148)**
Impairment charge	–	**(13)**	–	–	–	**(10)**	**(19)**	**9**	**(33)**
Exchange and other adjustments	–	**11**	–	–	**6**	**14**	**(3)**	**(10)**	**18**
As at 31st December 2010	**(727)**	**(339)**	**(34)**	**(4)**	–	**(8)**	–	**(22)**	**(1,134)**
Net book value	**3,552**	**368**	**84**	**3**	–	**8**	–	**95**	**4,110**
The Group									
Cost									
As at 1st January 2009	8,551	721	328	261	155	1,565	173	426	12,180
Acquisitions and disposals of subsidiaries	63	–	–	–	–	1	–	109	173
Disposal of discontinued operations	(1 587)	(66)	–	–	(2)	–	–	(32)	(1 687)
Additions and disposals	–	264	(36)	–	–	–	–	11	239
Exchange and other adjustments	31	44	(55)	40	22	(45)	(9)	(52)	(24)
As at 31st December 2009	7,058	963	237	301	175	1,521	164	462	10,881
Accumulated amortisation and impairment									
As at 1st January 2009	(926)	(284)	(69)	(52)	(55)	(172)	(116)	(104)	(1,778)
Disposal of discontinued operations	84	25	–	–	2	–	–	8	119
Disposals	–	12	4	–	–	–	–	–	16
Amortisation charge	–	(190)	(29)	(22)	(17)	(136)	(13)	(54)	(461)
Impairment charge	(1)	(11)	–	–	(6)	–	–	(10)	(28)
Exchange and other adjustments	17	(17)	36	(8)	(8)	(10)	12	24	46
As at 31st December 2009	(826)	(465)	(58)	(82)	(84)	(318)	(117)	(136)	(2,086)
Net book value	6 232	498	179	219	91	1 203	47	326	8,795
The Bank									
Cost									
As at 1st January 2009	4,303	560	110	7	4	16	173	38	5,211
Acquisitions and disposals of subsidiaries	–	–	–	–	–	2	–	75	77
Additions and disposals	(17)	116	38	–	–	–	–	4	141
Exchange and other adjustments	(5)	(1)	(12)	–	–	(1)	(9)	–	(28)
As at 31st December 2009	4,281	675	136	7	4	17	164	117	5 401
Accumulated amortisation and impairment									
As at 1st January 2009	(729)	(204)	(22)	(3)	–	(5)	(115)	(13)	(1,091)
Disposals	2	9	–	–	–	–	–	–	11
Amortisation charge	–	(116)	(11)	–	–	(2)	(13)	1	(141)
Impairment charge	–	(9)	–	–	(6)	–	–	(10)	(25)
Exchange and other adjustments	–	–	12	–	–	–	13	1	26
As at 31st December 2009	(727)	(320)	(21)	(3)	(6)	(7)	(115)	(21)	(1 220)
Net book value	3,554	355	115	4	(2)	10	49	96	4,181

Notes to the financial statements
For the year ended 31st December 2010 continued

18 Goodwill and intangible assets continued
Of the intangibles amortisation charge for 2009 £447m related to continuing operations

Goodwill
Goodwill is allocated to business operations according to business segments as follows

	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
UK Retail Banking	**3,148**	3,146	**3,130**	3,130
Barclaycard	**585**	552	**220**	220
Western Europe Retail Banking	**505**	520	**108**	110
Barclays Africa	**36**	39	**–**	–
Barclays Capital	**133**	105	**–**	–
Barclays Corporate	**150**	389	**–**	–
Barclays Wealth	**391**	391	**94**	94
Absa	**1,271**	1,090	**–**	–
Total Goodwill	**6,219**	6,232	**3,552**	3,554

Goodwill has been allocated to the revised business segments in line with the resegmentation communicated to the market in March 2010 This means that the £243m of goodwill in Barclays Bank Russia was allocated to Barclays Corporate and goodwill in Spain of £565m was allocated between Western Europe Retail Banking (£439m) and Barclays Corporate (£126m) The comparative figures for 2009 have been updated to reflect this resegmentation

Impairment testing of goodwill
Goodwill is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount

The recoverable amount of each operation's goodwill is based on value-in-use calculations The calculations are 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

Key assumptions
The key assumptions used for impairment testing are set out below for each significant goodwill balance Other goodwill of £1 253m (2009 £1 986m) was allocated to multiple cash-generating units which are not considered individually significant

UK Retail Banking
The recoverable amount of UK Retail Banking has been determined using cash flow predictions based on financial budgets approved by management and covering a five-year period, with a terminal growth rate of 2% (2009 3%) applied thereafter The forecast cashflows have been discounted at a pre-tax rate of 13% (2009 14%) Based on the above assumptions the recoverable amount exceeded the carrying amount including goodwill by £4 0bn (2009 £1 2bn) A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount by £1 0bn (2009 £0 7bn) and £0 8bn (2009 £0 5bn) respectively A reduction in the forecast cash flows of 10% per annum would reduce the recoverable amount by £1 1bn (2009 £0 8bn)

Absa
The recoverable amount of Absa has been determined using cash flow predictions based on financial budgets approved by management and covering a five year period, with a terminal growth rate of 6% (2009 6%) applied thereafter The forecast cashflows have been discounted at a pre-tax rate of 14% (2009 14%) The recoverable amount calculated based on value in use exceeded the carrying amount including goodwill by £5 0bn (2009 £4 7bn) The result of the impairment test would not be materially different if alternative reasonably possible changes in key assumptions were applied

Spain
The recoverable amount of the Spanish business has been determined using cash flow predictions based on financial budgets approved by management covering a five-year period, with a terminal growth rate of 2% (2009 2%) applied thereafter The forecast cash flows have been discounted at a pre-tax rate of 12% (2009 13%) The recoverable amount calculated based on value in use exceeded the carrying amount including goodwill by £383m The cash flow projections include the estimated benefits from changes in product mix, improved product pricing and impairment levels coming back into line with historic loan loss rates There is no impact from any cost restructuring or any future planned investments included within the forecasts An increase in the discount rate to 15% a decrease in the terminal growth rate to negative 1 3% or a reduction in the forecast cash flows of 26% per annum would reduce the headroom over the carrying amount to nil

Barclays Corporate- Russia
At 31 December 2010 Barclays recognised an impairment charge of £243 million (2009 nil) in respect of all of the goodwill held by Barclays Corporate in Barclays Bank Russia (BBR), which arose from the Expo bank acquisition in 2008 The impairment principally reflects changes in expected future cash flows arising from BBR as our activities there have been refocused The recoverable amount of BBR was calculated based on the value in use approach using a pre-tax rate of 17%

19 Property, plant and equipment

	The Group					The Bank			
	Investment property £m	Property £m	Equipment £m	Leased assets £m	Total £m	Investment property £m	Property £m	Equipment £m	Total £m
2010									
Cost									
As at 1st January 2010	1,207	3,830	4,197	66	9,300	–	1,956	2,073	4,029
Acquisitions and disposals of subsidiaries	46	2	4	–	52	–	–	2	2
Additions and disposals	353	283	120	9	765	4	172	(22)	154
Change in fair value of investment properties	(54)	–	–	–	(54)	–	–	–	–
Fully depreciated assets written off	–	(2)	(1)	–	(3)	–	(2)	(1)	(3)
Exchange and other adjustments	18	116	429	–	563	–	(11)	12	1
As at 31st December 2010	1,570	4,229	4,749	75	10,623	4	2,115	2,064	4,183
Accumulated depreciation and impairment									
As at 1st January 2010	–	(1,128)	(2,529)	(17)	(3,674)	–	(881)	(1,316)	(2,197)
Acquisitions and disposals of subsidiaries	–	6	–	–	6	–	5	–	5
Depreciation charge	–	(231)	(555)	(4)	(790)	–	(129)	(256)	(385)
Impairment charge	–	(28)	(25)	–	(53)	–	(10)	(19)	(29)
Disposals	–	86	341	(3)	424	–	58	221	279
Fully depreciated assets written off	–	2	1	–	3	–	2	1	3
Exchange and other adjustments	–	(33)	(366)	–	(399)	–	20	(1)	19
As at 31st December 2010	–	(1,326)	(3,133)	(24)	(4,483)	–	(935)	(1,370)	(2,305)
Net book value	1,570	2,903	1,616	51	6,140	4	1,180	694	1,878
2009									
Cost									
As at 1st January 2009	–	3,624	3,944	304	7,872	–	1,840	1,915	3,755
Acquisitions and disposals of subsidiaries	978	171	5	–	1,154	–	–	–	–
Disposal of discontinued operations	–	(120)	(99)	–	(219)	–	–	–	–
Additions and disposals	137	233	387	(37)	720	–	131	169	300
Change in fair value of investment properties	6	–	–	–	6	–	–	–	–
Fully depreciated assets written off	–	(6)	(17)	–	(23)	–	–	–	–
Exchange and other adjustments	86	(72)	(23)	(201)	(210)	–	(15)	(11)	(26)
As at 31st December 2009	1,207	3 830	4,197	66	9,300	–	1,956	2,073	4,029
Accumulated depreciation and impairment									
As at 1st January 2009	–	(1,011)	(2,144)	(43)	(3,198)	–	(830)	(1 135)	(1,965)
Acquisitions and disposals of subsidiaries	–	–	2	–	2	–	–	–	–
Disposal of discontinued operations	–	33	64	–	97	–	–	–	–
Depreciation charge	–	(201)	(565)	(20)	(786)	–	(91)	(253)	(344)
Impairment charge	–	(32)	(2)	–	(34)	–	(12)	(1)	(13)
Disposals	–	46	97	1	144	–	37	60	97
Fully depreciated assets written off	–	6	17	–	23	–	–	–	–
Exchange and other adjustments	–	31	2	45	78	–	15	13	28
As at 31st December 2009	–	(1 128)	(2,529)	(17)	(3 674)	–	(881)	(1,316)	(2,197)
Net book value	1 207	2,702	1,668	49	5,626	–	1,075	757	1,832

Of the depreciation charge for 2009, £759m relates to continuing operations

The fair value of Barclays investment property is based on valuations supported by appropriately qualified independent valuers.

Property rentals of £48m (2009 £64m) have been included in other income and gains on property disposals of £29m (2009 £29m) have been included in administration and general expenses

Notes to the financial statements
For the year ended 31st December 2010 continued

20 Financial liabilities designated at fair value

	The Group 2010		The Bank 2010		The Group 2009		The Bank 2009	
	Fair Value £m	Contractual amount due on maturity £m	Fair Value £m	Contractual amount due on maturity £m	Fair Value £m	Contractual amount due on maturity £m	Fair Value £m	Contractual amount due on maturity £m
Debt securities	**76,907**	**81,589**	**80,227**	**83,139**	72 191	77,636	71 303	76 372
Deposits	**10,243**	**10,950**	**8,607**	**8,784**	6 275	6 544	4,581	4 849
Liabilities to customers under investment contracts	**1,947**	**–**	**–**	**–**	1,679	–	–	–
Other financial assets	**8,632**	**9,533**	**8,208**	**8,897**	7,736	8 811	7,662	8,692
Financial liabilities designated at fair value	**97,729**	**102,072**	**97,042**	**100,820**	87,881	92,991	83 546	89,913

The own credit adjustment arose from on £96bn of Barclays Capitals financial liabilities designated at fair value (2009 £86bn) The cumulative own credit net gain that has been recognised is £892m at 31st December 2010 (2009 £501m)

21 Accruals, deferred income and other liabilities

	The Group 2010 £m	The Group 2009 £m	The Bank 2010 £m	The Bank 2009 £m
Accruals and deferred income	**5,539**	6 007	**2,353**	4,854
Other creditors	**5,198**	5 972	**15,217**	1,565
Obligations under finance leases (Note 37)	**87**	122	**–**	4
Insurance contract liabilities, including unit-linked liabilities	**2,409**	2,140	**–**	–
Accruals, deferred income and other liabilities	**13,233**	14,241	**17,570**	6 423

Insurance liabilities relate principally to the Group's long-term business Insurance contract liabilities associated with the Group's short-term non-life business are £131m (2009 £132m)

The maximum amounts payable under all of the Group's insurance products, ignoring the probability of insured events occurring and the contribution from investments backing the insurance policies were £71bn (2009 £63bn) or £67bn (2009 £57bn) after reinsurance Of this insured risk £56bn (2009 £49bn) was concentrated in short-term insurance contracts and £65bn (2009 £55bn) was concentrated in Africa

The maximum impact to profit or loss and equity under any reasonably possible change in the assumptions used to calculate the insurance liabilities would be £12m (2009 £14m)

22 Subordinated liabilities
Subordinated liabilities which are all issued by Barclays Bank PLC ('The Bank') or other subsidiaries of the Group, include accrued interest and comprise dated and undated loan capital as follows

	The Group 2010 £m	The Group 2009 £m	The Bank 2010 £m	The Bank 2009 £m
Undated loan capital	**9,094**	8,148	**8,923**	8 207
Dated loan capital	**19,405**	17,668	**18,071**	16,686
	28,499	25 816	**26,994**	24,893

22 **Subordinated liabilities** continued

Undated loan capital		The Group		The Bank	
	Initial call date	2010 £m	2009 £m	2010 £m	2009 £m
Non-convertible					
Barclays Bank PLC					
Tier One Notes (TONs)					
6% Callable Perpetual Core Tier One Notes	2032	**453**	424	**453**	424
6 86% Callable Perpetual Core Tier One Notes (US$1,000m)	2032	**866**	784	**866**	784
Reserve Capital Instruments (RCIs)					
5 926% Step-up Callable Perpetual Reserve Capital Instruments (US$1,350m)	2016	**1,010**	928	**1,010**	928
6 3688% Step-up Callable Perpetual Reserve Capital Instruments	2019	**608**	567	**608**	567
7434% Step-up Callable Perpetual Reserve Capital Instruments (US$1,250m)	2017	**950**	866	**950**	866
14% Step-up Callable Perpetual Reserve Capital Instruments	2019	**2,887**	2,608	**2,887**	2,608
5 3304% Step-up Callable Perpetual Reserve Capital Instruments	2036	**599**	560	**599**	560
Undated notes					
6 875% Undated Subordinated Notes	2015	**156**	151	**156**	151
6 375% Undated Subordinated Notes	2017	**150**	147	**150**	147
7 7% Undated Subordinated Notes (US$99m)	2018	**69**	65	**69**	65
8 25% Undated Subordinated Notes	2018	**156**	152	**156**	152
7125% Undated Subordinated Notes	2020	**190**	180	**190**	180
6 125% Undated Subordinated Notes	2027	**234**	220	**234**	220
Junior Undated Floating Rate Notes (US$121 m)	Any interest payment date	**78**	75	**139**	134
Undated Floating Rate Primary Capital Notes Series 3	Any interest payment date	**145**	145	**145**	145
Bonds					
9 25% Perpetual Subordinated Bonds (ex-Woolwich PLC)	2021	**96**	95	**96**	95
9% Permanent Interest Bearing Capital Bonds	At any time	**41**	43	**41**	43
Loans					
5 03% Reverse Dual Currency Undated Subordinated Loan (Yen 8,000m)	2028	**70**	55	**70**	55
5% Reverse Dual Currency Undated Subordinated Loan (Yen 12,000m)	2028	**104**	83	**104**	83
Barclays SLCSM Funding B V guaranteed by the Bank					
6 140% Fixed Rate Guaranteed Perpetual Subordinated Notes	2015	**232**	–	–	–
Undated loan capital – non-convertible		**9,094**	8,148	**8,923**	8 207

The principal terms of the undated loan capital are described below

Security
None of the undated loan capital is secured

Subordination
All undated loan capital ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital in the following order Junior Undated Floating Rate Notes, other issues of Undated Notes, Bonds and Loans-ranking pari passu with each other, followed by TONs and RCIs-ranking pari passu with each other

Interest
All undated loan capital bears a fixed rate of interest until the initial call date, with the exception of the 9% Bonds which are fixed for the life of the issue and the Junior and Series 3 Undated Notes which are floating rate

After the initial call date, in the event that they are not redeemed, the 6 875%, 6 375%, 7125%, 6 125% Undated Notes the 9 25% Bonds and the 6 140% Perpetual Notes will bear interest at rates fixed periodically in advance for five year periods based on market rates All other undated loan capital except the two floating rate Undated Notes will bear interest, and the two floating rate Undated Notes currently bear interest, at rates fixed periodically in advance based on London interbank rates

Notes to the financial statements
For the year ended 31st December 2010 continued

22 Subordinated liabilities continued

Payment of interest

Barclays Bank PLC is not obliged to make a payment of interest on its Undated Notes Bonds and Loans excluding the 7 7% Undated Notes 8 25% Undated Notes, 9 25% Bonds and 6 140% Perpetual Notes 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 7 7% Undated Notes and 8 25% Undated Notes Until such time as any deferred interest has been paid in full, neither the Bank nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares, preference shares, or other share capital or satisfy any payments of interest or coupons on certain other junior obligations

The Issuer and the Bank may elect to defer any payment of interest on the 6 140% Perpetual Notes However any deferred interest will automatically become immediately due and payable on the earlier of (i) the date on which any dividend or other distribution or interest or other payment is made in respect of any pari passu or any junior obligations or on which any pari passu or any junior obligations are purchased (ii) the date of redemption or purchase of the 6 140% Perpetual Notes and (iii) certain other events including bankruptcy, liquidation or winding up of the Issuer or the Bank

The Bank may elect to defer any payment of interest on the RCIs Any such deferred payment of interest must be paid on the earlier of (i) the date of redemption of the RCIs (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment, and (iii) in respect of the 14% RCIs only substitution 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

All undated loan capital is repayable, at the option of the Bank generally in whole at the initial call date and on any subsequent coupon or interest payment date or in the case of the 6 875%, 6 375% 7125% 6 125% Undated Notes, the 9 25% Bonds and the 6 140% Perpetual Notes on any fifth anniversary after the initial call date 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 euro currency market and/or under Rule 144A, and no issues have been registered under the US Securities Act of 1933

22 Subordinated liabilities continued

Dated loan capital	Initial call date	Maturity date	The Group 2010 £m	The Group 2009 £m	The Bank 2010 £m	The Bank 2009 £m
Non-convertible						
Barclays Bank PLC						
12% Unsecured Capital Loan Stock		2010	–	27	–	27
5 75% Subordinated Notes (€1 000m)		2011	**836**	853	**836**	853
5 25% Subordinated Notes(€250m) (ex-Woolwich plc)		2011	**221**	246	**221**	246
5 015% Subordinated Notes (US$150m)		2013	**104**	99	**104**	99
4 875% Subordinated Notes (€750m)		2013	**670**	693	**670**	693
Callable Floating Rate Subordinated Notes (US$1,500m)	2010	2015	–	927	–	927
4 38% Fixed Rate Subordinated Notes (US$75m)		2015	**55**	51	**55**	51
4 75% Fixed Rate Subordinated Notes (US$150m)		2015	**111**	103	**111**	103
Floating Rate Subordinated Step-up Callable Notes (US$750m)	2011	2016	**484**	463	**484**	463
Callable Floating Rate Subordinated Notes (€1,250m)	2011	2016	**1,082**	1,115	**1,082**	1 115
Callable Floating Rate Subordinated Notes (US$500m)	2012	2017	**323**	309	**323**	309
10 125% Subordinated Notes (ex-Woolwich plc)	2012	2017	**105**	107	**105**	107
Floating Rate Subordinated Step-up Callable Notes (US$1,500m)	2012	2017	**969**	926	**969**	926
Floating Rate Subordinated Step-up Callable Notes (€1 500m)	2012	2017	**1,296**	1,337	**1,296**	1,337
6 05% Fixed Rate Subordinated Notes (US$2,250m)		2017	**1,662**	1,505	**1,662**	1,505
Floating Rate Subordinated Notes(€40m)		2018	**35**	36	**35**	36
6% Fixed Rate Subordinated Notes (€1,750m)		2018	**1,596**	1 641	**1,596**	1,641
CMS-Linked Subordinated Notes (€100m)		2018	**90**	92	**90**	92
CMS-Linked Subordinated Notes (€135m)		2018	**121**	124	**121**	124
Floating Rate Subordinated Notes (€50m)		2019	**42**	43	**42**	43
Callable Fixed/Floating Rate Subordinated Notes (€1,000m)	2014	2019	**904**	915	**904**	915
5 14% Lower Tier 2 Notes (US$1 250m)	2015	2020	**791**	–	**791**	–
6% Fixed Rate Subordinated Notes (€1 500m)		2021	**1,316**	–	**1,316**	–
9 5% Subordinated Bonds (ex-Woolwich plc)		2021	**292**	276	**292**	276
Subordinated Floating Rate Notes (€100m)		2021	**85**	87	**85**	87
10% Fixed Rate Subordinated Notes		2021	**2,160**	2,022	**2,160**	2,022
10 179% Fixed Rate Subordinated Notes (US$1,521 m)		2021	**1,040**	942	**1,040**	942
Subordinated Floating Rate Notes (€50m)		2022	**43**	45	**43**	45
Subordinated Floating Rate Notes (€50m)		2023	**43**	45	**43**	45
Fixed/Floating Rate Subordinated Callable Notes	2018	2023	**590**	568	**590**	568
5 75% Fixed Rate Subordinated Notes		2026	**675**	631	**675**	631
5 4% Reverse Dual Currency Subordinated Loan (Yen 15,000m)		2027	**132**	105	**132**	105
6 33% Subordinated Notes		2032	**53**	52	**53**	52
Subordinated Floating Rate Notes (€100m)		2040	**86**	89	**86**	89
Other loans from subsidiaries			–	–	**59**	212
Absa						
10 75% Subordinated Callable Notes (ZAR 1,100m)	2010	2015	–	95	–	–
Subordinated Callable Notes (ZAR 400m)	2010	2015	–	36	–	–
8 75% Subordinated Callable Notes (ZAR 1,500m)	2012	2017	**154**	129	–	–
Subordinated Callable Notes (ZAR 1,886m)	2013	2018	**210**	173	–	–
8 8% Subordinated Fixed Rate Callable Notes (ZAR 1 725m)	2014	2019	**178**	143	–	–
Subordinated Callable Notes (ZAR 3,000m)	2014	2019	**331**	268	–	–
8 1% Subordinated Callable Notes (ZAR 2,000m)	2015	2020	**200**	160	–	–
10 28% Subordinated Callable Notes (ZAR 600m)	2017	2022	**60**	–	–	–
Subordinated Callable Notes (ZAR 400m)	2017	2022	**41**	–	–	–
Subordinated Callable Notes (ZAR 1,500m)	2023	2028	**156**	127	–	–
Other capital issued by Barclays Spain, Ghana, Kenya and Zambia		2011-2016	**37**	38	–	–
Dated loan capital – non-convertible			**19,379**	17 643	**18,071**	16,686
Dated loan capital – convertible issued by Barclays Botswana and Zambia		2014-2015	**26**	25	–	–
Total dated loan capital			**19,405**	17 668	**18,071**	16 686

Notes to the financial statements
For the year ended 31st December 2010 continued

22 Subordinated liabilities continued
Dated loan capital
Dated loan capital is 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 (Barclays Botswana), 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 (Barclays Ghana) for general corporate purposes

The principal terms of the dated loan capital are described below

Security
None of the Groups dated loan capital is secured

Subordination
All dated loan capital ranks behind the claims against the bank of depositors and other unsecured unsubordinated creditors but before the claims of the undated loan capital and the holders of their equity The dated loan capital issued by subsidiaries, are similarly subordinated

Interest
Interest on the floating rate Notes are fixed periodically in advance, based on the related interbank or local central bank rates

All other non-convertible Notes except the 10 125% Subordinated Notes 2017 are generally fixed interest for the life of the issue but some are reset to a floating rate after a fixed period, with varying interest rate terms The 10 125% Subordinated Notes 2017, if not called in 2012, will bear interest at a rate fixed in advance for a further period of 5 years

The 5 14% Lower Tier 2 Notes were registered under the US Securities Act of 1933 All other issues of dated loan capital have been made in the euro currency market, local markets and/or under Rule 144A

Repayment terms
Those Notes with a call date are repayable at the option of the issuer, on conditions governing the respective debt obligations some in whole or in part and some only in whole The remaining dated loan capital outstanding at 31st December 2010 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 Barclays Botswana 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, or in the case of the overseas issues, the approval of the local regulator for that jurisdiction

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity

23 Provisions

	Onerous contracts £m	Redundancy and re-structuring £m	Undrawn contractually committed facilities and guarantees provided £m	Sundry provisions £m	Total £m
The Group					
At 1st January 2010	**68**	**162**	**162**	**198**	**590**
Acquisitions and disposals of subsidiaries	**–**	**–**	**1**	**6**	**7**
Exchange and other adjustments	**–**	**–**	**6**	**12**	**18**
Additions	**36**	**139**	**118**	**533**	**826**
Amounts utilised	**(28)**	**(68)**	**(8)**	**(229)**	**(333)**
Unused amounts reversed	**(4)**	**(56)**	**(50)**	**(53)**	**(163)**
Amortisation of discount	**2**	**–**	**–**	**–**	**2**
At 31st December 2010	**74**	**177**	**229**	**467**	**947**
The Bank					
At 1st January 2010	**58**	**148**	**196**	**62**	**464**
Acquisitions and disposals of subsidiaries	**–**	**–**	**1**	**6**	**7**
Exchange and other adjustments	**–**	**–**	**9**	**(1)**	**8**
Additions	**36**	**132**	**34**	**391**	**593**
Amounts utilised	**(24)**	**(59)**	**(8)**	**(209)**	**(300)**
Unused amounts reversed	**(4)**	**(55)**	**(48)**	**(16)**	**(123)**
Amortisation of discount	**2**	**–**	**–**	**–**	**2**
At 31st December 2010	**68**	**166**	**184**	**233**	**651**
The Group					
At 1st January 2009	50	118	109	258	535
Acquisitions and disposals of subsidiaries	–	(2)	1	(6)	(7)
Exchange and other adjustments	–	4	2	–	6
Additions	51	269	119	125	564
Amounts utilised	(27)	(201)	(21)	(142)	(391)
Unused amounts reversed	(8)	(26)	(48)	(37)	(119)
Amortisation of discount	2	–	–	–	2
At 31st December 2009	68	162	162	198	590
The Bank					
At 1st January 2009	48	110	100	132	390
Acquisitions and disposals of subsidiaries	2	(1)	–	(3)	(2)
Exchange and other adjustments	–	3	2	2	7
Additions	41	216	159	16	432
Amounts utilised	(27)	(155)	(21)	(76)	(279)
Unused amounts reversed	(8)	(25)	(44)	(9)	(86)
Amortisation of discount	2	–	–	–	2
At 31st December 2009	58	148	196	62	464

Provisions expected to be recovered or settled within no more than 12 months after 31st December 2010 for the Group were £658m (2009 £466m) and for the Bank were £468m (2009 £408m)

Provisions in respect of litigation included in sundry provisions for the Group were £151m (2009 £27m) and for the Bank were £116m (2009 £nil)

Notes to the financial statements
For the year ended 31st December 2010 continued

24 Contingent liabilities and commitments

The following table summarises the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk

	The Group		The Bank	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Securities lending arrangements	**27,672**	27,406	**27,672**	27 406
Guarantees and letters of credit pledged as collateral security	**13,783**	15,406	**11,823**	13,150
Performance guarantees, acceptances and endorsements	**9,175**	9 962	**7,301**	7 752
Contingent liabilities	**50,630**	52,774	**46,796**	48,308
Documentary credits and other short-term trade related transactions	**1,194**	762	**924**	535
Standby facilities, credit lines and other commitments	**222,963**	206,513	**173,795**	159 281

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

Contingent liabilities

Up to the disposal of Barclays Global Investors on 1st December 2009, the Group facilitated securities lending arrangements for its managed investment funds whereby securities held by funds under management were lent to third parties Borrowers provided cash or investment grade assets as collateral equal to 100% of the market value of the securities lent plus a margin of 2%-10% The Group agreed with BlackRock Inc to continue to provide indemnities to support these arrangements for three years following the sale of the business As at 31st December 2010, the fair value of the collateral held was £28,465m (2009 £28,248m) and that of the stock lent was £27,672m (2009 £27,406m)

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

Performance guarantees are generally, short-term commitments to third parties which are not directly dependent on the customers creditworthiness 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

Documentary credits and other short-term trade related transactions

Documentary credits commit the Group to make payments to third parties on production of documents which are usually reimbursed immediately by customers

Standby facilities, credit lines and other commitments

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

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (FSCS) is the UK's compensation fund for customers of authorised financial services firms that are unable to pay claims The FSCS raises levies on all UK deposit taking institutions Previously compensation has been paid out by facilities provided by HM Treasury to FSCS in support of FSCS's obligations to the depositors of banks declared in default. The total of these facilities is understood to be approximately £20bn While it is anticipated that the substantial majority of these facilities will be repaid wholly from recoveries from the institutions concerned, there is the risk of a shortfall such that the FSCS may place additional levies on all FSCS participants Barclays has included an accrual of £63m in other liabilities as at 31st December 2010 (2009 £108m) in respect of levies raised by the FSCS

Barclays Capital US mortgage activities

Barclays activities within the US mortgage sector during the period 2005 through 2008 included sponsoring and underwriting of approximately $39bn of private-label securitisations underwriting of approximately $34bn of other private-label securitisations sales of approximately $150m of loans to government sponsored enterprises (GSEs), and sales of approximately $7bn of loans to others - including loans sold in 2009 Some of the loans sold were originated by a Barclays subsidiary Barclays also performed servicing activities through its US residential mortgage servicing business which Barclays acquired in Q4 2006 and subsequently sold in Q3 2010

In connection with certain Barclays whole loan sales and sponsored private-label securitisations, Barclays made certain loan level representations and warranties (R&Ws) generally relating to the underlying borrower, property and/or mortgage documentation Under certain circumstances, Barclays may be required to repurchase the related loans or make other payments related to such loans if the R&Ws were breached The $7bn of loans sold to others were generally priced at significant discounts and contained more limited R&Ws than loans sold to GSEs Third party originators provided loan level R&Ws directly to the securitisation trusts for approximately $34bn of the $39bn in Barclays sponsored securitisations Barclays or a subsidiary provided loan level R&Ws to the securitisation trusts for approximately $5bn of the Barclays sponsored securitisations Total unresolved repurchase requests associated with all loans sold to others and private-label activities were $21m at 31st December 2010 Current provisions are adequate to cover estimated losses associated with outstanding repurchase claims However, based upon the large number of defaults occurring in US residential mortgages, there is a potential for additional claims for repurchases

Claims against Barclays as an underwriter of RMBS offerings have been brought in certain civil actions Additionally, Barclays has received inquiries from various regulatory and governmental authorities regarding its mortgage-related activities and is cooperating with such inquiries

It is not possible to provide a meaningful estimate of the financial impact of the potential exposure relating to all of the foregoing matters at this time

24 Contingent liabilities and commitments continued

Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives 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

	The Group		The Bank	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Trading portfolio assets	**111,703**	96,176	**54,716**	53,208
Loans and advances	**30,584**	48,846	**27,550**	46,433
Available for sale investments	**22,941**	24,264	**18,907**	17,452
Other	**45**	77	**–**	10
Assets pledged	**165,273**	169,363	**101,173**	117,103

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

	The Group		The Bank	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Fair value of securities accepted as collateral	**422,890**	357,159	**394,851**	339,995
Of which fair value of securities repledged/transferred to others	**347,557**	283 334	**358,593**	275 387

25 Legal proceedings

Lehman Brothers Holdings Inc

On 15th September 2009, motions were filed in the United States Bankruptcy Court for the Southern District of New York (the Court) by Lehman Brothers Holdings Inc (LBHI), the SIPA Trustee for Lehman Brothers Inc (the Trustee) and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc (the Committee) All three motions challenge certain aspects of the transaction pursuant to which Barclays Capital Inc (BCI) and other companies in the Group acquired most of the assets of Lehman Brothers Inc (LBI) in September 2008 and the court order approving such sale The claimants seek an order voiding the transfer of certain assets to BCI, requiring BCI to return to the LBI estate alleged excess value BCI received, and declaring that BCI is not entitled to certain assets that it claims pursuant to the sale documents and order approving the sale On 16th November 2009, LBHI, the Trustee and the Committee filed separate complaints in the Court asserting claims against BCI based on the same underlying allegations as the pending motions and seeking relief similar to that which is requested in the motions On 29th January 2010, BCI filed its response to the motions Barclays considers that the motions and claims against BCI are without merit and BCI is vigorously defending its position On 29th January 2010, BCI also filed a motion seeking delivery of certain assets that LBHI and LBI have failed to deliver as required by the sale documents and the court order approving the sale Approximately £2 6bn of the assets acquired as part of the acquisition had not been received by 31st December 2010, approximately £2 0bn of which were recognised as part of the accounting for the acquisition and are included in the balance sheet as at 31st December 2010 This results in an effective provision of £0 6bn against the uncertainty inherent in the litigation

On 22nd February 2011, the Court issued its Opinion in relation to these matters The Opinion calls for the parties to submit proposed Orders that will implement the Opinion, and anticipates a possible status conference to resolve any potential differences between the parties regarding the final Order that should be entered Any such Order should clarify the precise impact of the Opinion and may include specific guidance regarding the treatment of specific types of assets Such an Order may be the subject of further proceedings or appeals by one or more of the parties

Barclays has considered the Opinion and the decisions contained therein and its possible actions with respect thereto If the Opinion were to be unaffected by future proceedings, Barclays estimates that its maximum possible loss, based on its worst case reading of the Opinion, would be approximately £2 6bn, after taking into account the effective provision of £0 6bn Any such loss, however is not considered probable and Barclays is satisfied with the current level of provision

American Depositary Shares

Barclays Bank PLC, Barclays PLC and various current and former members of Barclays PLC's Board of Directors have been named as defendants in five proposed securities class actions (which have been consolidated) pending in the United States District Court for the Southern District of New York The consolidated amended complaint, dated 12th February 2010, alleges that the registration statements relating to American Depositary Shares representing Preferred Stock, Series 2, 3, 4 and 5 (ADS) offered by Barclays Bank PLC at various times between 2006 and 2008 contained misstatements and omissions concerning (amongst other things) Barclays portfolio of mortgage-related (including US subprime-related) securities, Barclays exposure to mortgage and credit market risk and Barclays financial condition The consolidated amended complaint asserts claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 On 5th January 2011, the Court issued an order, and on 7th January 2011, judgment was entered, granting the defendants' motion to dismiss the complaint in its entirety and closing the case On 4th February 2011 the plaintiffs filed a motion asking the Court to reconsider in part its dismissal order, and that motion is pending Barclays considers that these ADS-related claims against it are without merit and is defending them vigorously It is not possible to estimate any possible loss in relation to these claims or any effect that they might have upon operating results in any particular financial period

Notes to the financial statements
For the year ended 31st December 2010 continued

25 Legal proceedings continued
Other
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 statements 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

26 Competition and regulatory matters
This note highlights some of the key competition and regulatory challenges facing Barclays many of which are beyond our control The extent of the impact of these matters on Barclays cannot always be predicted but may materially impact our businesses and earnings

Regulatory change
The scale of regulatory change remains challenging with a significant tightening of regulation and changes to regulatory structures globally especially for banks that are deemed to be of systemic importance Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries which, in some cases, is leading to increased or changing regulation which is likely to have a significant effect on the industry

In the UK, the FSA's current responsibilities are to be reallocated between the Prudential Regulatory Authority (a subsidiary of the Bank of England) and a new Consumer Protection and Markets Authority by the end of 2012 The Independent Commission on Banking has been charged by the UK Government with reviewing the UK banking system Its remit includes looking at reducing systemic risk, mitigating moral hazard reducing the likelihood and impact of bank failure and competition issues Its findings and recommendations are expected by September 2011

In the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act contains far reaching regulatory reform although the full impact will not be known until implementing rules are made by governmental authorities, a process which is currently ongoing

Payment Protection Insurance (PPI)
PPI has been under scrutiny by the UK competition authorities and financial services regulators The UK Competition Commission (CC) has undertaken an in-depth enquiry into the PPI market which has resulted in the CC introducing a number of remedies including a prohibition on sale of PPI at the point of sale

On 10th August 2010, the FSA issued a Policy Statement which amends the DISP (Dispute Resolution Complaints) rules in the FSA Sourcebook for the handling of such complaints In October 2010 the British Bankers Association launched a judicial review of the FSA on the basis that the Policy Statement applies incorrect standards for the management of PPI sales complaints including retrospective application of rules with higher standards than those that were in place at the time of sale These proceedings are also against the Financial Services Ombudsman Service (FOS) which seeks to implement the same standards for the resolution of complaints referred to it The hearing took place in January 2011 There is currently no indication of the timetable for judgment

The final conclusion of the Judicial Review could result in a range of outcomes with the consequence that complaints relating to the sale of PPI fall to be determined in different ways with varying financial impacts for customers and Barclays These outcomes depend on the extent to which the Policy Statement is upheld, whether the Court holds that the Policy Statement imposes requirements in addition to the DISP rules in force at the time of sale and the impact of such matters on banks' complaints handling and remediation practices It is therefore not practicable to provide a reliable estimate or range of estimates of the potential financial impact of any Court decision on this matter

Interchange
The Office of Fair Trading (OFT) as well as other competition authorities elsewhere in Europe, continues to carry out investigations into Visa and MasterCard credit and debit interchange rates These investigations may have an impact on the consumer credit industry as well as having the potential for the imposition of fines Timing of these cases is uncertain but outcomes may be known within the next 2-4 years

Sanctions
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 conducted an internal review of its conduct with respect to US Dollar payments involving countries, persons and entities subject to US economic sanctions and reported the results of that review to various governmental authorities, including the US Department of Justice the Manhattan District Attorney's Office and the US Department Of Treasury s Office of Foreign Assets Control (together the US Authorities), which conducted investigations of the matter

On 18th August 2010 Barclays announced that it had reached settlements with the US Authorities in relation to the investigation by those agencies into compliance with US sanctions and US Dollar payment practices In addition, an Order to Cease and Desist was issued upon consent by the Federal Reserve Bank of New York and the New York State Banking Department Barclays agreed to pay a total penalty of $298m and entered into Deferred Prosecution Agreements covering a period of 24 months Barclays fully briefed other relevant regulators on this settlement The Deferred Prosecution Agreements mean that no further action will be taken against Barclays by the US Authorities if as is Barclays intention, for the duration of the defined period Barclays meets the conditions set down in its agreements with the US Authorities Barclays does not anticipate any further regulatory actions relating to these issues

27 Retirement benefit obligations
Pension schemes
The Group has in place a number of defined benefit and defined contribution schemes in the UK and overseas

27 Retirement benefit obligations continued

The UK Retirement Fund (UKRF) is the Groups main scheme representing 93% of the Group's total retirement benefit obligations The UKRF comprises ten sections, the most significant of which are

- Afterwork combines a contributory cash balance element with a voluntary defined contribution element The majority of new employees outside of Barclays Capital since 1st October 2003 have been eligible to join Afterwork In addition the large majority of active members who joined the Group between July 1997 and September 2003 were transferred to Afterwork in respect of future benefits accruing from 1st January 2004
- The 1964 Pension Scheme most employees recruited before July 1997 built up benefits in this non-contributory defined benefit scheme in respect of service up to 31st March 2010 Pensions were calculated by reference to service and pensionable salary
- The Pension Investment Plan (PIP) a defined contribution plan created from 1st July 2001 to provide benefits for employees of Barclays Capital

The costs of ill-health retirements and death in service benefits are generally borne by the UKRF

Governance

The UKRF operates under trust law and is managed and administered on behalf of the members in accordance with the terms of the Trust Deed and Rules and all relevant legislation The Corporate Trustee is Barclays Pension Funds Trustees Limited (BPFTL), a private limited company incorporated on 20th December 1990 and a wholly owned subsidiary of Barclays Bank PLC The Trustee is the legal owner of the assets of the UKRF which are held separately from the assets of the Group

The Trustee Board comprises six Management Directors selected by Barclays, of whom three are independent Directors with no relationship with Barclays or the UKRF, plus three Member Nominated Directors Member Nominated Directors are selected from those eligible active staff and pensioner members who apply to be considered for the role

The same principles of pension governance apply to the Groups other pension schemes, although different legislation covers overseas schemes where in most cases, the Group has the power to determine the funding rate

The following tables present an analysis of defined benefit obligations the fair value of plan assets and the amounts recognised in the income statement for all Group pension schemes and unfunded post-retirement benefits

	2010					2009				
	Pensions		Post-retirement benefits		Total	Pensions		Post-retirement benefits		Total
The Group	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	(19,209)	(1,277)	(65)	(95)	(20,646)	(14,395)	(1,220)	(43)	(125)	(15,783)
Current service cost	(293)	(50)	–	(6)	(349)	(254)	(27)	(1)	(9)	(291)
Interest cost	(1,049)	(88)	(3)	(6)	(1,146)	(941)	(51)	(3)	(6)	(1,001)
Past service cost	240	(2)	–	–	238	(1)	–	–	–	(1)
Curtailments or settlements	(16)	6	–	–	(10)	482	(7)	–	1	476
Actuarial (loss)/gain	(522)	(64)	(2)	(2)	(590)	(4,757)	(33)	(3)	7	(4,786)
Contributions by plan participants	(2)	(7)	–	–	(9)	(2)	(5)	–	–	(7)
Benefits paid	678	94	1	6	779	659	58	1	6	724
Business disposals	–	2	–	–	2	–	9	–	6	15
Exchange and other adjustments	–	(84)	17	(3)	(70)	–	(1)	(16)	25	8
Benefit obligation at end of the year	(20,173)	(1,470)	(52)	(106)	(21,801)	(19 209)	(1,277)	(65)	(95)	(20,646)
Fair value of plan assets at beginning of the year	15,675	1,025	–	–	16,700	13,537	959	–	–	14,496
Expected return on plan assets	1,031	91	–	–	1,122	904	31	–	–	935
Employer contribution	666	55	1	6	728	525	76	1	6	608
Settlements	–	(2)	–	–	(2)	–	(2)	–	–	(2)
Contributions by plan participants	2	7	–	–	9	2	5	–	–	7
Actuarial gain/(loss)	995	17	–	–	1,012	1,424	(8)	–	–	1,416
Benefits paid	(678)	(94)	(1)	(6)	(779)	(659)	(58)	(1)	(6)	(724)
Business disposals	–	–	–	–	–	–	(6)	–	–	(6)
Exchange and other adjustments	(70)	185	–	–	115	(58)	28	–	–	(30)
Fair value of plan assets at the end of the year	17,621	1,284	–	–	18,905	15,675	1,025	–	–	16,700
Net deficit	(2,552)	(186)	(52)	(106)	(2,896)	(3,534)	(252)	(65)	(95)	(3,946)
Unrecognised actuarial losses/(gains)	2,501	150	(6)	12	2,657	3,087	158	(7)	10	3,248
Net recognised liability	(51)	(36)	(58)	(94)	(239)	(447)	(94)	(72)	(85)	(698)
Recognised assets[a]	–	126	–	–	126	–	71	–	–	71
Recognised liability	(51)	(162)	(58)	(94)	(365)	(447)	(165)	(72)	(85)	(769)
Net recognised liability	(51)	(36)	(58)	(94)	(239)	(447)	(94)	(72)	(85)	(698)

Note

a Included within other assets

Notes to the financial statements For the year ended 31st December 2010 continued

27 Retirement benefit obligations continued

	2010					2009				
	Pensions		Post-retirement benefits		Total	Pensions		Post-retirement benefits		Total
The Bank	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	(19,209)	(245)	(59)	(11)	(19,524)	(14,395)	(269)	(54)	(17)	(14,735)
Current service cost	(293)	(11)	–	–	(304)	(254)	(6)	–	–	(260)
Interest cost	(1,049)	(16)	(2)	(1)	(1,068)	(941)	(14)	(2)	(1)	(958)
Past service cost	240	(2)	–	–	238	(1)	–	–	–	(1)
Curtailments or settlements	(16)	–	–	–	(16)	482	–	–	1	483
Actuarial (loss)/gain	(522)	(10)	(2)	–	(534)	(4,757)	(5)	(3)	4	(4,761)
Contributions by plan participants	(2)	(1)	–	–	(3)	(2)	(1)	–	–	(3)
Benefits paid	678	8	1	1	688	659	10	1	1	671
Business disposals	–	2	–	–	2	–	–	–	–	–
Exchange and other adjustments	–	(19)	16	(11)	(14)	–	40	(1)	1	40
Benefit obligation at end of the year	(20,173)	(294)	(46)	(22)	(20,535)	(19 209)	(245)	(59)	(11)	(19 524)
Fair value of plan assets at beginning of the year	15,675	135	–	–	15,810	13 537	160	–	–	13,697
Expected return on plan assets	1,031	11	–	–	1,042	904	6	–	–	910
Employer contribution	666	8	1	1	676	525	24	1	1	551
Contributions by plan participants	2	1	–	–	3	2	1	–	–	3
Actuarial gain/(loss)	995	4	–	–	999	1,424	(13)	–	–	1,411
Benefits paid	(678)	(8)	(1)	(1)	(688)	(659)	(10)	(1)	(1)	(671)
Exchange and other adjustments	(70)	11	–	–	(59)	(58)	(33)	–	–	(91)
Fair value of plan assets at the end of the year	17,621	162	–	–	17,783	15,675	135	–	–	15,810
Net deficit	(2,552)	(132)	(46)	(22)	(2,752)	(3,534)	(110)	(59)	(11)	(3,714)
Unrecognised actuarial losses/(gains)	2,501	92	(5)	5	2,593	3 087	71	(7)	2	3,153
Net recognised liability	(51)	(40)	(51)	(17)	(159)	(447)	(39)	(66)	(9)	(561)
Recognised assets[a]	–	9	–	–	9	–	15	–	–	15
Recognised liability	(51)	(49)	(51)	(17)	(168)	(447)	(54)	(66)	(9)	(576)
Net recognised liability	(51)	(40)	(51)	(17)	(159)	(447)	(39)	(66)	(9)	(561)

	2010			2009			2008		
	Pensions £m	Other post-retirement benefits £m	Total £m	Pensions £m	Other post-retirement benefits[b] £m	Total £m	Pensions £m	Other post-retirement benefits £m	Total £m
Current service cost	343	6	349	281	10	291	299	2	301
Interest cost	1,137	9	1,146	992	9	1,001	991	8	999
Expected return on scheme assets	(1,122)	–	(1,122)	(935)	–	(935)	(1,175)	–	(1,175)
Recognised actuarial (gain)/loss	72	3	75	96	–	96	(23)	(1)	(24)
Past service cost	(233)	–	(233)	6	–	6	2	(8)	(6)
Curtailment or settlements	16	–	16	(473)	–	(473)	(5)	–	(5)
Total income statement charge	213	18	231	(33)	19	(14)	89	1	90

The Group's IAS 19 pension deficit in respect of UKRF as at 31st December 2010 was £2,552m (2009 £3 534m) The reduction in the deficit resulted principally from better than expected asset performance, contributions paid in excess of the pension expense and a credit to past service costs following amendments to the treatment of minimum defined benefits

During 2009, the Trust Deed was amended such that with effect from 1st April 2010, the defined benefit sections within the UKRF were closed to the accrual of future pension benefits From that date members were eligible to accrue future service pension benefits in either Afterwork or PIP This gave rise to the recognition in 2009 of a curtailment gain of £487m, actuarial losses of £79m and an additional cost of £37m included in other staff costs

Out of the benefit obligations of £21,801m (2009 £20 646m), £258m (2009 £288m) were wholly unfunded Out of the Bank's benefit obligations of £20 535m (2009 £19,524m), £88m (2009 £100m) were wholly unfunded

Notes
a Included within other assets
b Includes £3m relating to discontinued operations

27 Retirement benefit obligations continued

Assumptions

The benefit obligations arising under the defined benefit schemes are actuarially valued using the projected unit credit method

Principal assumptions	UK schemes		Overseas schemes	
	2010 % p a	2009 % p a	**2010 % p.a**	2009 % p a
The Group				
Discount rate	**5 31**	5 61	**6 94**	7 53
Rate of increase in salaries	**4 00**	4 26	**5 26**	5 49
Inflation rate	**3 50**	3 76	**3 63**	3 78
Rate of increase for pensions in payment	**3 35**	3 56	**3 08**	3 27
Rate of increase for pensions in deferment	**3 50**	3 76	**2 86**	2 81
Afterwork revaluation rate	**3 97**	4 17	**n/a**	n/a
Initial health care inflation	**6 50**	7 00	**8 00**	8 50
Long-term health care inflation	**5 00**	5 00	**5 00**	5 00
Expected return on plan assets	**6 30**	6 70	**6 79**	7 44
The Bank				
Discount rate	**5.31**	5 61	**5 47**	5 91
Rate of increase in salaries	**4 00**	4 26	**4 00**	4 07
Inflation rate	**3 50**	3 76	**2 10**	2 20
Rate of increase for pensions in payment	**3 35**	3 56	**1 18**	1 27
Rate of increase for pensions in deferment	**3 50**	3 76	**2 00**	1 27
Afterwork revaluation rate	**3 97**	4 17	**n/a**	n/a
Initial health care inflation	**6 50**	7 00	**8 00**	8 50
Long-term health care inflation	**5 00**	5 00	**5 00**	5 00
Expected return on plan assets	**6.30**	6 70	**5 60**	6 11

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 scheme discount rate assumption is based on a liability-weighted rate derived from an AA corporate bond yield curve The overseas health care inflation assumptions relate to the US

Mortality assumptions

The UKRF's post-retirement mortality assumptions were based on the standard 2000 series tables published by the Institute and Faculty of Actuaries as they are considered to be most relevant These tables were adjusted in line with the UKRF's actual experience and an allowance has been made for future mortality improvements based on the medium cohort projections published by the Continuous Mortality Investigation Bureau subject to a floor of 1% pa on future improvements On this basis the post-retirement mortality assumptions for the UKRF are as follows

	2010	2009	2008	2007	2006
Longevity at 60 for current pensioners (years)					
– Males	**27 6**	27 5	27 4	26 7	25 8
– Females	**28 7**	28 7	28 5	27 9	29 5
Longevity at 60 for future pensioners currently aged 40 (years)					
– Males	**29 7**	29 6	29 5	28 0	27 1
– Females	**30 7**	30 6	30 5	29 1	30 7

Sensitivity analysis on principal assumptions

UKRF sensitivity	**Impact on UKRF benefit obligation**	
	(Decrease)/ Increase %	**(Decrease)/ Increase £bn**
0 5% increase in		
– Discount rate	**(9 4)**	**(1 9)**
– Rate of inflation	**8 4**	**1 7**
1 year increase to longevity at 60	**2 5**	**0 5**

Notes to the financial statements
For the year ended 31st December 2010 continued

27 Retirement benefit obligations continued

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 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 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 2010 and 31st December 2009 were as follows

The Group	UK schemes			Overseas schemes			Total		
Analysis of scheme assets	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 %
2010									
Equities	**5,349**	**30 4**	**8 4**	**516**	**40 2**	**7.4**	**5,865**	**31 0**	**8 3**
Bonds	**9,164**	**52 0**	**4 6**	**477**	**37 1**	**6.0**	**9,641**	**51 0**	**4 7**
Property	**1,277**	**7 2**	**6 8**	**20**	**1 6**	**10 3**	**1,297**	**6 9**	**6 9**
Derivatives	**410**	**2 3**	**–**	**–**	**–**	**–**	**410**	**2 2**	**–**
Cash	**1,057**	**6 0**	**0 5**	**158**	**12 3**	**5.8**	**1,215**	**6 4**	**1 2**
Other	**364**	**2 1**	**4 3**	**113**	**8 8**	**9 9**	**477**	**2 5**	**5 6**
Fair value of plan assets[a]	**17,621**	**100**	**6 3**	**1,284**	**100**	**7.0**	**18,905**	**100**	**6 3**
2009									
Equities	4,236	27 0	8 6	400	39 0	7 8	4,636	27 7	8 5
Bonds	8,787	56 0	4 9	387	37 7	6 0	9,174	54 9	4 9
Property	1,186	7 5	7 0	20	2 0	12 6	1 206	7 2	7 1
Derivatives	(37)	–	–	–	–	–	(37)	–	–
Cash	1,157	7 3	0 5	139	13 6	3 2	1,296	7 7	0 8
Other	346	2 2	5 0	79	7 7	8 1	425	2 5	5 6
Fair value of plan assets[a]	15 675	100	6 7	1,025	100	6 6	16 700	100	6 7

Note

a Excludes £1 004m (2009 £890m) representing the defined contribution assets of the UKRF

27 Retirement benefit obligations continued

The Bank	UK schemes			Overseas schemes			Total		
Analysis of scheme assets	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 %
2010									
Equities	**5,349**	**30 4**	**8 4**	**60**	**37.0**	**6 8**	**5,409**	**30 4**	**8 4**
Bonds	**9,164**	**52 0**	**4 6**	**73**	**45 1**	**4.3**	**9,237**	**51 9**	**4 6**
Property	**1,277**	**7 2**	**6 8**	**–**	**–**	**5.5**	**1,277**	**7 2**	**6 8**
Derivatives	**410**	**2 3**	**–**	**–**	**–**	**–**	**410**	**2.3**	**–**
Cash	**1,057**	**6 0**	**0 5**	**3**	**1 9**	**2 3**	**1,060**	**6 0**	**0 5**
Other	**364**	**2 1**	**4 3**	**26**	**16 0**	**9.9**	**390**	**2 2**	**4 7**
Fair value of plan assets[a]	**17,621**	**100**	**6 3**	**162**	**100**	**6.1**	**17,783**	**100**	**6.3**
2009									
Equities	4,236	27 0	8 6	48	35 6	6 9	4,284	27 0	8 6
Bonds	8,787	56 0	4 9	59	43 7	5 0	8 846	55 9	4 9
Property	1,186	7 5	7 0	–	–	3 1	1,186	7 5	7 0
Derivatives	(37)	–	–	–	–	–	(37)	–	–
Cash	1,157	7 3	0 5	15	11 1	3 2	1 172	7 4	0 5
Other	346	2 2	5 0	13	9 6	10 0	359	2 2	5 2
Fair value of plan assets[a]	15,675	100	6 7	135	100	5 9	15 810	100	6 7

The UKRF plan assets include £58m relating to UK private equity investments (2009 £58m) and £1 128m relating to overseas private equity investments (2009 £921m) These are disclosed within Equities

Amounts included in the fair value of plan assets include £14m (2009 £4m) relating to shares in Barclays Group, £13m (2009 £5m) relating to bonds issued by the Barclays Group, and £10m (2009 £10m) relating to property occupied by Group companies The UKRF also invests in pooled investment vehicles which may, or may not hold shares/bonds of Barclays Group

Amounts included in the Bank fair value of plan assets include £nil (2009 £1 m) relating to property occupied by Bank 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 Group actual return on plan assets was an increase of £2,134m (2009 £2,351m increase) The Bank actual return on plan assets was an increase of £2 041m (2009 £2,321m increase)

Note
a Excludes £1 004m (2009 £890m) representing the defined contribution assets of the UKRF

Notes to the financial statements
For the year ended 31st December 2010 continued

27 Retirement benefit obligations continued
Actuarial gains and losses
The actuarial gains and losses arising on plan liabilities and plan assets are as follows

The Group	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
UK schemes					
Present value of obligations	**(20,225)**	(19,274)	(14 438)	(16,623)	(17,353)
Fair value of plan assets	**17,621**	15 675	13 537	17,231	16,761
Net (deficit)/surplus in the plans	**(2,604)**	(3 599)	(901)	608	(592)
Experience (losses) and gains on plan liabilities					
– amount	**(207)**	107	(81)	(297)	48
– as percentage of plan liabilities	**(1%)**	1%	(1%)	(2%)	–
Difference between actual and expected return on plan assets					
– amount	**995**	1,424	(4,534)	(332)	423
– as percentage of plan assets	**6%**	9%	(33%)	(2%)	3%
Overseas schemes					
Present value of obligations	**(1,576)**	(1,372)	(1,345)	(1,011)	(970)
Fair value of plan assets	**1,284**	1,025	959	796	745
Net deficit in the plans	**(292)**	(347)	(386)	(215)	(225)
Experience losses on plan liabilities					
– amount	**(9)**	(45)	(96)	(79)	(54)
– as percentage of plan liabilities	**(1%)**	(3%)	(7%)	(8%)	(6%)
Difference between actual and expected return on plan assets					
– amount	**17**	(8)	(121)	(11)	25
– as percentage of plan assets	**1%**	(1%)	(13%)	–	3%
Total UK and Overseas schemes					
Present value of obligations	**(21,801)**	(20,646)	(15 783)	(17,634)	(18,323)
Fair value of plan assets	**18,905**	16,700	14,496	18,027	17,506
Net (deficit)/surplus in the plans	**(2,896)**	(3,946)	(1,287)	393	(817)
Experience (losses) and gains on plan liabilities					
– amount	**(216)**	62	(177)	(376)	(6)
– as percentage of plan liabilities	**(1%)**	–	(1%)	(2%)	–
Difference between actual and expected return on plan assets					
– amount	**1,012**	1 416	(4,655)	(343)	448
– as percentage of plan assets	**5%**	8%	(32%)	(2%)	3%

27 Retirement benefit obligations continued

The Bank	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
UK schemes					
Present value of obligations	(20,219)	(19,268)	(14,449)	(16 638)	(17,000)
Fair value of plan assets	17,621	15,675	13 537	17 231	16,460
Net (deficit)/surplus in the plans	(2,598)	(3,593)	(912)	593	(540)
Experience (losses) and gains on plan liabilities					
– amount	(207)	107	(81)	(299)	47
– as percentage of plan liabilities	(1%)	1%	(1%)	(2%)	–
Difference between actual and expected return on plan assets					
– amount	995	1 424	(4,534)	(332)	417
– as percentage of plan assets	6%	9%	(33%)	(2%)	3%
Overseas schemes					
Present value of obligations	(316)	(256)	(286)	(213)	(209)
Fair value of plan assets	162	135	160	141	135
Net deficit in the plans	(154)	(121)	(126)	(72)	(74)
Experience losses on plan liabilities					
– amount	(2)	(5)	(96)	(9)	(15)
– as percentage of plan liabilities	(1%)	(2%)	(34%)	(4%)	(7%)
Difference between actual and expected return on plan assets					
– amount	4	(13)	(65)	(2)	4
– as percentage of plan assets	2%	(10%)	(41%)	(1%)	3%
Total UK and Overseas schemes					
Present value of obligations	(20,535)	(19,524)	(14,735)	(16,851)	(17,209)
Fair value of plan assets	17,783	15,810	13,697	17,372	16,595
Net (deficit)/surplus in the plans	(2,752)	(3 714)	(1,038)	521	(614)
Experience (losses) and gains on plan liabilities					
– amount	(209)	102	(177)	(308)	32
– as percentage of plan liabilities	(1%)	1%	(1%)	(2%)	–
Difference between actual and expected return on plan assets					
– amount	999	1,411	(4,599)	(334)	421
– as percentage of plan assets	6%	9%	(34%)	(2%)	3%

Funding

The triennial funding valuation of the UKRF is currently in progress with an effective date of 30th September 2010 The last triennial funding valuation of the UKRF was performed with an effective date of 30th September 2007 which showed a surplus of £0 2bn In compliance with the Pensions Act 2004 the Bank and Trustee agreed a scheme-specific funding target, statement of funding principles, and a schedule of contributions This agreement forms the basis of the Group's commitment that the UKRF has sufficient assets to make payments to members in respect of their accrued benefits as and when they fall due This funding valuation used a discount rate that reflected a prudent expectation of long-term future investment returns from the current and assumed future investment strategy

The Scheme Actuary prepares an annual update of the funding position as at 30th September The latest annual update was carried out as at 30th September 2010 and showed a deficit of £4 8bn

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, and in 2010 made an additional voluntary contribution of £300m (2009 £150m) Defined benefit contributions paid with respect to the UKRF were as follows

	£m
Contributions paid	
2010	**666**
2009	525
2008	336

Based on the current schedule of contributions, the Group is committed to making estimated contributions to the UKRF in 2011 of £285m The 30th September 2010 UKRF valuation is due to be finalised by the end of 2011 Excluding the UKRF, the Group is expected to pay contributions of approximately £1m to UK schemes and £60m to overseas schemes in 2011 and the Bank is expected to pay contributions of approximately £1m to UK schemes and £10m to overseas schemes

Notes to the financial statements
For the year ended 31st December 2010 continued

28 Called up share capital

Ordinary Shares

The issued ordinary share capital of Barclays Bank PLC, as at 31st December 2010, comprised 2,342 million ordinary shares of £1 each (2009 2,342 million)

Preference Shares

The issued preference share capital of Barclays Bank PLC as at 31st December 2010, comprised 1,000 Sterling Preference Shares of £1 each (2009 1 000), 240 000 Euro Preference Shares of €100 each (2009 240,000), 75,000 Sterling Preference Shares of £100 each (2009 75 000) 100 000 US Dollar Preference Shares of US$100 each (2009 100,000) 237 million US Dollar Preference Shares of US$0 25 each (2009 237 million)

Share Capital	2010 £m	2009 £m
Called up ordinaryshare capital, alloted and fully paid		
As at 1st January	**2,342**	2,338
Issued for cash	–	4
As at 31st December	**2,342**	2 342
Called up preference share capital, allotted and fully paid as at 1st January and 31st December	**60**	60
Called up share capital	**2,402**	2,402

Share premium	2010 £m	2009 £m
As at 1st January	**12,092**	12 060
Ordinary shares issued for cash	–	21
Preference shares – other movement	–	11
As at 31st December	**12,092**	12,092

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 2006 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 2006 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

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

28 Called up share capital continued
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 £743 7m, 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

106 million US Dollar 8 125% non-cumulative callable preference shares of US$0 25 each (the 8 125% Preference Shares), represented by 106 million American Depositary Shares, Series 5, were issued on 11th April 2008 and 25th April 2008 for a total consideration of US$2,650m (£1,345m) of which the nominal value was US$26 5m and the balance was share premium The 8 125% 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 8 125% per annum on the amount of US$25 per preference share

The 8 125% Preference Shares are redeemable at the option of Barclays Bank PLC, in whole or in part, on 15th June 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

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, the 7 75% Preference Shares and the 8 125% 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 2006 and the Articles of Barclays Bank PLC

Notes to the financial statements
For the year ended 31st December 2010 continued

28 Called up share capital continued
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 7375% 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, the US$1,250m 7434% Step-up Callable Perpetual Reserve Capital Instruments and the £3 000m 14% 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 71% Preference Share, US$25 per 7 75% Preference Share and US$0 25 per 8 125% 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

29 Reserves
Available for Sale Reserve
The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition

The available for sale reserve movement of £1,255m was driven by the decrease in the fair value of the Group's investment in BlackRock Inc of £764m partially offset by increases in the fair value of other available for sale assets as markets recovered

The movement also includes the net gains transferred to net profit on disposal that arose on the disposal of the structural hedge portfolio, sovereign positions that were no longer eligible for liquidity purposes and excess Euro, US Dollar and Japanese Yen government securities

Cash Flow Hedge Reserve
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

Movements in the cash flow hedge reserve principally reflected increases in the fair value of interest rate swaps held for hedging purposes more than offset by related gains transferred to net profit

Currency Translation Reserve
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 Currency translation differences of £1,177m, including £435m associated with non-controlling interests is largely due to the appreciation in the Rand and US Dollar, offset by the depreciation in the Euro

During the year, £279m of the currency translation reserve was recognised in the income statement principally as a result of the restructuring of group entities based in the US and repatriation of capital from overseas

30 Other shareholders' equity

	The Group	The Bank
	£m	£m
As at 1st January 2010	2,559	2,623
Tax Credits	45	45
Other Movements	(48)	(48)
Redemption	(487)	(487)
As at 31st December 2010	2,069	2,133
As at 1st January 2009	2 564	2 628
Tax Credits	47	47
Other Movements	(52)	(52)
Redemption	–	–
As at 31st December	2 559	2 623

Included in other shareholders' equity are

Issuances of reserve capital instruments which bear a fixed rate of interest ranging between 7375%-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 The reserve capital instruments which matured during 2010 were redeemed in full, resulting in a reduction in other shareholders' equity of £487m

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

31 Non-controlling interests

	Profit attributable to Non-controlling interests		Equity attributable to Non-controlling interests	
	2010 £m	2009 £m	2010 £m	2009 £m
Absa Group Limited	362	272	3,208	2 539
Other	29	24	259	235
Total	391	296	3,467	2 774

The increase in Absa Group limited non-controlling interest is attributed to £362m share of net profit and £436m upward foreign exchange movement partially offset by £138m dividend payment

Notes to the financial statements For the year ended 31st December 2010 continued

32 Investment in subsidiaries

Investments in subsidiaries the principal of which are engaged in banking related activities, are recorded on the balance sheet at historical cost less any impairment At 31st December 2010 the historical cost of investments in subsidiaries was £20 858m (2009 £20 178m) and allowances recognised against these investments was £1,825m (2009 £1,382m) of impairment Details of the principal subsidiaries are shown below

Country of registration or incorporation	Company name	Nature of business	Percentage of equity capital held (%)
Botswana	Barclays Bank of Botswana Limited	Banking	67 8*
Egypt	Barclays Bank Egypt SAE	Banking	100*
England	Barclays Mercantile Business Finance Limited	Loans and advances including leases to customers	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	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	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*
Russia	Barclays Bank LLC	Banking	100
South Africa	Absa Group Limited	Banking	55 5*
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 Delaware Holdings LLC	Holding company for US credit card issuer	100*
USA	Barclays Group US Inc	Holding company	100*
Zimbabwe	Barclays Bank of Zimbabwe Limited	Banking	67 7

In accordance with Section 410(2)(a) of the Companies Act 2006, 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 subsidiaries held directly by Barclays Bank PLC are marked *

Following the restructuring of Group operations in the US during the year, Barclays Group US Inc is no longer a US Bank Holding Company

Full information of all subsidiaries will be included in the Annual Return to be filed at UK Companies House

Entities in which the Group holds less than half the voting rights

There are a number of entities in which the Group holds less than half the voting rights which are consolidated when the substance of the relationship between the Group and the entity indicates that the entity is controlled by the Group Such entities are deemed to be controlled by the Group when relationships with such entities give 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 policies 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

Subsidiaries with a different reporting date from that of the Parent of 31st December

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 where the Group's interest exceeds 50% which are excluded from consolidation

Although the Groups 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 controlling interest in them Consequently these entities are not deemed to be controlled by Barclays

32 Investment in subsidiaries continued
The table below includes information in relation to such entities as required by the Companies Act 2006 Section 410(2)(b)

Country of registration or incorporation	Name	Percentage of ordinary share capital held %	Equity shareholders' funds £m	Retained profit for the year £m
UK	Fitzroy Finance Limited	100	–	–
Cayman Islands	Palomino Limited	100	1	–

33 Profit on disposal of subsidiaries, associates and joint ventures
During the year, profit on disposal of subsidiaries, associates and joint ventures was £81m (2009 £188m), principally relating to the disposal of Barclays Africa custody business to Standard Chartered Bank for a consideration of £81m generating a gain on disposal before tax of £77m During 2009 the Group disposed of 50% of Barclays Vida y Pensiones Compañia de Seguros and the 7% of Barclays Africa Botswana business for consideration of £276m generating a gain on disposal before tax of £184m

34 Discontinued operations
On 1st December 2009 the Group completed the sale of BGI to BlackRock, Inc (BlackRock) recognising a profit on disposal before tax of £6,331m The tax charge of £43m reflects the application of UK substantial shareholdings relief in accordance with UK tax law

The consideration at completion was $15 2bn (£9 5bn), including 37 567 million new BlackRock shares, giving an economic interest of 19 9% of the enlarged BlackRock group Barclays Group holds 4 9% of the voting rights and under the terms of the transaction may not acquire additional voting rights and will vote in accordance with the recommendations of the BlackRock Board of Directors John Varley and Bob Diamond were appointed to the BlackRock Board, which comprises 18 Directors The Group is not deemed to exercise significant influence and the investment has been accounted for as an available for sale equity investment

The Group has provided BlackRock with customary warranties and indemnities in connection with the sale Barclays will also continue to indemnify securities lending arrangements until 30th November 2012 (included within contingent liabilities in Note 24) and provide support to certain BGI cash funds until December 2013 in the form of credit derivatives (included within derivative liabilities in Note 13) and financial guarantees (included within provisions in Note 23)

In addition Barclays BlackRock and their respective affiliates also enter into agreements and transactions with one another in the ordinary course of their respective businesses and on an arms length commercial basis subject to applicable regulation and agreements with relevant regulators

In connection with its financing of its acquisition of BGI BlackRock entered into a 364-day revolving credit facility with a group of lenders including Barclays, who is also acting as revolving agent Of the $2bn credit facility, $0 8bn was committed by other lenders and following completion BlackRock had borrowed or notified to be borrowed $1 5bn under the facility All amounts borrowed under this facility were repaid and the facility was terminated prior to 31st December 2009

The disposed BGI business has been treated as a discontinued operation the results of which are set out below For the year ended 31st December 2009 the results are for the 11 month period up to the date of disposal (1 December 2009) There were no discontinued operations in 2010

	2010 £m	2009 £m	2008 £m
Net interest income	–	33	–
Net fee and commission income	–	1,759	1 916
Net trading income/(loss)	–	67	(10)
Other income	–	4	10
Total income	–	1,863	1 916
Operating expenses excluding amortisation of intangible assets	–	(1,123)	(960)
Amortisation of intangible assets	–	(14)	(15)
Operating expenses	–	(1,137)	(975)
Profit before tax from discontinued operations	–	726	941
Tax on discontinued operations	–	(237)	(337)
Profit after tax from discontinued operations	–	489	604
Profit on disposal of discontinued operations	–	6 331	–
Tax on disposal	–	(43)	–
Net profit on the disposal of the discontinued operation	–	6 288	–
Profit after tax from discontinued operations, including gain on disposal	–	6,777	604

Other comprehensive income relating to discontinued operations is as follows

	2010 £m	2009 £m	2008 £m
Available for sale assets	–	10	(9)
Currency translation reserve	–	(85)	133
Tax relating to components of other comprehensive income	–	17	(10)
Other comprehensive income, net of tax from discontinued operations	–	(58)	114

Notes to the financial statements
For the year ended 31st December 2010 continued

34 Discontinued operations continued

The cash flows attributable to the discontinued operations were as follows

	2010 £m	2009 £m	2008 £m
Cash Flows from discontinued operations			
Net cash flows from operating activities	–	333	524
Net cash flows from investing activities	–	(25)	(93)
Net cash flows from financing activities	–	(550)	(362)
Effect of exchange rates on cash and cash equivalents	–	(134)	217
Net cash flows from discontinued operations	–	(376)	286

35 Acquisition of subsidiaries

Acquisition	% Acquired	Goodwill/ (Gain on sale) £m	Date
Standard Life Bank PLC	100%	(100)	1st January 2010
Citibank International PLC – Italian credit card business	100%	(29)	31st March 2010
Tricorona	86%	13	26th July 2010

None of these acquisitions were individually material Details of the net assets acquired and the consideration paid are set out in aggregate below The operating results of these acquisitions have been included from the dates acquired and, since acquisition, have contributed £142m to consolidated income and £86m to consolidated profit before tax

	Carrying Value pre-Acquisition £m	Fair Value Adjustments[a] £m	Fair Values £m
Assets			
Cash and balances at central banks	1,358	–	1,358
Financial assets designated at fair value held on own account	195	–	195
Derivative financial instruments	145	76	221
Loans and advances to banks	165	–	165
Loans and advances to customers	7,709	(96)	7,613
Other assets	83	10	93
Total assets	9,655	(10)	9,645
Liabilities			
Deposits from banks	(80)	–	(80)
Customer accounts	(5,853)	–	(5,853)
Derivative financial instruments	(104)	(11)	(115)
Debt securities in issue	(2,782)	64	(2,718)
Subordinated liabilities	(279)	53	(226)
Other liabilities	(16)	(36)	(52)
Total liabilities	(9,114)	70	(9,044)
Net assets acquired	541	60	601
Group share of assets acquired	535	53	588
Total consideration paid in cash			472
Goodwill			13
Gain on acquisitions			129

Acquisition related costs of £7m have been included in operating expenses

Cashflows in respect of acquisitions

The aggregate net inflow of cash from the acquisition of the above Group entities was as follows

	2010 £m
Cash consideration on acquisitions	(472)
Cash and cash equivalent acquired	1,358
Cash inflow on acquisition	886

Note

a Fair value adjustments include revaluations and accounting policy re-alignments

36 Securitisations

The Group was party to securitisation transactions involving its 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 on the balance sheet

	2010		2009	
	Carrying amount of assets £m	**Associated liabilities £m**	Carrying amount of assets £m	Associated liabilities £m
The Group				
Loans and advances to customers				
Residential mortgage loans	**9,709**	**(10,674)**	10,374	(10 738)
Credit card receivables	**801**	**(723)**	1 288	(1,288)
Other personal lending	**–**	**–**	94	(124)
Wholesale and corporate loans and advances	**2,560**	**(2,878)**	4,835	(5,999)
Total	**13,070**	**(14,275)**	16,591	(18,149)
Assets designated at fair value through profit or loss				
Retained interest in residential mortgage loans	**5**		26	
The Bank				
Loans and advances to customers				
Residential mortgage loans	**6,700**	**(7,789)**	7,128	(7,524)
Credit card receivables	**362**	**(315)**	1 299	(1,299)
Wholesale and corporate loans and advances	**2,974**	**(3,355)**	5 751	(7 147)
Total	**10,036**	**(11,459)**	14 178	(15,970)
Assets designated at fair value through profit or loss				
Retained interest in residential mortgage loans	**5**		26	

Balances included within loans and advances to customers represent securitisations where substantially all the risks and rewards of the asset have been retained by the Group

The excess of total associated liabilities over the carrying amount of assets primarily reflects timing differences in the receipt and payment of cash flows, and foreign exchange movements where the assets and associated liabilities are denominated in different currencies Foreign exchange movements and associated risks are hedged economically through the use of cross currency swap derivative contracts

Balances included within loans and advances to customers include securitisations where the Bank has repurchased liabilities originally issued by its subsidiaries to third-party investors

Retained interests in residential mortgage loans are securities which represent a continuing exposure to the prepayment and credit risk in the underlying securitised assets The total amount of the loans was £15,458m (2009 £14,795m) for the Group and £15 458m (2009 £14,795m) for the Bank The retained interest is initially recorded as an allocation of the original carrying amount based on the relative fair values of the portion derecognised and the portion retained

Notes to the financial statements
For the year ended 31st December 2010 continued

37 Leasing

The Group and the Bank are 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 and the Bank balance sheet and income statement is as follows

a) As Lessor

Finance lease receivables

The Group and the Bank specialise 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

	2010				2009			
	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
The Group								
Not more than one year	**3,440**	**(479)**	**2,961**	**60**	3,513	(456)	3 057	55
Over one year but not more than five years	**7,200**	**(1,058)**	**6,142**	**123**	7,597	(1,117)	6,480	154
Over five years	**1,591**	**(340)**	**1,251**	**560**	2 084	(427)	1,657	407
Total	**12,231**	**(1,877)**	**10,354**	**743**	13,194	(2 000)	11,194	616
The Bank								
Not more than one year	**–**	**–**	**–**	**–**	7	–	7	–
Over one year but not more than five years	**132**	**–**	**132**	**–**	211	–	211	–
Over five years	**92**	**–**	**92**	**–**	144	–	144	–
Total	**224**	**–**	**224**	**–**	362	–	362	–

The allowance for uncollectable finance lease receivables included in the allowance for impairment for the Group amounted to £351m at 31st December 2010 (2009 £321m)

Operating lease receivables

The Group and the Bank 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 included within leased assets (see Note 19) and are generally disposed of at the end of the lease term

The future minimum lease payments expected to be received under non-cancellable operating leases as at 31st December 2010 was £43m (2009 £39m) for the Group and none (2009 £nil) for the Bank

b) As Lessee

Finance lease commitments

The Group and the Bank lease items of property, plant and equipment on terms that meet the definition of finance leases Finance lease commitments are included within Accruals deferred income and other liabilities (see Note 21)

As at 31st December 2010, the total future minimum payments under finance leases for the Group were £87m (2009 £122m), of which £16m (2009 16m) was due within one year and the total future minimum payments under finance leases for the Bank were £nil (2009 £4m)

As at 31st December 2010, the carrying amount of assets held under finance leases was £29m (2009 £43m) for the Group and £nil (2009 £nil) for the Bank

37 Leasing continued

Operating lease commitments

The Group and the Bank lease various offices branches and other premises under non-cancellable operating lease arrangements With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Group and the Bank report the future minimum lease payments as an expense over the lease term

The leases have various terms escalation and renewal rights There are no contingent rents payable The Group and the Bank also lease equipment under non-cancellable lease arrangements

Operating lease rentals of £637m (2009 £639m) for the Group have been included in administration and general expenses

Where the Group and the Bank are the lessees the future minimum lease payment under non-cancellable operating leases are as follows

	The Group				The Bank			
	2010		2009		2010		2009	
	Property £m	Equipment £m	Property £m	Equipment £m	Property £m	Equipment £m	Property £m	Equipment £m
Not more than one year	**628**	**7**	459	9	**245**	**3**	215	2
Over one year but not more than five years	**1,477**	**2**	1,477	6	**877**	**2**	780	–
Over five years	**3,146**	**–**	2 933	3	**1,505**	**–**	1,645	3
Total	**5,251**	**9**	4,869	18	**2,627**	**5**	2,640	5

The total of future minimum sublease payments to be received under non-cancellable subleases at the balance sheet date is £111 m (2009 £147m) for the Group and £108m (2009 £123m) for the Bank

38 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 24

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 24

Leasing

The Group leases various offices, branches, other premises and equipment under non-cancellable operating lease arrangements With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Group reports the future minimum lease payments as an expense over the lease term Information on leasing can be found in Note 37

Special purpose entities

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 The Groups 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 Groups 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 iii) the Group acquires control over the main operating and financial decisions of the entity

Notes to the financial statements For the year ended 31st December 2010 continued

38 Off-balance sheet arrangements continued
A number of the Groups 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 Groups risk is mitigated through over-collateralisation, unwind features and other protective measures

The business activities within the Group where SPEs are used include multi-seller conduit programmes asset securitisations client intermediation, credit structuring, asset realisations and fund management These activities are described below In addition, later sections provide quantitative information on the Group's involvements with CDOs, SIVs SIV-Lites and conduits

Multi-seller conduit programmes
Barclays creates, administers and provides liquidity and credit enhancements to several commercial paper conduit programmes, primarily in the United States These conduits provide clients access to liquidity in the commercial paper markets by allowing them to sell consumer or trade receivables to the conduit which then issues commercial paper to investors to fund the purchase The conduits have sufficient collateral, credit enhancements and liquidity support to maintain an investment grade rating for the commercial paper

Asset securitisations
The Group has assisted its customers 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 also 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 36

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)

Credit structuring
The Group structures investments to provide specific risk profiles to investors This may involve the sale of credit exposures, often by way of derivatives, to an entity which subsequently funds those exposures by issuing securities These securities may initially be held by Barclays prior to sale outside of the Group

Asset realisations
The Group establishes SPEs to facilitate the recovery of loans in circumstances where the borrower has suffered financial loss

To the extent that there are guarantees and commitments in relation to SPEs the details are included in Note 24

Collateralised debt obligations (CDOs)
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 on 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 2010 has been assessed and is included in the determination of a £137m impairment release and other credit provisions in relation to ABS CDO Super Senior and other credit market exposures for the year ended 31st December 2010

The Groups exposure to ABS CDO Super Senior positions before hedging was £1,992m as at 31st December 2010 equivalent to an aggregate 50 97% decline in value on average for all investors This represents the Groups exposure to High Grade CDOs, stated net of write-downs and charges These facilities are fully drawn and included within loans and advances on the balance sheet

Collateral
The collateral underlying unconsolidated CDOs comprised 78% residential mortgage-backed securities 3% non-residential asset-backed securities and 19% in other categories (a proportion of which will be backed by residential mortgage collateral)

The remaining Weighted Average Life (WAL) of all collateral is 6 3 years The combined Net Asset Value (NAV) for all of the CDOs was £1bn

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 The senior portion covered by liquidity facilities is on average 86% of the capital structure

The initial WAL of the notes in issue averaged 6 7 years The full contractual maturity is 38 2 years

38 Off-balance sheet arrangements continued

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 Groups 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 does not structure or manage SIVs Group exposure to third party SIVs comprised

- £nil (2009 £16m) of senior liquidity facilities,
- Derivative exposures included on the balance sheet at their net fair value of £46m (2009 £53m)

SIV-Lites

The Group has exposure to a SIV-Lite transaction The Group is not involved in its ongoing management Exposures have decreased to £345m (2009 £461m) representing assets designated at fair value

Commercial paper and medium-term note conduits

The Group provided £17bn 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

These consolidated entities in turn provide facilities of £740m to third party conduits containing prime UK buy-to-let RMBS As at 31st December 2010 the entire facility had been drawn and is included in available for sale financial investments

The Group provided backstop facilities to support the paper issued by one third party conduit This facility totalled £129m with underlying collateral comprising 100% auto loans There were no drawings on this facility as at 31st December 2010

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 £1 2bn to SPEs holding prime UK and Australian owner-occupied RMBS assets As at the balance sheet date these facilities had been drawn and were included in loans and advances

39 Share-based payments

The Group operates share schemes for employees throughout the world The share based payment charge represents 7 2% (2009 3 0%) of employee costs and unvested share awards, including options, amount to 6 6% (2009 6 0%) of issued share capital

The charge for the year arising from share based payment schemes was as follows

	Charge for the year		
	2010 £m	2009 £m	2008 £m
Share Value Plan	**361**	–	–
Performance share Plan	**58**	33	14
Incentive share Plan	**50**	18	7
Executive Share Award Scheme	**304**	178	216
Sharesave	**20**	29	(7)
Others	**44**	20	(8)
Total Equity Settled	**837**	278	222
Cash Settled	**23**	8	3
Total Continuing operation	**860**	286	225
Discontinued operations	**–**	12	35
Total share based payments	**860**	298	260

The terms of the main current plans are as follows

Share value plan (SVP)

The Share Value Plan (SVP) was introduced in March 2010 SVP awards are granted to participants in the form of a provisional allocation of Barclays shares which vest over a period of three years in equal annual tranches Participants do not pay to receive an award or to receive a release of shares Awards under the SVP qualify for dividends

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

Notes to the financial statements
For the year ended 31st December 2010 continued

39 Share-based payments continued
Incentive Share Plan (ISP)
The Incentive Share Plan (Incentive Shares) was introduced in March 2008 Incentive Shares are granted to participants in the form of a provisional allocation of Barclays shares which vest upon achieving continued service after three years Participants do not pay to receive an award or to receive a release of shares Incentive Shares qualify for dividends

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 under JSAP (Joiners Share Award Plan) All awards are subject to potential forfeiture if the individual resigns and commences work with a competitor business LTIP plans are cash and equity performance plans which after 3 years (dependant on performance) pay half in cash and the remaining half in shares which are placed into ESAS for a further 1 or 2 years

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 €300, Spain €225) 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

UK 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 maximum value of £600 per tax year 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

Other schemes
In addition to the above schemes the Group operates a number of other schemes including schemes operated by and settled in the shares of subsidiary undertakings, none of which are individually or in aggregate material in relation to the charge for the year or the numbers of issued shares

Share option plans
As noted above, the Groups schemes include a number of share option schemes – including grants of nil cost options

The weighted average fair value per option granted during the year is as follows

	2010 £m	2009 £m
SVP	**3 54**	–
ESAS	**2 88**	1 08
PSP	**3 55**	2 81
ISP	**3 55**	2 58
Sharepurchase	**3 07**	1 82
Sharesave	**1 29**	1 43

Sharepurchase, ISP SVP and ESAS 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 2010 is £22m (2009 £10m, 2008 £10m)

Fair values for Sharesave and PSP are calculated at the date of grant using either a Black-Scholes model or Monte Carlo simulation

39 Share-based payments continued

The significant weighted average assumptions used to estimate the fair value of the options granted from 2007 to 2010 under the Groups major share schemes are as follows

	Weighted average share price	Weighted average exercise price	Expected volatility	Expected option life
2010				
PSP	3 55	3 46	45%	2 years
Sharesave	3 21	2 67	45%	4 years
2009				
PSP	2 34	1 77	45%	2 years
Sharesave	3 51	2 70	45%	4 years
2008				
PSP	5 45	2 07	37%	3 years
Sharesave	3 11	2 51	37%	4 years
2007				
PSP	7 07	-	25%	3 years
Sharesave	5 82	4 81	25%	4 years

Expected Volatility

Expected volatility and dividend yield on the date of grant have been used as inputs into the respective valuation models for Sharesave and PSP

The assumed dividend yield for Barclays PLC is the average annual dividend yield on the date of grant of 2% (2009 2%)

Discount Rate

The yield on UK government bonds with a commensurate life has been used to determine the risk-free discount rate of 2% (2009 3%) for Sharesave and PSP Option life is estimated based upon historical data for the holding period of options between grant and exercise dates

Expected option life and number expected to vest

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

Notes to the financial statements
For the year ended 31st December 2010 continued

39 Share-based payments continued

Movements in options

Analysis of the movement in the number and weighted average exercise price of options for the major schemes is set out below

	ESAS[a,b]				PSP[a]			
	Number (000s)		Weighted average ex price (£)		Number (000s)		Weighted average ex price (£)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Outstanding at beginning of year/acquisition date	**464,511**	267,937	**–**	–	**31,262**	50,729	**–**	–
Granted in the year	**85,489**	311,977	**–**	–	**6,491**	4,794	**–**	–
Exercised/released in the year	**(139,220)**	(90,296)	**–**	–	**(8,355)**	(6,496)	**–**	–
Less forfeited in the year	**(27,297)**	(25,107)	**–**	–	**(10,749)**	(17,765)	**–**	–
Outstanding at end of year	**383,483**	464,511	**–**	–	**18,649**	31,262	**–**	–
Of which exercisable	**5,220**	12,714	**–**	–	**40**	–	**–**	–

	ISP[a,b]				SVP[a,b]			
	Number (000s)		Weighted average ex price (£)		Number (000s)		Weighted average ex price (£)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Outstanding at beginning of year/acquisition date	**54,978**	7,100	**–**	–	**–**	–	**–**	–
Granted in the year	**800**	50,652	**–**	–	**241,931**	–	**–**	–
Exercised/released in the year	**(587)**	(19)	**–**	–	**(4,932)**	–	**–**	–
Less forfeited in the year	**(5,208)**	(2,755)	**–**	–	**(10,157)**	–	**–**	–
Outstanding at end of year	**49,983**	54,978	**–**	–	**226,842**	–	**–**	–
Of which exercisable	**–**	–	**–**	–	**–**	–	**–**	–

	Sharesave[a]				Sharepurchase[a,b]			
	Number (000s)		Weighted average ex price (£)		Number (000s)		Weighted average ex price (£)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Outstanding at beginning of year/acquisition date	**91,311**	94,131	**3.01**	1.83	**12,320**	6,961	**–**	–
Granted in the year	**21,296**	28,005	**2.46**	2.70	**4,176**	6,832	**–**	–
Exercised/released in the year	**(1,079)**	(153)	**2.67**	2.83	**(1,190)**	(952)	**–**	–
Less forfeited in the year	**(19,368)**	(30,672)	**3.42**	3.58	**(845)**	(521)	**–**	–
Outstanding at end of year	**92,160**	91,311	**2.80**	3.01	**14,461**	12,320	**–**	–
Of which exercisable	**5,814**	7,537	**4.35**	4.19	**2,529**	1,621	**–**	–

Notes
a Options/award granted over Barclays PLC shares
b Nil cost award

39 Share-based payments continued

The table below shows the weighted average share price at the date of exercise/release of shares

	2010 £	2009 £
Sharesave[a]	**3 17**	3 21
Sharepurchase[a,b]	**3 02**	2 64
SVP[a,b]	**3 10**	–
ESAS[a,b]	**3 39**	2 02
PSP[a b]	**3 46**	1 77
ISP[a b]	**3 10**	3 43

Certain of the Groups share option plans enable certain directors and members of staff employees the option to subscribe for new ordinary shares of Barclays PLC between 2010 and 2018

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

Exercise price range	2010		2009	
	Weighted average remaining contractual life in years	**Number of options Outstanding (000s)**	Weighted average remaining contractual life in years	Number of options Outstanding (000s)
Sharesave[a]				
£1 44-£2 49	**4**	**22,345**	2	1 818
£2 50-£3 49	**2**	**58,046**	3	69,543
£3 50-£4 49	**–**	**4,828**	1	9,058
£4 50-£5 49	**1**	**6,940**	2	10,892
Sharepurchase[a,b]	**1**	**14,461**	2	12,320
SVP[a,b]	**2**	**226,842**	–	–
ESAS[a,b]	**3**	**383,483**	3	464,511
ISP[a,b]	**1**	**49,983**	2	54,978
PSP[a,b]	**1**	**18,649**	1	31,262

There were no modifications to the share-based payment arrangements in the years 2010, 2009 and 2008

As at 31st December 2010, the total liability arising from cash-settled share-based payment transactions was £23m (2009 £13m, 2008 £23m)

Treasury Shares

The Group, through various employee benefit trusts holds shares in Barclays PLC ("treasury shares) to meet its obligations under its share based payment schemes

The total number of Barclays shares held in Group employee benefit trusts at 31st December 2010 was 259 0m (2009 125 1m) No dividend rights have been waived on these shares The total market value of the shares held in trust, based on the year-end share price of £2 61 (2009 £2 75), was £676m (2009 £344m) As at 31st December 2010, options over 5 2 million (2009 15 6 million) of the total shares held in the trusts were exercisable Further details on the treatment of treasury shares are provided on page 128

Notes

a Options/award granted over Barclays PLC shares

b Nil cost award

Notes to the financial statements For the year ended 31st December 2010 continued

40 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

(i) The Group

Parent company

The parent company, which is also the ultimate parent company, is Barclays PLC which holds 100% of the issued ordinary shares of Barclays Bank PLC

Subsidiaries

Transactions between Barclays Bank 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 A list of the Group's principal subsidiaries is shown in Note 35

Associates, joint ventures and other entities

The Group provides banking services to its associates, joint ventures, the Group pension funds (principally the UK Retirement Fund) and to entities under common directorships, providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services Group companies 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

Entities under common directorships

The Group enters into normal commercial relationships with entities for which members of the Groups Board also serve as Directors The amounts included in the Groups financial statements relating to such entities that are not publicly listed are shown in the table opposite under Entities under common directorships

Amounts included in the accounts, in aggregate, by category of related party entity are as follows

	Associates £m	Joint ventures £m	Entities under common directorships £m	Pension funds, unit trusts and investment funds £m
For the year ended and as at 31st December 2010				
Income	**19**	**(15)**	**10**	**–**
Impairment	**(5)**	**(9)**	**–**	**–**
Total Assets	**135**	**2,113**	**45**	**–**
Total Liabilities	**28**	**477**	**110**	**19**
For the year ended and as at 31st December 2009[a]				
Income	(57)	(55)	(64)	6
Impairment	(2)	(5)	–	–
Total Assets	155	2 080	43	–
Total Liabilities	4	503	27	46

No guarantees, pledges or commitments have been given or received in respect of these transactions in 2010 or 2009

There were no derivatives transacted on behalf of the Pensions Funds Unit Trusts and Investment funds (2009 £192m)

(ii) The Bank

Subsidiaries

Details of principal subsidiaries are shown in Note 35

The Bank provides certain banking and financial services to subsidiaries as well as a number of normal current and interest bearing cash accounts to the Group pension funds (principally the UK Retirement Fund) in order to facilitate the day to day financial administration of the funds

Group companies also provide investment management and custodian services The Bank also provides normal banking services for unit trusts and investment funds managed by Group companies These transactions are conducted on similar terms to third-party transactions and are not individually material

Note

a Comparatives have been restated to reflect entities identified as related parties

40 Related party transactions and Directors' remuneration continued
In aggregate, amounts included in the accounts are as follows

	Subsidiaries £m	Associates £m	Joint ventures £m	Entities under common directorships £m	Pension funds, unit trusts and investment £m
For the year ended and as at 31st December 2010					
Total Assets	**377,797**	**135**	**2,113**	**45**	**–**
Total Liabilities	**392,770**	**28**	**477**	**110**	**19**
For the year ended and as at 31st December 2009[a]					
Total Assets	314,753	155	2 080	43	–
Total Liabilities	333,595	4	503	27	46

It is the normal practice of the Bank to provide its subsidiaries with support and assistance by way of guarantees, indemnities, letters of comfort and commitments, as may be appropriate, with a view to enabling them to meet their obligations and to maintain their good standing, including commitment of capital and facilities

For dividends paid to Barclays PLC see Note 10

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 Bank PLC (directly or indirectly) and comprise the Directors of Barclays Bank PLC and the Officers of the Group, certain direct reports of the Group Chief Executive and the heads of major business units

There were no material related party transactions with Entities under common directorship 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 2010 were as follows

Directors, other Key Management Personnel and connected persons

	2010 £m	2009 £m
Loans outstanding at 1st January	**7 0**	7 4
Loans issued during the year	**0 5**	1 9
Loan repayments during the year	**(2 2)**	(1 6)
Loans outstanding at 31st December	**5 3**	7 7
Interest income earned	**–**	0 1

No allowances for impairment were recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person) in 2010 or 2009

	2010 £m	2009 £m
Deposits outstanding at 1st January	**30 3**	28 7
Deposits received during the year	**104 9**	160 0
Deposits repaid during the year	**(99.3)**	(158 0)
Deposits outstanding at 31st December	**35 9**	30 7
Interest expense on deposits	**–**	–

Of the loans outstanding above £0 5m (2009 £0 1m) relates to Directors and other Key Management Personnel (and persons connected to them) who left during the year Of the deposits outstanding above, £0 2m (2009 £3 7m) relates to Directors and other Key Management Personnel (and persons connected to them) who left the Group during the year The amounts disclosed as at 1st January includes deposits outstanding for those who became Directors or Key Management Personnel during the year

All loans to Directors and other Key Management Personnel (and persons connected to them) (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and (c) did not involve more than a normal risk of collectability or present other unfavourable features, with the exception of £2,120 (2009 £2 130) provided on an interest free basis

Note
a Comparatives have been restated to reflect entities identified as related parties

Notes to the financial statements
For the year ended 31st December 2010 continued

40 Related party transactions and Directors' remuneration continued
The loan of £2,120 (2009 £2 130) provided on an interest free basis was granted to a non-Director member of Barclays key management to purchase commuter rail tickets The maximum loan outstanding during the year was £4,240 (2009 £4,260) Commuter rail ticket loans are provided to all Barclays staff members upon request on the same terms

Remuneration of Directors and other Key Management Personnel

Directors, other Key Management Personnel and connected persons

	2010 £m	2009 £m
Salaries and other short-term benefits	28 3	8 8
Employer social security charges on emoluments	12 5	2 9
Pension costs	1 0	0 7
Other long-term benefits	41 9	2 6
Share-based payments	39 3	15 8
Costs recognised for accounting purposes	123 0	30 8
Employer social security charges on emoluments	(12 5)	(2 9)
Other long term benefits - difference between awards granted and costs recognised	(9 2)	15 1
Share-based payments - difference between awards granted and costs recognised	(20 9)	32 7
Total remuneration awarded	80 4	75 7

The population of Directors and other Key Management Personnel increased as a result of the formation of the Executive Committee in November 2009 Figures are provided for the period that individuals met the definition of Directors and other Key Management Personnel

Total remuneration awarded to Directors and other Key Management Personnel represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest payround decisions Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards

b) Disclosure required by the Companies Act 2006

The following information is presented in accordance with the Companies Act 2006

Directors' remuneration

	2010 £m	2009 £m
Aggregate emoluments	15 8	8 8
Gains made on the exercise of share options	–	8 9
Amounts paid under long-term incentive schemes	7 0	–
	22 8	17 7

Actual pension contributions of £13,588 were paid to defined contribution schemes on behalf of one Director (2009 £18,786, one Director) Notional pension contributions to defined contribution schemes were £nil (2009 £nil)

As at 31st December 2010, one Director was accruing retirement benefits under a defined benefit scheme (2009 two Directors)

Of the figures in the table above, the amounts attributable to the highest paid Director are as follows

	2010 £m	2009 £m
Aggregate emoluments	7 0	2 8
Amounts paid under long-term incentive schemes	5 6	–
Accrued pension	0 1	–

Actual pension contributions of £13,588 were paid to defined contribution schemes (2009 £nil) There were no notional pension contributions to defined contribution schemes in 2010 or 2009

Advances and credit to Directors and guarantees on behalf of Directors
In accordance with Section 413 of the Companies Act 2006 and in relation to those who served as Directors of the Company at any time in the financial year, the total amount of advances and credits at 31st December 2010 was £nil (2009 £1 8m) The total amount of guarantees on behalf of Directors at 31st December 2010 was £nil (2009 £nil)

41 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 arm's length transaction between knowledgeable willing parties

Comparison of carrying amounts and fair values

The following table summarises the carrying amounts of financial assets and liabilities presented on the Groups balance sheet, and their fair values differentiating between financial assets and liabilities subsequently measured at fair value and those subsequently measured at amortised cost

The Group		2010		2009	
	Notes	Carrying amount £m	Fair Value £m	Carrying amount £m	Fair Value £m
Financial assets					
Cash and balances at central banks	a	**97,630**	**97,630**	81,483	81 483
Items in the course of collection from other banks	a	**1,384**	**1,384**	1,593	1 593
Trading portfolio assets					
– Debt securities and other eligible bills	b	**139,240**	**139,240**	126,520	126,520
– Equity securities	b	**25,676**	**25,676**	19,653	19,653
– Traded Loans	b	**2,170**	**2,170**	2 962	2,962
– Commodities	b	**1,844**	**1,844**	2 260	2,260
Financial assets designated at fair value					
– Equity securities	b	**5,685**	**5,685**	6,256	6,256
– Loans and advances	b	**22,352**	**22,352**	22 390	22,390
– Debt securities	b	**1,918**	**1,918**	4 007	4,007
– Other financial assets designated at fair value	b	**10,101**	**10,101**	8,658	8,658
– Held in respect of linked liabilities under investment contracts	b	**1,429**	**1,429**	1,257	1,257
Derivative financial instruments	b	**420,319**	**420,319**	416 815	416,815
Loans and advances to banks	b	**37,799**	**37,768**	41,135	41,135
Loans and advances to customers					
– Residential mortgage loans	c	**168,055**	**161,439**	149,099	142,726
– Credit card receivables	c	**22,658**	**22,658**	21,889	21 889
– Other personal lending	c	**26,608**	**26,240**	25,435	25,430
– Wholesale and corporate loans and advances	c	**200,618**	**196,124**	212,928	207,648
– Finance lease receivables	c	**10,003**	**10,046**	10,873	10 898
Available for sale financial investments					
– Debt securities and other eligible bills	b	**59,629**	**59,629**	49,807	49 807
– Equity securities	b	**5,811**	**5,811**	6,844	6,844
Reverse repurchase agreements and other similar secured lending	c	**205,772**	**205,527**	143,431	142,524
Financial liabilities.					
Deposits from banks	d	**77,975**	**77,949**	76,446	76,457
Items in the course of collection due to other banks	a	**1,321**	**1,321**	1,466	1,466
Customer accounts					
– Current and demand accounts	d	**110,443**	**110,443**	100 710	100,710
– Savings accounts	d	**91,928**	**91,928**	81,188	81,188
– Other time deposits	d	**143,431**	**143,593**	140,557	140 570
Trading portfolio liabilities					
– Debt securities and other eligible bills	b	**64,607**	**64,607**	44,708	44,708
– Equity securities	b	**7,568**	**7,568**	6,468	6 468
– Commodities	b	**518**	**518**	76	76
Financial liabilities designated at fair value					
– Debt securities	b	**76,907**	**76,907**	72,191	72,191
– Deposits	b	**10,243**	**10,243**	6,275	6,275
– Other financial assets designated at fair value	b	**8,632**	**8,632**	7,736	7,736
– Liabilities to customers under investment contracts	b	**1,947**	**1,947**	1 679	1,679
Derivative financial instruments	b	**405,516**	**405,516**	403,416	403,416
Debt securities in issue	d	**156,623**	**155,974**	135,902	135 405
Repurchase agreements and other similar secured lending	d	**225,534**	**225,511**	198,781	198,781
Subordinated liabilities	d	**28,499**	**27,183**	25 816	25 299

Notes

a Fair value approximates carrying value due to the short-term nature of these financial assets and liabilities

b The carrying value of financial instruments measured at fair value (including those held for trading designated at fair value derivatives and available for sale) is determined in accordance with the accounting policy noted on pages 82 and 83 Further description and analysis of these fair values are set out below

c The carrying value of financial assets measured at amortised cost (including loans and advances and other lending such as reverse repurchase agreements and cash collateral on securities borrowed) is determined in accordance with the accounting policy as noted on page 83 In many cases the fair value disclosed approximates the carrying value because the instruments are short term in nature or have interest rates that reprice frequently In other cases fair value is determined using discounted cash flows applying market derived interest rates Alternatively fair value is determined by applying an average of available regional and industry segmental credit spreads to the loan portfolio taking the contractual maturity of the loan facilities into consideration

d The carrying value of financial liabilities measured at amortised cost (including customer accounts and other deposits such as repurchase agreements and cash collateral on securities lent debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy as noted on page 83 In many cases the fair value disclosed approximates the carrying value because the instruments are short term in nature or have interest rates that reprice frequently such as customer accounts and other deposits and short-term debt securities Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable are estimated using a valuation model Fair values for dated and undated convertible and non convertible loan capital are based on quoted market rates for the issue concerned or similar issues with terms and conditions

Notes to the financial statements
For the year ended 31st December 2010 continued

41 Fair value of financial instruments continued

The Bank		2010		2009	
	Notes	Carrying amount £m	Fair Value £m	Carrying amount £m	Fair Value £m
Financial assets.					
Cash and balances at central banks	a	**92,686**	**92,686**	78,447	78,447
Items in the course of collection from other banks	a	**1,268**	**1,268**	1,373	1 373
Trading portfolio assets					
– Debt securities and other eligible bills	b	**86,328**	**86,328**	83,680	83,680
– Equity securities	b	**4,901**	**4,901**	5,552	5,552
– Traded Loans	b	**2,500**	**2,500**	2,945	2,945
– Commodities	b	**1,305**	**1,305**	1,629	1,629
Financial assets designated at fair value					
– Equity securities	b	**11**	**11**	66	66
– Loans and advances	b	**25,093**	**25,093**	21,636	21,636
– Debt securities	b	**783**	**783**	3 338	3,338
– Other financial assets designated at fair value	b	**3,294**	**3,294**	2,605	2,605
– Held in respect of linked liabilities under investment contracts	b	**–**	**–**	–	–
Derivative financial instruments	b	**441,145**	**441,145**	429,895	429 895
Loans and advances to banks	c	**40,390**	**40,216**	42,963	42 963
Loans and advances to customers					
– Residential mortgage loans	c	**123,995**	**117,361**	110,605	104,227
– Credit card receivables	c	**12,184**	**12,184**	11,523	11,523
– Other personal lending	c	**14,230**	**14,378**	14,125	14,125
– Wholesale and corporate loans and advances	c	**372,301**	**366,632**	375 513	370,198
– Finance lease receivables	c	**226**	**226**	362	362
Available for sale financial investments					
– Debt securities and other eligible bills	b	**45,076**	**45,076**	35,984	35,984
– Equity securities	b	**145**	**145**	590	590
Reverse repurchase agreements and other similar secured lending	c	**227,343**	**227,132**	145,433	144,526
Financial liabilities.					
Deposits from banks	d	**97,526**	**97,530**	90,253	90,265
Items in the course of collection due to other banks	a	**1,270**	**1,270**	1,384	1 384
Customer accounts					
– Current and demand accounts	d	**73,623**	**73,623**	65 734	65,734
– Savings accounts	d	**80,616**	**80,616**	71,703	71,703
– Other time deposits	d	**299,758**	**299,758**	307,082	307,073
Trading portfolio liabilities					
– Debt securities and other eligible bills	b	**40,677**	**40,677**	30 993	30,993
– Equity securities	b	**3,157**	**3,157**	2 465	2,465
– Commodities	b	**518**	**518**	76	76
Financial liabilities designated at fair value					
– Debt securities	b	**80,227**	**80,227**	71,303	71 303
– Deposits	b	**8,607**	**8,607**	4,581	4,581
– Other financial assets designated at fair value	b	**8,208**	**8,208**	7,662	7,662
– Liabilities to customers under investment contracts	b	**–**	**–**	–	–
Derivative financial instruments	b	**426,243**	**426,243**	418,354	418,354
Debt securities in issue	d	**106,267**	**105,839**	82,141	82,569
Repurchase agreements and other similar secured lending	d	**214,207**	**214,207**	165,195	165,195
Subordinated liabilities	d	**26,994**	**25,601**	24,893	24,120

Notes
a See page 145

41 Fair value of financial instruments continued

Valuation inputs

'IFRS 7 – Financial Instruments Disclosures' requires an entity to classify its financial instruments held at fair value according to a hierarchy that reflects the significance of observable market inputs

The classification of a financial instrument is based on the lowest level input that is significant to the fair value measurement in its entirety The three levels of the fair value hierarchy are defined below

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities 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 An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis

This category includes exchange traded government bonds, actively traded listed equities and actively exchange-traded derivatives

Valuation technique using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose inputs are observable in an active market Valuations based on observable inputs include financial instruments such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable

This category includes most investment grade and liquid high yield bonds certain asset backed securities US agency securities, government bonds, less actively traded listed equities, bank, corporate and municipal obligations certain OTC derivatives certain convertible bonds, certificates of deposit, commercial paper certain collateralised debt obligations (CDOs) (cash and synthetic underlyings) collateralised loan obligations (CLOs) most commodities based derivatives, credit derivatives certain credit default swaps (CDSs), most fund units, certain loans, foreign exchange spot and forward transactions and certain issued notes

Valuation technique using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs) Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques

This category includes certain corporate debt securities, distressed debt private equity investments commercial real estate loans, certain OTC derivatives (requiring complex and unobservable inputs such as correlations and long dated volatilities) certain convertible bonds, some CDOs (cash and synthetic underlyings), credit default swaps, derivative exposures to Monoline insurers fund units, certain asset backed securities, certain issued notes certain collateralised loan obligations (CLOs) and certain loans

Notes to the financial statements
For the year ended 31st December 2010 continued

41 Fair value of financial instruments continued

The following table shows the Groups financial assets and liabilities that are measured at fair value analysed by level within the fair value hierarchy

Financial assets and liabilities measured at fair value	Valuation technique using			
The Group	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
31st December 2010				
Trading portfolio assets	48,466	114,723	5,741	168,930
Financial assets designated at fair value	5,406	25,175	10,904	41,485
Derivative financial assets	3,023	408,214	9,082	420,319
Available for sale financial investments	25,949	36,201	3,290	65,440
Total assets	82,844	584,313	29,017	696,174
Trading portfolio liabilities	(30,247)	(42,345)	(101)	(72,693)
Financial liabilities designated at fair value	(4)	(94,088)	(3,637)	(97,729)
Derivative financial liabilities	(2,567)	(396,695)	(6,254)	(405,516)
Total Liabilities	(32,818)	(533,128)	(9,992)	(575,938)
31st December 2009				
Trading portfolio assets	76,256	69,061	6 078	151,395
Financial assets designated at fair value	6 975	24,893	10,700	42 568
Derivative financial assets	3,163	401,451	12,201	416 815
Available for sale financial investments	20,087	35 287	1,277	56,651
Total assets	106 481	530,692	30 256	667,429
Trading portfolio liabilities	(42,238)	(8,936)	(78)	(51 252)
Financial liabilities designated at fair value	(109)	(83,944)	(3 828)	(87 881)
Derivative financial liabilities	(2 386)	(391,916)	(9 114)	(403,416)
Total Liabilities	(44,733)	(484,796)	(13,020)	(542 549)

Financial assets and liabilities measured at fair value	Valuation technique using			
The Bank	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
31st December 2010				
Trading portfolio assets	19,611	69,654	5,769	95,034
Financial assets designated at fair value	8	22,486	6,687	29,181
Derivative financial assets	–	431,643	9,502	441,145
Available for sale financial investments	12,567	30,306	2,348	45,221
Total assets	32,186	554,089	24,306	610,581
Trading portfolio liabilities	(11,235)	(33,115)	(2)	(44,352)
Financial liabilities designated at fair value	(3)	(94,331)	(2,708)	(97,042)
Derivative financial liabilities	(8)	(420,014)	(6,221)	(426,243)
Total Liabilities	(11,246)	(547,460)	(8,931)	(567,637)
31st December 2009				
Trading portfolio assets	46,803	42,559	4,444	93,806
Financial assets designated at fair value	9	21 656	5,980	27,645
Derivative financial assets	13	416,016	13 866	429 895
Available for sale financial investments	7 739	27,968	867	36,574
Total assets	54,564	508 199	25,157	587,920
Trading portfolio liabilities	(27,967)	(5,558)	(9)	(33,534)
Financial liabilities designated at fair value		(80,924)	(2 622)	(83 546)
Derivative financial liabilities	(13)	(408,487)	(9,854)	(418,354)
Total Liabilities	(27,980)	(494,969)	(12,485)	(535,434)

Transfers between level 1 and level 2 primarily comprised government bonds that had less observable market prices

41 Fair value of financial instruments *continued*

The following table shows the Groups financial assets and liabilities that are measured at fair value disaggregated by valuation technique and product type

Financial assets and liabilities measured at fair value by product type

	Assets Valuation technique using			Liabilities Valuation technique using		
The Group	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
31st December 2010						
Commercial real estate loans	**–**	**–**	**5,424**	**–**	**–**	**–**
Asset backed products	**–**	**39,649**	**4,628**	**–**	**(6,287)**	**(1,912)**
Other credit products	**–**	**50,230**	**1,097**	**–**	**(42,216)**	**(1,318)**
Derivative exposure to Monoline insurers	**–**	**–**	**1,449**	**–**	**–**	**–**
Non-asset backed debt instruments	**47,108**	**99,688**	**2,956**	**(23,008)**	**(105,481)**	**(2,719)**
Equity products	**33,384**	**9,708**	**1,478**	**(9,292)**	**(14,342)**	**(1,895)**
Private equity	**–**	**27**	**2,844**	**–**	**–**	**–**
Funds and fund-linked products	**591**	**3,674**	**1,084**	**–**	**(1,827)**	**–**
Foreigh exchange products	**–**	**29,883**	**506**	**–**	**(30,349)**	**(241)**
Interest rate products	**–**	**305,235**	**2,407**	**–**	**(291,420)**	**(1,079)**
Commodity products	**1,378**	**28,520**	**493**	**(518)**	**(36,191)**	**(629)**
Other	**383**	**17,699**	**4,651**	**–**	**(5,015)**	**(199)**
Total	**82,844**	**584,313**	**29,017**	**(32,818)**	**(533,128)**	**(9,992)**
31st December 2009						
Commercial real estate loans	–	–	7,170	–	–	–
Asset backed products	–	34 779	5,840	–	(6,165)	(2,334)
Other credit products	1	47,202	2,020	–	(47,904)	(2,827)
Derivative exposure to Monoline insurers	–	–	2,027	–	–	–
Non-asset backed debt instruments	72,578	66 936	3,127	(35,760)	(73,371)	(3,202)
Equity products	28 221	11 772	1,536	(8,788)	(13,737)	(1 922)
Private equity	73	176	1 978	–	–	–
Funds and fund-linked products	3,856	5,387	1,241	–	(2 049)	–
Foreign exchange products	–	24 885	761	–	(25,159)	(379)
Interest rate products	176	288 718	2,357	–	(275,684)	(1,775)
Commodity products	1,414	31 562	748	(76)	(37,091)	(581)
Other	162	19 275	1,451	(109)	(3,636)	–
Total	106,481	530,692	30,256	(44 733)	(484 796)	(13,020)

Notes to the financial statements
For the year ended 31st December 2010 continued

41 Fair value of financial instruments continued
Level 3 classification
The following table shows level three financial assets and liabilities disaggregated by balance sheet classification and product type

Level 3 financial assets and liabilities by balance sheet classification and product type

	Non-derivative assets			Non-derivative liabilities		Derivatives
The Group	Trading portfolio assets £m	Financial assets designated at fair value £m	Available for sale assets £m	Trading portfolio liabilities £m	Financial liabilities designated at fair value £m	Net derivative financial instruments[a] £m
31st December 2010						
Commercial real estate loans	–	5,424	–	–	–	–
Asset backed products	1,720	364	312	(5)	(17)	342
Other credit products	–	237	–	(4)	(716)	262
Derivative exposure to Monoline insurers	–	–	–	–	–	1,449
Non-asset backed debt instruments	2,460	325	168	(1)	(2,690)	(25)
Equity products	135	–	27	–	–	(579)
Private equity	50	1,995	799	–	–	–
Funds and fund-linked products	1,084	–	–	–	–	–
Foreign exchange products	–	–	–	–	–	265
Interest rate products	–	61	–	–	(27)	1,294
Commodity products	–	14	4	–	(161)	7
Other	292	2,484	1,980	(91)	(26)	(187)
Total	**5,741**	**10,904**	**3,290**	**(101)**	**(3,637)**	**2,828**
31st December 2009						
Commercial real estate loans	–	7,170	–	–	–	–
Asset backed products	1 840	423	205	(5)	(63)	1,106
Other credit products	–	92	–	–	(595)	(304)
Derivative exposure to Monoline insurers	–	–	–	–	–	2,027
Non-asset backed debt instruments	2,461	438	166	(73)	(3,081)	14
Equity products	190	–	157	–	–	(733)
Private equity	104	1 237	637	–	–	–
Funds and fund-linked products	1,128	8	105	–	–	–
Foreign exchange products	–	–	–	–	–	382
Interest rate products	–	64	–	–	(25)	543
Commodity products	–	12	4	–	(64)	215
Other	355	1 256	3	–	–	(163)
Total	6,078	10,700	1,277	(78)	(3,828)	3,087

Note
a The derivative financial instruments in the table above are represented on a net basis of £2 828m (2009 £3 087m) On a gross basis derivative financial assets are £9 082m (2009 £12 201m) derivative financial liabilities are £6 254 (2009 £9 114m)

41 Fair value of financial instruments continued

Level 3 movement analysis

The following table summarises the movements in the level 3 balance during the year The table shows gains and losses and includes amounts for all financial assets and liabilities transferred to and from level 3 during the year Transfers have been reflected as if they had taken place at the beginning of the year

Analysis of movements in level 3 financial assets and liabilities	Trading portfolio assets £m	Financial assets designated at fair value £m	Available for sale assets £m	Trading portfolio liabilities £m	Financial liabilities designated at fair value £m	Net derivative financial instruments[a/b] £m	Total £m
The Group							
As at 1st January 2010	6,078	10,700	1,277	(78)	(3,828)	3,087	17,236
Purchases	2,830	890	234	(96)	(12)	762	4,608
Sales	(3,334)	(1,117)	(121)	–	39	147	(4,386)
Issues	–	–	–	–	(243)	(555)	(798)
Settlements	(455)	(924)	(206)	63	601	(94)	(1,015)
Total gains and losses in the period recognised in the income statement							
– trading income	683	203	–	–	(730)	(5)	151
– other income	–	173	(94)	–	–	–	79
Total gains or losses recognised in other comprehensive income	–	–	208	–	–	–	208
Transfers in/(transfers out)	(61)	979	1,992	10	536	(514)	2,942
As at 31st December 2010	5,741	10,904	3,290	(101)	(3,637)	2,828	19,025
The Bank							
As at 1st January 2010	4,444	5,980	867	(9)	(2,622)	4,012	12,672
Purchases	1,141	285	165	–	(12)	738	2,317
Sales	(1,856)	(157)	–	–	24	147	(1,842)
Issues	–	–	–	–	(176)	(566)	(742)
Settlements	(345)	(570)	(126)	3	293	(135)	(880)
Total gains and losses in the period recognised in the income statement							
– trading income	1,068	(23)	–	2	(465)	(421)	161
– other income	–	19	(135)	–	–	–	(116)
Total gains or losses recognised in other comprehensive income	–	–	93	–	–	–	93
Transfers in/(transfers out)	1,317	1,153	1,484	2	250	(494)	3,712
As at 31st December 2010	5,769	6,687	2,348	(2)	(2,708)	3,281	15,375

The significant movements in level 3 positions during the year are explained below

- purchases of £4 6bn were primarily composed of £2 3bn of asset backed products £0 6bn of equity products, £0 4bn of non-asset backed debt instruments and £0 4bn of private equity assets,
- sales of £4 4bn included the sale of £2 4bn of asset backed products, £0 6bn of non-asset backed debt instruments, £0 6bn of private equity assets and £0 4bn of commercial real estate loans,
- net Issuances and Settlements of £1 8bn were primarily driven by £0 6bn of commercial real estate settlements, and £0 5bn of equity product issuances, and
- transfers into Level 3 primarily reflected a £2 0bn receivable arising as part of the acquisition of the North American businesses of Lehman Brothers This resulted from a change in the accounting treatment from loans and advances to available for sale financial instruments This classification is due to the uncertainty inherent in any litigation, rather than uncertainty relating to the valuation of the assets themselves In addition a further £1 0bn was transferred from level 2 to level 3 due to unobservable valuation inputs becoming significant to the overall valuation of certain fixed rate loans

Note

a The Group s derivative financial instruments in the table above are represented on a net basis of £2 828m (2009 £3 087m) On a gross basis derivative financial assets are £9 082m (2009 £12,201m) derivative financial liabilities are £6 254 (2009 £9 114m)

b The Bank s derivative financial instruments in the table above are represented on a net basis of £3 281m (2009 £4 012m) On a gross basis derivative financial assets are £9 502m (2009 £13 866m) derivative financial liabilities are £6 221 (2009 £9 854m)

Notes to the financial statements
For the year ended 31st December 2010 continued

41 Fair value of financial instruments continued

Analysis of movements in level 3 financial assets and liabilities	Trading portfolio assets £m	Financial assets designated at fair value £m	Available for sale assets £m	Trading portfolio liabilities £m	Financial liabilities designated at fair value £m	Net derivative financial instruments £m	Total £m
The Group							
As at 1st January 2009	14,625	17,681	3 137	(258)	(3,779)	7 493	38 899
Purchases	2,021	700	459	(70)	(313)	2,334	5,131
Sales	(7,018)	(4,875)	(9)	172	690	(3,548)	(14,588)
Issues	–	–	–	–	(1 343)	(1 718)	(3,061)
Settlements	(410)	(804)	(347)	–	763	(100)	(898)
Total gains and losses in the period recognised in the income statement							
– trading income	(2,290)	(3,356)	–	27	1 574	(3,516)	(7,561)
– other income	–	(434)	(131)	–	–	–	(565)
Total gains or losses recognised in other comprehensive income	–	–	(103)	–	–	–	(103)
Transfers in/(transfers out)	(850)	1 788	(1,729)	51	(1,420)	2 142	(18)
As at 31st December 2009	**6,078**	**10,700**	**1,277**	**(78)**	**(3,828)**	**3,087**	**17,236**
The Bank							
As at 1st January 2009	12,541	7,965	1 162	(256)	(2,817)	10 386	28,981
Purchases	751	414	251	(2)	(110)	1,767	3,071
Sales	(5,875)	(1,207)	–	171	79	(3,503)	(10,335)
Issues	–	–	–	–	(1,132)	(1 074)	(2,206)
Settlements	(159)	(465)	(114)	–	352	(220)	(606)
Total gains and losses in the period recognised in the income statement							
– trading income	(2,384)	(1 277)	–	26	1,609	(5 267)	(7,293)
– other income	–	21	(21)	–	–	–	–
Total gains or losses recognised in other comprehensive income	–	–	(271)	–	–	–	(271)
Transfers in/(transfers out)	(430)	529	(140)	52	(603)	1,923	1 331
As at 31st December 2009	**4,444**	**5,980**	**867**	**(9)**	**(2,622)**	**4,012**	**12,672**

Gains and losses on level 3 financial assets and liabilities

The following table discloses the gains and losses recognised in the year arising on level 3 financial assets and liabilities held at year end

Gains and losses recognised during the period on level 3 financial assets and liabilities held	**Trading portfolio assets £m**	**Financial assets designated at fair value £m**	**Available for sale assets £m**	**Trading portfolio liabilities £m**	**Financial liabilities designated at fair value £m**	**Net derivative financial instruments £m**	**Total £m**
The Group							
As at 31st December 2010							
Recognised in the income statement							
– trading income	**345**	**215**	**–**	**(1)**	**(528)**	**(66)**	**(35)**
– other income	**–**	**115**	**(166)**	**–**	**–**	**–**	**(51)**
Total gains or losses recognised in other comprehensive income	**–**	**–**	**133**	**–**	**–**	**–**	**133**
Total	**345**	**330**	**(33)**	**(1)**	**(528)**	**(66)**	**47**
The Bank							
As at 31st December 2010							
Recognised in the income statement							
– trading income	**339**	**142**	**–**	**2**	**(434)**	**(449)**	**(400)**
– other income	**–**	**18**	**(301)**	**–**	**–**	**–**	**(283)**
Total gains or losses recognised in other comprehensive income	**–**	**–**	**(3)**	**–**	**–**	**–**	**(3)**
Total	**339**	**160**	**(304)**	**2**	**(434)**	**(449)**	**(686)**

41 Fair value of financial instruments continued

Gains and losses reognised during the period on level 3 financial assets and liabilities held	Trading portfolio assets £m	Financial assets designated at fair value £m	Available for sale assets £m	Trading portfolio liabilities £m	Financial liabilities designated at fair value £m	Net derivative financial instruments £m	Total £m
The Group							
As at 31st December 2009							
Recognised in the income statement							
– trading income	(736)	(3,034)	–	8	(269)	(2,817)	(6,848)
– other income	–	(452)	(140)	–	–	–	(592)
Total gains or losses recognised in other comprehensive income	–	–	(65)	–	–	–	(65)
Total	(736)	(3,486)	(205)	8	(269)	(2 817)	(7,505)
The Bank							
As at 31st December 2009							
Recognised in the income statement							
– trading income	(855)	(3,026)	–	8	(235)	(2,725)	(6,833)
– other income	–	(405)	(16)	–	–	–	(421)
Total gains or losses recognised in other comprehensive income	–	–	(279)	–	–	–	(279)
Total	(855)	(3,431)	(295)	8	(235)	(2 725)	(7 533)

Valuation techniques

Current year valuation methodologies were consistent with the prior year unless otherwise noted below These methodologies are commonly used by market participants

The valuation techniques used for the main products that are not determined by reference to unadjusted quoted prices (Level 1) are described below

Commercial real estate loans

This category includes lending on a range of commercial property types including retail, hotels, office and development properties

Fair value is calculated using a risk adjusted spread based methodology performed on a loan by loan basis with consideration of characteristics such as property type, geographic location yields, credit quality and property performance reviews

The valuation inputs are reviewed with reference to published bond indices Initial spreads are sourced from market quoted origination spreads by property type and classified into Loan-to-Value (LTV) buckets which are adjusted for internal credit rating and subordination of the loans The internal credit ratings used in the valuation model are subject to a monthly review process The model is calibrated monthly based on external quotes of new origination property type spreads and the latest internal credit ratings

The valuations are considered unobservable due to the bespoke nature of the instruments

Asset backed products

These are debt and derivative products that are linked to the cash flows of a pool of referenced assets This category includes asset backed loans CDOs (cash underlyings), CLOs, asset backed credit derivatives asset and mortgage backed securities

Valuations are determined using industry standard cash flow models that calculate fair value based on loss projections, prepayment, recovery and discount rates These parameters are determined by reference to underlying collateral performance, independent research, ABX indices broker quotes observable trades on similar securities and third party pricing sources

Within this population certain valuation inputs are unobservable for non-investment grade ABS, non-agency residential mortgage backed securities (RMBS) and asset backed credit derivatives Where unobservable, a parameter will be set with reference to an observable proxy The determination of parameter levels takes account of a range of factors such as deal vintage, underlying asset composition (historical losses, borrower characteristics various loan attributes such as loan-to-value and debt-to-income ratios and geographic concentration) credit ratings (original and current), home price changes and interest rates

Other credit products

These products are linked to the credit spread of a referenced entity index or basket of referenced entities This category includes synthetic CDOs, single name and index CDS and Nth to default basket swaps Within this population, valuation inputs are unobservable for CDS with illiquid reference assets and certain synthetic CDOs

A market standard model is used in the valuation of CDS whereby the credit curve is the significant input in the overall valuation Credit spreads are observed directly from broker data, third party vendors or priced to proxies Where credit spreads are unobservable they are determined with reference to recent transactions or bond spreads from observable issuances of the same issuer or other similar entities as a proxy

Notes to the financial statements
For the year ended 31st December 2010 continued

41 Fair value of financial instruments continued

Synthetic CDOs are valued using a model that calculates fair value based on observable and unobservable parameters including credit spreads, recovery rates, correlations and interest rates and is calibrated daily For index and bespoke synthetic CDOs with unobservable inputs correlation is set with reference to index tranche market

Derivative exposure to Monoline insurers
These products are derivatives through which default protection has been purchased as securities, primarily CLOs

The credit spreads of the counterparty providing protection are unobservable at the required maturity The derivative positions are valued with reference to the price of the underlying security As the security and derivative are hedged, the net present value of the derivative increases as the net present value of the security decreases The derivative valuation is then adjusted to reflect the credit quality of the counterparty

Non-asset backed debt instruments
These are government bonds, US agency bonds, corporate bonds, commercial paper, certificates of deposit, convertible bonds, notes and other non-asset backed bonds Within this population, valuation inputs are unobservable for certain convertible bonds corporate bonds and issued notes

Exchanged traded government bonds are classified as Level 1 Less liquid, government bonds, US agency bonds corporate bonds, commercial paper and certificates of deposit are valued using observable market prices which are sourced from broker quotes inter-dealer prices or other reliable pricing services Where there are not observable market prices fair value is determined by reference to either issuances or CDS spreads of the same issuer as proxy inputs to obtain discounted cash flows to value the bond In the absence of observable bond or CDS spreads for the respective issuer similar reference assets or sector averages are applied as a proxy

Convertible bonds are valued using prices observed through broker sources market data services and trading activity Prices are validated against liquid external sources Where liquid external sources are not available, fair value is determined using a spread to the equity conversion value or the value of the bond without the additional equity conversion The spread level is determined with reference to similar proxy assets

Most fixed and floating rate notes issued are valued using models that discount expected future cash flows These models calculate fair value based on observable interest rates and funding or credit spreads The interest rates are derived from broker and bank notes rates In certain emerging markets, funding spreads may be unobservable Funding spreads up to five years are sourced from negotiable commercial deposit rates in the market as a proxy Funding spreads greater than five years are determined by applying extrapolation techniques

Equity Linked Notes valuations are determined using industry standard models The models calculate fair value based on input parameters such as stock prices, dividends, volatilities interest rates, equity repo curves and, for multi-asset products, correlations In general, input parameters are observable with unobservable inputs having an insignificant impact on the valuation

The valuation for fund linked notes is consistent with the valuation of the underlying (see the 'Funds and fund-linked products' section below)

Equity products
This category includes listed equities, exchange traded derivatives, OTC equity derivatives preference shares and contracts for difference

OTC equity derivatives valuations are determined using industry standard models The models calculate fair value based on input parameters such as stock prices dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations In general input parameters are deemed observable up to liquid maturities which are determined separately for each parameter and underlying instrument Unobservable model inputs are set by reference to liquid market instruments and applying extrapolation techniques to match the risk profile of the trading portfolio These are validated against consensus market data services for the same or similar underlying instrument

Private equity
Private equity investments are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines' This requires the use of a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar instruments, discounted cashflow analysis, and comparison with the earnings multiples of listed comparative companies Unobservable inputs include earnings estimates multiples of comparative companies, marketability discounts and discount rates Model inputs are based on market conditions at the reporting date The valuation of unquoted equity instruments is subjective by nature However the relevant methodologies are commonly applied by other market participants and have been consistently applied over time Full valuations are performed bi-annually, with the portfolio reviewed on a monthly basis for material events that might impact upon fair value

Fund and fund-linked products
This category includes holdings in hedge funds, funds of funds, and fund derivatives Fund derivatives are derivatives whose underlyings include mutual funds, hedge funds fund indices and multi-asset portfolios They are valued using underlying fund prices, yield curves and other available market information

In general fund holdings are valued based on the latest available valuation received from the fund administrator Funds are deemed unobservable where the fund is either suspended, in wind-down, has a redemption restriction that severely affects liquidity or where the latest net asset value from the fund administrators is more than three months old In the case of illiquid fund holdings the valuation will take account of all available information in relation to the underlying fund or collection of funds and maybe adjusted relative to the performance of relevant index benchmarks

Foreign exchange products
These products are derivatives linked to the foreign exchange market This category includes forward contracts, FX swaps and FX options Exotic derivatives are valued using industry standard and bespoke models

41 Fair value of financial instruments continued

Fair value is based on input parameters that include FX rates, interest rates, FX volatilities, interest rate volatilities FX interest rate correlations and other model parameters Certain correlations and long dated forward and volatilities are unobservable Unobservable model inputs are set by referencing liquid market instruments and applying extrapolation techniques to match the risk profile of the trading portfolio These are validated against consensus market data services

Interest rate products

These are products linked to interest rates or inflation indices This category includes interest rate and inflation swaps, swaptions, caps, floors, inflation options, balance guaranteed swaps and other exotic interest rate derivatives Interest rate products are valued using standard discounted cash flow techniques

Interest rate derivative cash flows are valued using interest rates yield curves whereby observable market data is used to construct the term structure of forward rates This is then used to project and discount future cash flows based on the parameters of the trade An instrument with optionality is valued using a volatility surface constructed from market observable inputs Exotic interest rate derivatives are valued using industry standard and bespoke models based on observable market parameters which are determined separately for each parameter and underlying instrument Where unobservable, a parameter will be set with reference to an observable proxy

For inflation swaps the inflation adjusted yield curve is the most significant input in the overall valuation In an inflation swap, an inflation based cash flow is swapped for either a fixed or floating interest rate cash flow Flows on the inflation leg of the trades are projected using the relevant inflation forward curve and discounted Any floating rates will be projected using the relevant interest rate yield curve and discounted Inflation forward curves and interest rate yield curves are extrapolated beyond observable tenors and verified against any available market data

Balance guaranteed swaps are valued using industry standard cash flow models that calculate fair value based on loss projections, prepayment, recovery and discount rates These parameters are determined by reference to underlying asset performance, independent research, ABX indices broker quotes, observable trades on similar securities and third party pricing sources Prepayment is projected based on observing historic prepayment

During 2010, in line with changes in market practice, the methodology for valuing certain collateralised interest rate products was updated to make use of more relevant interest rate yield curves to discount cash flows For certain collateralised vanilla swaps, inflation derivatives and other linear fixed income derivatives Overnight Indexed Swap (OIS) rates were used rather than other market reference rates such as LIBOR

Commodity products

These products are exchange traded and OTC derivatives based on an underlying commodity such as metals, oil and oil related, agriculturals, power and natural gas

Valuation inputs of certain commodity swaps and options are determined using models incorporating discounting of cash flows and other industry standard modeling techniques Fair value is calculated using inputs such as forward curves volatility surfaces and tenor correlation Unobservable inputs are set with reference to similar observable products or by applying extrapolation techniques from the observable market

Other

This category is primarily made up of fixed rate loans which are valued using models that discount expected future cash flows These models calculate the fair value based on observable interest rates and unobservable funding or credit spreads Unobservable funding or credit spreads are determined by applying extrapolation of observable spreads

The receivables resulting from the acquisition of the North American businesses of Lehman Brothers is included witin 'Other' For more details, refer to Note 25 Legal Proceedings

Fair value adjustments

The main adjustments to model or system balances to arrive at a fair value are described below

Bid-Offer valuation adjustments

Portfolios are valued to reflect the most advantageous market price to which Barclays has immediate access For assets and liabilities where the firm is not a market maker, mid prices are adjusted to bid and offer prices respectively The bid-offer adjustment factors reflect the expected close out strategy and, for derivatives, that they are managed on a portfolio basis The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with hedging strategy Bid-offer levels are derived from market sources, such as broker data, and are reviewed periodically For those assets and liabilities where the firm is a market maker (which is the case for certain equity, bond and vanilla derivative markets), since the bid-offer spread does not represent a transaction cost, mid prices are used

Uncertainty adjustments

Market data input for exotic derivatives may not have a directly observable bid offer spread In such instances, an uncertainty adjustment is applied as a proxy for the bid offer adjustment An example of this is correlation risk where an adjustment is required to reflect the possible range of values that market participants apply The uncertainty adjustment may be determined by calibrating to derivative prices, or by scenario analysis or historical analysis

Model valuation adjustments

New valuation models are reviewed under the firm's Trade Approval Procedures and Model Validation Policy This process identifies the assumptions used and any model limitations (for example, if the model does not incorporate volatility skew) Where necessary fair value adjustments will be applied to take these factors into account Model valuation adjustments are dependant on the size of portfolio, complexity of the model, whether the model is market standard and to what extent it incorporates all known risk factors All models and model valuation adjustments are subject to review on at least an annual basis

Notes to the financial statements
For the year ended 31st December 2010 continued

41 Fair value of financial instruments continued

Credit and debit valuation adjustments

Credit valuation adjustments (CVAs) and Debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on the fair value of counterparty risk and Barclays own credit quality respectively. These adjustments are modelled for OTC derivatives across all asset classes.

Probability of Default (PD) and Loss Given Default (LGD) are applied to expected exposures at a counterparty level to arrive at a CVA and DVA adjustment.

Monoline credit valuation adjustments

Barclays determines its internal credit ratings for Monolines based upon its independent fundamental credit analysis in conjunction with a cross reference to external ratings where available. These internal credit ratings can, and at times do, differ from the publicly available ratings.

For Monolines where a default has either occurred, is imminent or there is a possibility of regulatory intervention, an adjustment may be made to the internal credit rating. This will be based on the estimated recovery from a range of potential scenarios.

The PD used to calculate the CVA is derived from the relevant internal credit rating and is based on internal simulations of credit factor indices by region and industry designations, calibrated to historical time-series and forecast on the basis of current values. The LGD used is a function of available historical data, the Monoline's credit quality and risk concentration, and recovery values observed in executed commutation settlements.

The CVA for all Monolines is based upon an expected exposure methodology. Expected exposure is calculated by simulating default losses on the underlying assets, calibrated to market observable parameters and forward looking market research. This exposure is then further adjusted for any spread between prices derived from observable proxies. Barclays will then apply the PD of the Monoline to this expected exposure and multiply the result by the LGD to determine the CVA for each Monoline.

Other credit and debit valuation adjustments

Derivative CVAs and DVAs for non Monoline exposures are calculated using Monte-Carlo simulation to generate an expected exposure profile. The expected exposure is calculated at a counterparty level after netting and collateral are applied. The PD and LGD are derived from a combination of single name credit default swap prices where observable, industry curves, indices and loan/note pricing taking into account geographic factors, internal credit ratings, loss assumptions and ratings agency data.

For counterparties with an observable credit market, the PD and LGD are derived from single name credit default swap prices. For counterparties with no observable credit market, the PD and LGD are derived from either a generic or a specific curve. The PD and LGD is derived from internal credit ratings and the appropriate geographic index. Specific curves will incorporate any relevant additional factors into the generic curve.

Where the curve is unobservable and the CVA is significant to the overall value of the underlying derivative, the full value of the derivative and its associated credit valuation adjustment is deemed unobservable.

CVAs are not incorporated into the fair value of certain counterparties where it has been observed that the market does not apply a credit charge. The categories of counterparties excluded are as follows:

- Strongly collateralised counterparties – this is any counterparty with a collateral agreement with minimum weekly calls and the collateral threshold plus minimum transfer amount below a defined level;
- Certain highly-rated sovereigns, supra-nationals and government agencies; and
- Liquidity providers – when trading on the interbank market with certain collateralised market making counterparties no counterparty spreads are applied.

Where counterparty credit quality and exposure to that counterparty are linked, wrong way risk may arise. In these instances, wrong way risk suggests that exposure to the counterparty is likely to increase as counterparty credit quality deteriorates. Exposure to wrong way risk is limited via internal governance processes and deal pricing.

Barclays Capital uses credit default swap spreads to determine the impact of Barclays own credit quality on the fair value of derivative liabilities. At 31st December 2010, cumulative adjustments of £352m (31st December 2009: £307m) were recorded against derivative liabilities. The impact of these adjustments in both periods was more than offset by the impact of the credit valuation adjustments to reflect counterparty creditworthiness that were netted against derivative assets.

Own credit adjustments

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

For funded instruments such as issued notes, credit spreads on Barclays issued bonds represent the most appropriate basis for this adjustment.

At 31st December 2010, the own credit adjustment arose from the fair valuation of £96.0bn (31st December 2009: £86.0bn) of Barclays Capital's financial liabilities designated at fair value. Barclays credit spreads widened during 2010, leading to a profit of £391m (2009: loss £1,820m) from the fair value of changes primarily in own credit but also from the effects of foreign exchange rates, time decay and trade activity.

41 Fair value of financial instruments continued

Unrecognised gains as a result of the use of valuation models using unobservable inputs

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

	The Group		The Bank	
	2010 £m	2009 £m	2010 £m	2009 £m
Opening balance	99	128	70	113
Additions	56	39	41	19
Amortisation and releases	(18)	(68)	(12)	(62)
Closing balance	137	99	99	70

Sensitivity analysis of valuations using unobservable inputs

	Fair value		Favourable changes		Unfavourable changes	
The Group **Product type**	Total assets £m	Total liabilities £m	Profit and loss £m	Equity £m	Profit and loss £m	Equity £m
At 31st December 2010						
Commercial real estate loans	5,424	–	183	–	(167)	–
Asset backed products	4,628	(1,912)	317	11	(289)	(11)
Other credit products	1,097	(1,318)	38	–	(66)	–
Derivative exposure to Monoline insurers	1,449	–	78	–	(230)	–
Non-asset backed debt instruments	2,956	(2,719)	56	–	(55)	–
Equity products	1,478	(1,895)	156	8	(154)	(8)
Private equity	2,844	–	279	111	(280)	(69)
Funds and fund-linked products	1,084	–	275	–	(275)	–
Foreign exchange products	506	(241)	51	–	(52)	–
Interest rate products	2,407	(1,079)	38	–	(52)	–
Commodity products	493	(629)	30	–	(55)	–
Other	4,651	(199)	51	–	(55)	–
Total	29,017	(9,992)	1,552	130	(1,730)	(88)
At 31st December 2009						
Commercial real estate loans	7,170	–	429	–	(437)	–
Asset backed products	5,840	(2,334)	175	4	(175)	(4)
Other credit products	2,020	(2,827)	171	–	(152)	–
Derivative exposure to Monoline insurers	2 027	–	336	–	(532)	–
Non-asset backed debt instruments	3,127	(3,202)	145	2	(141)	(2)
Equity products	1,536	(1,922)	28	15	(28)	(15)
Private equity	1,978	–	267	73	(339)	(95)
Funds and fund-linked products	1,241	–	100	–	(100)	–
Foreign exchange products	761	(379)	33	–	(33)	–
Interest rate products	2 357	(1,775)	78	–	(78)	–
Commodity products	748	(581)	36	–	(36)	–
Other	1,451	–	52	–	(52)	–
Total	30,256	(13 020)	1,850	94	(2,103)	(116)

As part of risk management processes, an analysis is performed on products with significant unobservable parameters (Level 3) to generate a range of reasonably possible alternative valuations

The effect of stressing unobservable inputs to a range of reasonably possible alternatives would be to increase fair values by up to £1 7bn (2009 £1 9bn) or to decrease fair values by up to £1 8bn (2009 £2 2bn) with substantially all the potential effect impacting profit and loss rather than equity

The stresses applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data

Sensitivity methodologies are based on a range, standard deviation or spread data of a reliable reference source or a scenario based on alternative market views The level of shift or scenarios applied is considered for each product and varied according to the quality of the data and variability of underlying market The approach adopted in determining these sensitivities has continued to evolve during the year, in the context of changing market conditions

Commercial real estate loans

Unobservable inputs, include but are not limited to, market quoted origination spreads, internal credit ratings and loan subordination The sensitivity is determined by applying a +/- 3% shift for each underlying position based on the largest upward and downward price movement of observable published indices of a similar nature in the preceding 12-month period

Notes to the financial statements For the year ended 31st December 2010 continued

41 Fair value of financial instruments continued

Asset backed products
For non-agency RMBS, non-investment grade MBS, mortgage related asset backed credit derivatives and other ABS the price movements on appropriate indices are used Sensitivity is based on the average of the largest upward and downward price movement in the preceding 12-month period

Other credit products
The sensitivity of valuations of the illiquid CDS portfolio is determined by applying a +/- 0 2% stress to the DV01 for each underlying reference asset The stress is based upon the average bid offer spreads observed in the market for similar CDS

Derivative exposure to Monoline insurers
The main unobservable input for these exposures is the credit quality of the relevant Monoline insurers The approach to determine sensitivity is dependent on the credit quality of the Monoline insurer Sensitivity is computed by shifting the internal credit rating of the Monoline insurer based on scenario analysis determined by evaluating estimated counterparty ratings in the event of a decline in the market environment

Non-asset backed debt instruments
The sensitivity for convertible bonds, is determined by applying a +/- 1% shift to each underlying position The shift is based upon the bid offer spreads observed in the market for similar bonds

The sensitivity on corporate bonds portfolio is determined by applying a +/- 1% shift for each underlying position The shift is based upon the bid offer spreads observed in the market for similar bonds

The sensitivity for fixed and floating rate notes is calculated using a +/- 1% shift in credit spreads

Equity products
The sensitivity is estimated based on the dispersion of consensus data services either directly or through proxies

Private equity
The relevant valuation models are sensitive to each of a number of key assumptions such as projected future earnings comparator multiples, marketability discounts and discount rates Valuation sensitivity is estimated by flexing such assumptions to reasonable alternative levels and determining the impact on the resulting valuation

Fund and fund-linked products
The sensitivity is calculated on an individual fund basis using a loss based scenario approach which factors in the underlying assets of the specific fund and assumed recovery rates

Foreign exchange products
The sensitivity is based on the statistical spread of consensus data services, calculated using 2 standard deviations of the mid correlation dispersion

Interest rate products
Uncertainty relating to the valuation of the products is mainly driven from the range and the standard deviation of the consensus data used for price testing

For base rate derivatives the sensitivity is based on bid offer spreads of base rates swaps The sensitivity was determined by applying a +/-0 12% shift on the net PV01

Commodity products
Sensitivity is determined primarily by measuring historical variability over two years The estimate has been calculated using data for short dated parameter curves to generate best and worst case scenarios Where historical data is unavailable or uncertainty is due to volumetric risk, sensitivity is measured by applying appropriate stress scenarios or using proxy bid-offer spread levels

Other
The sensitivity for fixed rate loans is calculated using a +/- 1% shift in credit spreads, except for certain loans within Barclays Corporate where the sensitivity is calculated using a shift in credit spreads of +/- 0 02% -0 11%

No stress has been applied to the receivables relating to the Lehman acquisition As outlined in Note 25 it is possible to identify a maximum loss However, due to the uncertainty inherent in such legal proceedings, it is not possible to identify reasonable upside and downside stresses on a basis comparable with the other assets analysed

Valuation control framework
The Independent Valuation Control function is responsible for independent price verification, oversight of fair value adjustments and escalation of valuation issues This process covers all fair value positions and is a key control in ensuring the material accuracy of valuations

Price verification uses independently sourced data that is deemed most representative of the market The reliability of the data source is assessed in determining the independent valuation The characteristics against which the data source is assessed are independence, reliability consistency with other sources and evidence that the data represents an executable price The most current data available at balance sheet date is used Where significant variances are noted in the independent price verification process, an adjustment is taken to the fair value position Additional fair value adjustments may be taken to reflect such factors as bid-offer spreads, market data uncertainty, model limitations and counterparty risk

41 Fair value of financial instruments *continued*
Independent price verification results and fair value adjustments are reported on a monthly basis to the Valuation Committee This committee is responsible for overseeing valuation and fair value adjustment policy within Barclays Capital and this is the forum to which valuation issues are escalated

The Valuation Committee delegates more detailed review to the following five Sub-Committees Independent Valuations, Primary Commercial Real Estate, Available for Sale and Other Assets Models and Governance

The Independent Valuations sub-committee reviews the results of the independent price verification and fair value adjustment process on a monthly basis This includes, but is not limited to, reviewing fair value adjustments and methodologies, independent price verification results, limits and valuation uncertainty The Primary Commercial Real Estate and Available for Sale and Other Assets sub-committees focus on independent price verification results specific to the asset classes The Available for Sale and Other Assets sub-committee also assesses contingent risks and examines counterparty related issues

The Models sub-committee is responsible for overseeing policies and controls related to the use of valuation models This includes but is not limited to reviewing (i) global model risk reports and defining associated procedures and controls (ii) output from pipeline meetings and approximate booking meetings, and the trade approval process (iii) issues arising from model review (iv) population of valuation adjustments (v) defining policies and procedures relating to valuation models and (vi) instances of independent price verification variances or collateral disputes relating to model usage

The Governance sub-committee is responsible for the governance of valuation processes, policies and procedures This sub-committee oversees each sub-committee to ensure that the objectives set out in each committee's terms of reference are being achieved Regulatory and accounting issues related to fair value are also assessed by the Governance sub-committee

42 Reclassification of financial assets held for trading
Prior to 2010, the Group reclassified certain financial assets originally classified as held for trading that were deemed to be not held for trading purposes, and thus considered as loans and receivables

There were no additional reclassifications of financial assets during 2010

The carrying value of the securities previously reclassified into loans and receivables has decreased from £9,378m to £8,625m as a result of sales paydowns and maturities of the underlying securities, offset by foreign exchange movements and increases due to reversal of the discount on reclassification

Sales of securities from the 16th December 2008 reclassification totalled £390m (2009 £1 280m) and sales of securities from the 25th November 2009 reclassification totalled £178m (2009· £nil)

The following table provides a summary of the assets reclassified from held for trading to loans and receivables

	As at 31st December 2010		As at 31st December 2009	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Trading assets reclassified to loans and receivables				
Reclassification 25th November 2009	**8,081**	**7,842**	8 099	7,994
Reclassification 16th December 2008	**544**	**545**	1 279	1 335
Total financial assets reclassified to loans and receivables	**8,625**	**8,387**	9,378	9 329

The reclassified financial assets contributed £359m (2009 £192m) to interest income If the reclassifications had not been made, the Groups income statement for 2010 would have additional losses on the reclassified trading assets of £189m (2009 loss of £49m)

Notes to the financial statements
For the year ended 31st December 2010 continued

43 Segmental reporting
Since 1st January 2010 for management reporting purposes, we have reorganised our activities under the following business structure

- UK Retail Banking is a leading UK high street bank providing current account and savings products and Woolwich branded mortgages UK Retail Banking also provides unsecured loans protection products and general insurance as well as banking and money transmission services to small and medium enterprises
- Barclaycard is an international payments services provider for consumer and business customers including credit cards and consumer lending
- Western Europe Retail Banking provides retail banking and credit card services in Spain Italy, Portugal and France
- Barclays Africa provides retail, corporate and credit card services across Africa and the Indian Ocean as well as tailored banking services (including mobile banking and Sharia-compliant products)
- Absa provides a full range of retail banking services and insurance products through a variety of distribution channels It also offers customised business solutions for commercial and large corporate customers
- Barclays Capital is the investment banking division of Barclays It provides large corporate, government and institutional clients with a full spectrum of solutions to meet their strategic advisory, financing and risk management needs
- Barclays Corporate provides intergrated banking solutions to large corporates, financial institutions and multinationals in the UK & Ireland, Continental Europe and New Markets
- Barclays Wealth is the wealth management division of Barclays It focuses on private and intermediary clients worldwide, providing international and private banking, investment management, fiduciary services and brokerage
- Investment Management manages the Group's 19 9% economic interest in BlackRock, Inc and the residual elements relating to Barclays Global Investors which was sold on 1st December 2009
- Head Office Functions and Other Operations comprise head office and central support functions businesses in transition and consolidation adjustments

Comparatives have been restated to reflect this new Group structure, as detailed in our announcement on 22nd March 2010

Products and services offered to customers are organised by business segment as described above

This segmental presentation is consistent with the information provided to Barclays chief operating decision-maker to make decisions about allocating resources to, and assessing the performance of operating segments and is measured in accordance with IFRSs The financial information shown below includes the effects of intra-Barclays transactions between operating segments which are conducted on an arm's length basis and eliminated in a separate row Shared costs are included in operating segments on the basis of the actual recharges made

43 Segmental reporting continued

As at 31st December 2010	UK Retail Banking £m	Barclaycard £m	Western Europe Retail Banking £m	Barclays Africa £m	Absa £m	Barclays Capital £m	Barclays Corporate £m	Barclays Wealth £m	Investment Management £m	Head Office Functions and Other Operations £m	Total Continuing Operations £m
Interest income from external customers	2,949	2,653	591	534	1,554	684	1,749	668	(56)	1,192	12,518
Other income from external customers	1,617	1,337	573	265	1,366	12,414	1,276	947	134	(997)	18,932
Income from external customers, net of insurance claims	4,566	3,990	1,164	799	2,920	13,098	3,025	1,615	78	195	31,450
Inter-segment income	(48)	34	–	2	(21)	502	(51)	(55)	–	(363)	–
Total income net of insurance claims	4,518	4,024	1,164	801	2,899	13,600	2,974	1,560	78	(168)	31,450
Impairment charges and other credit provisions	(819)	(1,688)	(314)	(82)	(480)	(543)	(1,696)	(48)	–	(2)	(5,672)
Segment expenses – external	(2,682)	(1,609)	(1,265)	(718)	(1,902)	(8,330)	(1,560)	(1,160)	–	(741)	(19,967)
Inter-segment expenses	(127)	39	232	110	92	35	(347)	(189)	(11)	166	–
Total expenses	(2,809)	(1,570)	(1,033)	(608)	(1,810)	(8,295)	(1,907)	(1,349)	(11)	(575)	(19,967)
Share of post-tax results of associates and joint ventures	(1)	25	15	–	3	18	(2)	–	–	–	58
Profit on disposal of subsidiaries, associates and joint ventures	–	–	–	77	4	–	–	–	–	–	81
Gain on acquisitions	100	–	29	–	–	–	–	–	–	–	129
Business segment profit before tax	989	791	(139)	188	616	4,780	(631)	163	67	(745)	6,079
Additional information											
Depreciation and amortisation	176	171	98	70	145	415	87	52	–	13	1,227
Impairment loss – intangible assets	7	5	1	–	–	21	39	–	–	–	73
Impairment of goodwill	–	–	–	–	–	–	243	–	–	–	243
Investments in associates and joint ventures	3	58	88	1	56	199	(6)	–	–	119	518
Total assets	121,661	30,368	53,626	7,908	52,380	1,094,887	85,762	17,878	4,611	20,957	1,490,038
Total liabilities	118,799	5,960	31,078	7,551	29,938	1,032,758	79,558	48,743	263	72,749	1,427,397

Notes to the financial statements
For the year ended 31st December 2010 continued

43 Segmental reporting continued

As at 31st December 2009	UK Retail Banking £m	Barclaycard £m	Western Europe Retail Banking £m	Barclays Africa £m	Absa £m	Barclays Capital £m	Barclays Corporate £m	Barclays Wealth £m	Investment Management £m	Head Office Functions and Other Operations £m	Total Continuing Operations £m
Interest income from external customers	2,623	2,573	800	523	1,385	1,002	1,891	470	(37)	439	11 669
Other income from external customers	1,638	1 455	518	216	1 170	10 097	1,219	955	76	81	17,425
Income from external customers, net of insurance claims	4 261	4,028	1 318	739	2,555	11,099	3 110	1,425	39	520	29,094
Inter-segment income	15	13	–	–	(2)	526	71	(103)	1	(521)	–
Total income net of insurance claims	4,276	4,041	1,318	739	2,553	11 625	3,181	1,322	40	(1)	29,094
Impairment charges and other credit provisions	(1,031)	(1,798)	(338)	(121)	(567)	(2,591)	(1,558)	(51)	–	(16)	(8,071)
Segment expenses – external	(2,324)	(1,522)	(1 224)	(775)	(1,520)	(6 559)	(1 094)	(1,016)	2	(680)	(16,712)
Inter-segment expenses	(214)	(5)	337	237	69	(33)	(372)	(113)	(19)	113	–
Total expenses	(2,538)	(1,527)	(887)	(538)	(1,451)	(6 592)	(1,466)	(1 129)	(17)	(567)	(16 712)
Share of post-tax results of associates and joint ventures	3	8	4	–	(4)	22	–	–	–	1	34
Profit on disposal of subsidiaries, associates and joint ventures	–	3	157	24	(3)	–	–	1	(1)	7	188
Gain on acquisitions	–	–	26	–	–	–	–	–	–	–	26
Business segment profit before tax	710	727	280	104	528	2 464	157	143	22	(576)	4 559
Additional information											
Depreciation and amortisation	157	143	95	71	122	452	90	51	–	25	1,206
Impairment loss – intangible assets	4	17	1	1	2	–	1	–	–	1	27
Impairment of goodwill	–	–	–	–	–	–	1	–	–	–	1
Investments in associates and joint ventures	2	(5)	92	–	34	170	(5)	–	–	134	422
Total assets	109 443	30 340	51,042	7 908	45,787	1,019,259	88 856	14,940	5,404	6,169	1,379,148
Total liabilities	107,351	5,573	42 426	7,476	25 698	951 192	78,245	41 458	416	60,614	1 320 449

43 Segmental reporting continued

Geographical information

(i) A geographical analysis of revenues from external customers is presented below

	2010 £m	2009 £m
Continuing operations		
UK and Ireland	**12,817**	12,917
Europe region	**4,735**	4,359
Americas	**7,742**	6,531
Africa	**4,697**	4,016
Asia	**1,459**	1,271
Total	**31,450**	29 094

Individual countries which represent more than 5% of income from external customers are as follows

	2010 £m	2009 £m
UK	**12,724**	12,821
US	**7,172**	5,547
South Africa	**3,684**	2,980

In 2009, discontinued operations of the Barclays Global Investors business included £432m (2008 £319m) relating to UK and Ireland, £1,084m (2008 £1,181m) relating to Americas and £347m (2008 £416m) relating to Rest of the World

44 Financial risks, liquidity and capital management

The disclosures required under IFRS relating to financial risks and capital resources have been included within the Risk management and governance section on pages 11 to 65

This move has been to improve transparency and ease of reference, by concentrating related information in one place, and to reduce duplication The relevant disclosures have been marked as audited and can be found as follows

- credit risk, on pages 21 to 46,
- market risk on pages 47 to 52,
- liquidity risk pages 54 to 62, and
- capital resources on page 53

Notes to the financial statements
For the year ended 31st December 2010 continued

45 Critical accounting estimates
The Group's accounting policies are set out on pages 80 to 91 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

An analysis of financial instruments carried at fair value by valuation hierarchy, particulars of the valuation techniques used and a sensitivity analysis of valuations using unobservable inputs is included in Note 41 This note also includes a discussion of the more judgemental aspects of valuation in the period, including credit valuation adjustments on monoline exposures, commercial real estate loans, private equity investments, and fair value loans to government and business and other services

Approximately £2 6bn of the assets acquired as part of a 2008 aquisition of the North American business of Lehman Brothers had not been received by 31st December 2010 Approximately £2 0bn of this amount was recognised as part of the acquisition accounting and is included as an available for sale asset in the balance sheet As discussed in Note 25, on 22nd February 2011 the court issued its Opinion in relation to the related legal proceedings This Opinion holds that Barclays is not entitled to receive approximately £1 3bn and is only conditionally entitled to receive approximately £0 5bn, of the undelivered assets In addition the Opinion holds that Barclays is not entitled to approximately £1 3bn of assets it has already received

The anticipated final Order, referred to in Note 25 should clarify the precise impact of the decision set forth in the Opinion, and may be the subject of further proceedings or appeal by one or more of the parties concerned Barclays has considered the Opinion, the decisions contained therein and its possible actions with respect thereto As a result there is significant judgement involved in the valuation of this asset There is uncertainty relating to the interpretation of the Opinion and also the potential for further proceedings or appeals by the parties involved The Group takes the view that the effective allowance of £0 6bn that is reflected in its estimate of fair value is appropriate If the Opinion were to be unaffected by future proceedings and appeals, Barclays estimates that its maximum possible loss, based on its worst case reading of the Opinion, would be approximately £2 6bn after taking into account the £0 6bn effective provision The appropriate valuation of this asset will be kept under review as legal proceedings progress

Allowances for impairment
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

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 retail portfolios is £3 296m (2009 £3 919m) and amounts to 59% (2009 53%) of the total impairment charge on loans and advances in 2010

For individually significant assets, 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 Groups 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 whole sale portfolios is £2 329m (2009 £3,439m) and amounts to 41% (2009 47%) of the total impairment charge on loans and advances Further information on impairment allowances and related credit information is set out within the credit risk management section on page 38

The fair value of the Group's 19 9% holding in BlackRock Inc was £4 6bn as at 31 December 2010, as compared to £5 4bn as at 31 December 2009 and £5 1bn at original acquisition date (1 December 2009) For an available-for-sale equity instrument, impairment should be recognised if any decline in fair value is significant or prolonged The observed decline is not considered either significant or prolonged, in light of an increase in share price through the second half of the year and ongoing price volatility

The Group's loan to Protium Finance LP, as detailed on pages 43 to 45 is collateralised by underlying financial assets of the borrower The cash flow expected to be generated by Protium's assets over their contractual term would be sufficient to enable loan repayment However, following a reassessment of the period over which the loan is expected to be realised, it is considered appropriate to record an impairment calculated by reference to the fair value of these assets This has resulted in the recognition of an impairment charge of £532m as at 31 December 2010

45 Critical accounting estimates continued

Goodwill

Management have to consider at least annually whether the current carrying value of goodwill is impaired The first step of the process requires the identification of independent cash generating units and the allocation of goodwill to these units This allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition The 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 UK Retail Banking and Absa, where goodwill impairment testing performed in 2010 indicated that this goodwill was not impaired An analysis of goodwill by cluster, together with key assumptions underlying the impairment testing is included in Note 18 on page 108

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 Groups 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 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 most significant amounts of intangible assets relate to Absa and Lehman Brothers North American businesses

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 income statement 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 schemes 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 expectation of retail price inflation

The Group's IAS 19 pension deficit across all schemes as at 31st December 2010 was £2 896m (2009 £3,946m) There are net recognised liabilities of £239m (2009 £698m) and unrecognised actuarial losses of £2,657m (2009 £3 248m) The net recognised liabilities comprised retirement benefit liabilities of £365m (2009 £769m) and assets of £126m (2009 £71m)

The Group's IAS 19 pension deficit in respect of the main UK scheme as at 31st December 2010 was £2 552m (2009 £3 534m) The reduction in the deficit resulted principally from better than expected asset performance contributions paid in excess of the pension expense and a credit to past service costs following amendments to the treatment of minimum defined benefits

Further information on retirement benefit obligations, including the sensitivity of principal assumptions, is included in Note 27 on pages 118 to 125

Derecognition of financial assets

The Group derecognises a financial asset or a portion of a financial asset, where the contractual rights to that asset have expired Derecognition is also appropriate where the rights to further cash flows from the asset have been transferred to a third party and with them, either

(i) substantially all the risks and rewards of the asset, or

(ii) significant risks and rewards, along with the unconditional ability to sell or pledge the asset

Where significant risks and rewards have been transferred but the transferee does not have the unconditional ability to sell or pledge the asset, the Group continues to account for the asset to the extent of its continuing involvement ('continuing involvement accounting)

To assess the extent to which risks and rewards have been transferred,
it is often necessary to perform a quantitative analysis Such an analysis will compare the Groups exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer

A cash flow analysis of this nature typically involves significant judgement. In particular, it is necessary to estimate the asset s expected future cash flows as well as potential variability around this expectation The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios Probabilities are then assigned to each scenario Stressed parameters may include default rates, loss severity or prepayment rates

Where neither derecognition nor continuing involvement accounting is appropriate, the Group continues to recognise the asset in its entirety and recognises any consideration received as a financial liability

Notes to the financial statements
For the year ended 31st December 2010 continued

45 Critical accounting estimates continued

Income taxes

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income taxes necessarily involves a degree of estimation and judgement There are many transactions and calculations for which the ultimate tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made These risks are managed in accordance with the Groups Tax Principal Risk Framework

46 Events after the balance sheet date

On 22 February 2011, the US Bankruptcy Court for the Southern District of New York issued its opinion in relation to Lehman Brothers Holdings Inc Further information is provided on page 117

On 1 March 2011, Barclays agreed to acquire Egg's UK credit card assets Under the terms of the transaction, Barclays will purchase Egg's UK credit card accounts, consisting of approximately 1 15 million credit card accounts with approximately £2 3bn of gross receivables Completion is subject to competition clearance, and is expected to occur during the first half of 2011